

Routledge Studies in Social Enterprise & Social Innovation

SOCIAL ENTERPRISE IN ASIA

THEORY, MODELS AND PRACTICE

Edited by

Eric Bidet and Jacques Defourny



Chaire ESS
Économie Sociale
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Le Mans Université



Social Enterprise in Asia

In the absence of a widely accepted and common definition of social enterprise (SE), a large research project, the “International Comparative Social Enterprise Models” (ICSEM) Project, was carried out over a five-year period; it involved more than 200 researchers from 55 countries and relied on bottom-up approaches to capture the SE phenomenon. This strategy made it possible to take into account and give legitimacy to locally embedded approaches, thus resulting in an analysis encompassing a wide diversity of social enterprises, while simultaneously allowing for the identification of major SE models to delineate the field on common grounds at the international level.

These SE models reveal or confirm an overall trend towards new ways of sharing the responsibility for the common good in today’s economies and societies. We tend to consider as good news the fact that social enterprises actually stem from all parts of the economy. Indeed, societies are facing many complex challenges at all levels, from the local to the global level. The diversity and internal variety of SE models are a sign of a broadly shared willingness to develop appropriate—although sometimes embryonic—responses to these challenges, on the basis of innovative economic/business models driven by a social mission. In spite of their weaknesses, social enterprises may be seen as advocates for and vehicles of the general interest across the whole economy. Of course, the debate about privatisation, deregulation and globalised market competition—all factors that may hinder efforts in the search for the common good—has to be addressed as well.

The first of a series of four ICSEM books, *Social Enterprise in Asia* will serve as a key reference and resource for teachers, researchers, students, experts, policymakers, journalists and other categories of people who want to acquire a broad understanding of the phenomena of social enterprise and social entrepreneurship as they emerge and develop across the world.

Eric Bidet is an associate professor at the School of Law, Economics and Business Administration of Le Mans University (France), where he is the director of the Master of Social and Solidarity Economy.

Jacques Defourny is a professor of non-profit and cooperative economics and comparative economic systems at HEC Liege—Management School of the University of Liege, where he serves as the director of the *Centre for Social Economy*, which he founded in 1992.

Routledge Studies in Social Enterprise and Social Innovation

Series Editors: Jacques Defourny, Lars Hulgård,
and Rocio Nogales

Social enterprises seek to combine an entrepreneurial spirit and behaviour with the primacy of social or societal aims. To various extents, their production of goods or services generates market income, which they usually combine with other types of resources. A social innovation consists in the implementation of a new idea or initiative to change society in a fairer and more sustainable direction.

The “Routledge Studies in Social Enterprise & Social Innovation” series seeks to examine and promote these increasingly important research themes. It particularly looks at participatory governance and social-innovation dynamics in social enterprises and more widely in partnerships involving third-sector and civil-society organisations, conventional businesses and public authorities. In such perspective, this series aims to publish both breakthrough contributions exploring the new frontiers of the field as well as books defining the state of the art and paving the way to advance the field.

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Preface and Acknowledgements

This book is part of a series of four volumes produced under the International Comparative Social Enterprise Models (ICSEM) Project and focusing respectively on Asia, Latin America, Western Europe and Eastern Europe. Various countries not belonging to these major regions were also covered by the Project; the contributions linked to these countries have been published in a special issue of the *Social Enterprise Journal*.¹

Launched in July 2013, the ICSEM Project² is the result of a partnership between an “Interuniversity Attraction Pole on Social Enterprise” (IAP-SOCENT), funded by the Belgian Science Policy (BELSPO), and the EMES International Research Network. Over five years, it gathered around 230 researchers from some 55 countries across the world to document and analyse the diversity of social enterprise models and their ecosystems.

First and foremost, the production of these volumes relied on the efforts and commitment of local ICSEM Research Partners. It was also enriched through discussion in the framework of Local ICSEM Talks in various countries, Regional ICSEM Symposiums and Global ICSEM Meetings held alongside EMES International Conferences on Social Enterprise. We are grateful to all those who contributed, in one way or another, to these various events and achievements of the Project.

All ICSEM-related publications also owe much to the outstanding editorial work of Sophie Adam, Coordination Assistant, to whom we express special thanks. We are also grateful to Elisabetta Severi, who provided valuable assistance in the cleaning of the data collected through a common questionnaire in most countries.

We also want to express warm thanks to BELSPO and to our Supporting Partners, the “Fondation Crédit Coopératif” and the “Groupe Caisse des Dépôts” (France) as well as the “Baillet Latour Fund” (Belgium), for their crucial financial support.

Jacques Defourny and Marthe Nyssens
Scientific Coordinators of the ICSEM Project

Notes

- 1 Defourny, J. and Nyssens, M. (eds) (2017) “Mapping Social Enterprise Models: An International Perspective”, *Social Enterprise Journal*, Vol. 13, No. 4. The following countries were covered in this issue: Australia, New Zealand, Israel, the United Arab Emirates, Rwanda and South Africa. A contribution about the United States was published, together with contributions about work-integration social enterprises in Japan, Ireland and Switzerland, in a special issue of another journal (Cooney, K. and Nyssens, M. [eds] [2016] “Work Integration Social Enterprises”, *Nonprofit Policy Forum*, Vol. 7, No. 4).
- 2 www.iap-socent.be/icsem-project

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Editors and Contributors

Editors

Eric Bidet

Eric Bidet is an associate professor at the School of Law, Economics and Business Administration of Le Mans University (France), where he is the director of the Master of Social and Solidarity Economy. Since 2019, he has also been the co-president of ADDES (Association pour le Développement des Données sur l'Economie Sociale). He earned his PhD in Sociology in 2001 from the University of Paris Nanterre (France), with a thesis entitled *Social economy and civil society in South Korea*. He spent more than ten years in South Korea working there in several universities. His research interests are at the crossroads between two major issues: the comparative and dynamic analysis of the socio-economic development of South Korea; and the transposition and transformation of the Western concepts of social economy and social enterprise in the specific environment of Asia, and especially in South Korea.

Jacques Defourny

Jacques Defourny is a professor of non-profit and cooperative economics and comparative economic systems at HEC Liege—Management School of the University of Liege, where he serves as the director of the *Centre for Social Economy*, which he founded in 1992. He was also the founding coordinator (1996–2001) and the first president (2002–2010) of the *EMES International Research Network*, which gathers fourteen university research centres working on social enterprise and various facets of the “third sector”. He also acts as the scientific coordinator, together with Marthe Nyssens, of the “International Comparative Social Enterprise Models (ICSEM) Project” (2013–2019), which involves some 230 researchers from 55 countries in all world regions. His research interests focus on conceptual and theoretical approaches of the social economy and its various types of organisations (cooperatives, non-profit organisations, mutual societies, social enterprises, etc.) in industrialised and developing countries.

Contributors

Anirudh Agrawal

Anirudh Agrawal is currently affiliated as a sustainability researcher, focusing on impact investing, at Copenhagen Business School; he also works full-time as a project coordinator for the International advisory services at Frankfurt School of Finance and Management, focusing on sustainable finance. He has published on (social) entrepreneurship, digital entrepreneurship, impact investing and CSR. Earlier he was a full assistant professor at Jindal Global University and a visiting assistant professor at Bennett University in India.

Olivier Brolis

Olivier Brolis holds a PhD in Economics and Management Science; he is a professor and researcher affiliated with the CIRTES, Catholic University of Louvain, and the CES, University of Liege (Belgium). His main disciplines are labour economics, social enterprise and social policy. Specifically, his research focuses *inter alia* on the impact of organisations' mission on job quality, organisational performance, discrimination and motivation at work, and on the digitalisation of social enterprises developing proximity services.

Marie Lisa Dacanay

Marie Lisa Dacanay holds a PhD in Organisational and Management Studies from Copenhagen Business School (Denmark). She is the founding President of the Institute for Social Entrepreneurship in Asia (ISEA). She has led pioneering multi-country research on social entrepreneurship as a pathway to poverty reduction, women's economic empowerment and sustainable development in Asia. She is an adjunct professor at the Ateneo de Manila University Graduate School of Business in the Philippines.

Hyungsik Eum

Hyungsik Eum is a sociologist. He works as a strategy and statistics coordinator at the International Co-operative Alliance (ICA) and is also an associate researcher at the Centre for Social Economy, University of Liège (Belgium). He has worked on several issues concerning cooperatives and the social economy, in particular comparative studies on worker and social cooperatives, statistics on cooperatives, cooperative employment and institutionalisation of the social economy.

Deok Soon Hwang

Deok Soon Hwang got his PhD in Economics from Seoul National University in 1996. He has been a research fellow at the Korea Labour Institute since 1997. His research area covers employment policy, employment insurance and the social economy in Korea. Since July 2017, he has worked as a secretary to the president of Korea for employment and labour policy in Moon Jae-in administration.

Prajakta Khare

Prajakta Khare is currently an associate professor at the Institute of Global Human Resource Development at Okayama University (Japan). Her research interests include social innovation and entrepreneurship, social capital and social networks, mainly focusing on factors influencing social impact in Indian enterprises.

Sothy Khieng

Sothy Khieng is a senior research fellow at Cambodia Development Resource Institute (CDRI). He has done research on technical training and skills development in Cambodia, public health, cross-border trade, social enterprise and post-secondary education. He teaches development studies and non-profit management and social enterprise in Phnom Penh (Cambodia). He has a PhD in Organisation Sciences from Vrije Universiteit Amsterdam (The Netherlands) and a Master of Arts in International Development Studies from Ohio University (USA).

Ken'ichi Kitajima

Ken'ichi Kitajima is a professor of Third-Sector Socio-Economics at the College of Community and Human Services, Rikkyo University (Japan). His research interests are in community and economic activity. He has conducted theoretical as well as empirical research and published widely on this theme.

Yu-Yuan Kuan

Yu-Yuan Kuan, PhD, is professor of Social Welfare at National Chung Cheng University, Chiayi (Taiwan). His current research focuses on the governance of non-profit organisations, civil society, political economy of the welfare state, and social entrepreneurship and social economy. He has served on the Board of Taiwan Fund for Children and Families, the largest child welfare NPO in Taiwan, since 2003, and has also served on the Board of Children Are Us Foundation since 2013.

Akira Kurimoto

Akira Kurimoto is a professor at the Institute for a Solidarity-based Society at Hosei University, Tokyo (Japan). He served as Chair of the ICA (International Co-operative Alliance) Research Committee (2001–2005). He is Chair of the ICA Asia-Pacific Research Committee. His main discipline is legal science and his major research interests include cooperative laws, cooperative history, corporate governance, food-supply chains, health and social-care cooperatives and the social economy.

Isaac Lyne

Isaac Lyne is a post-doctoral research fellow at the Institute of Culture and Society, Western Sydney University (Australia), where he gained his PhD for a thesis on social enterprise and community development

in Cambodia. His disciplinary fields are human geography, development studies and social enterprise. He lectures in development studies and previously coordinated a British Council-funded social enterprise project at the Royal University of Phnom Penh (Cambodia).

Matsuyo Makino

Matsuyo Makino, PhD, is a professor emeritus at University of Hyogo, Kobe (Japan). She is an economist, and her research covers broad areas in development, public policy and social economy, including regional disparities in China, sustainable economic welfare indicators, community-based disaster recovery/preparedness and sustainable community development. Her current research focuses on rural enterprises and on welfare regimes and social economy in Japan.

Tetsuya Morita

Tetsuya Morita is an associate professor at Tokyo Christian University (Japan). He holds a Master of International Public Policy from Duke University (US). Before moving to academia, he had served with an international NGO in Nicaragua and Ethiopia. Morita's research interests include religion and development, organisational theory and social entrepreneurship. His most recent project involves the role of Christian faith in addressing mission drift in faith-based social enterprises in Ethiopia.

Prapin Nuchpiam

Prapin Nuchpiam teaches law at the National Institute of Development Administration (NIDA) in Bangkok (Thailand). She holds a PhD in Corporate and Commercial Law, which she obtained from Durham University (UK). Her main areas of interest include corporate and social enterprise law, law and development, and international tax law. She currently sits on one of Thailand's law reform committees and has closely followed the work on the country's first Social Enterprise Promotion Bill since its initiation in 2015.

Marthe Nyssens

Marthe Nyssens is a full professor at the School of Economics of the Catholic University of Louvain (Belgium) and a member the Centre de Recherches Interdisciplinaires Travail, État, Société (CIRTES). She is currently the president of the EMES Network and the chair of the COST action "Empowering the next generation of SE scholars". Her research deals with socio-economic logics of "not-for-profit organisations" (associations, cooperatives, social enterprises, etc.) and their articulation with public policies, the market and civil society.

Pauline Pramudija

Pauline Pramudija earned a Master of Science from the London School of Economics and Political Science (LSE, UK) and from the Asian

Institute of Management (the Philippines). She is currently doing her PhD research at Ruhr-University (Germany).

Aluisius Hery Pratono

Aluisius Hery Pratono is a senior lecturer at the Department of Economics, Faculty of Business and Economics, Universitas Surabaya (UBAYA, Indonesia). He obtained a BA in Economics from Gadjah Mada University (Indonesia) and a Master of Development Management from the Asian Institute of Management (Philippines). He received his PhD in Entrepreneurship from Universiti Utara Malaysia (UUM, Malaysia). He was a recipient of the Indah Kiat-Ciwi Kimia Scholarship Award and of the Asian Development Bank Japan Scholarship Award.

Chanya Punyakumpol

Chanya Punyakumpol is a lawyer by training; she is interested in social entrepreneurship as a tool to make the world a better place. She worked as a lecturer at Thammasat University (Thailand), teaching courses relating to social entrepreneurship, social innovation and the ways in which law can promote their growth. She received a degree in Applied Mathematics and Economics from Stanford University (US) and a JD from Cornell Law School (US). She is currently a PhD candidate in international law at the Graduate Institute, Geneva (Switzerland).

Jieun Ryu

Jieun Ryu is a lecturer in Business Entrepreneurship at the University of Northampton (UK), and a teaching associate at Warwick Business School, University of Warwick (UK). She completed her PhD at Warwick Business School in 2017. Her research interests are social enterprise, civil society and alternative movements, sustainability and business ethics. Ryu has been working in the social enterprise field as a researcher and business advisor for ten years.

Ari Sutanti

Ari Sutanti serves as a Senior Programme Manager at British Council Indonesia. She graduated from the University of Indonesia in 1998 and received a bachelor's degree in Mass Communications. She was then awarded the British Chevening Award (2004–2005) to continue her master's degree in International Relations and Development Studies at the University of East Anglia, Norwich (UK).

Yong Yuan Teh

Yong Yuan Teh is a PhD candidate at Monash University (Malaysia), a business graduate and a fellow of the Association of Chartered Certified Accountants. He holds a Master of Missiology from Malaysia Baptist Theological Seminary (MBTS). His research interests include social innovation, social entrepreneurship and Christian research in the urban context. He is involved with Monash University, MBTS,

RADIUS Initiatives and Capturans through teaching, research, training and consultancy to encourage social impact through practical initiatives.

Shu-Twu Wang

Shu-Twu Wang, PhD, is a professor in the Department of Social Work at National Pingtung University of Science and Technology, Pingtung (Taiwan). His research focuses on the issues of non-profit organisations (NPOs), social enterprise and programme evaluation. He has carried out several projects linked to the institutional analysis of NPOs, the development and characteristics of social enterprise in Taiwan, the evaluation of NPOs' social performance and community-based social-enterprise research in Taiwan.

Yu-Feng Wong

Yu-Feng Wong earned a Bachelor of Psychology from Chung Yuan Christian University (Taiwan), a Master of Labour Studies from National Chung Cheng University (Taiwan), and a doctorate in social sciences from the Cardiff University (UK). He is an assistant researcher at National Cheng Kung University. His work focuses on reshaping social resources redistribution structure in terms of interdisciplinary collaboration and provides case-based practices for rural revitalisation policy, both locally and globally.

Xiaomin Yu

Xiaomin Yu is an associate professor and the director of the Corporate Social Responsibility and Social Enterprise Research Centre at the School of Social Development and Public Policy, Beijing Normal University (China). Her research areas cover social enterprise, corporate social responsibility and civil society.

Yuanfeng Zhang

Yuanfeng Zhang graduated from Wuhan University with a bachelor's degree in Economics in 1992, a master's degree in Business Management in 1998 and a PhD in Business Management in 2003. She is a Professor at the School of Public Administration, Zhongnan University of Economics and Law (China). Her research focuses on non-profit organisations and public services.



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Introduction

The Rising Interest for Social Enterprise in Asia

Eric Bidet and Jacques Defourny

Numerous works have been carried out since the 1990s to apprehend and describe the reality and the scope of so-called “non-conventional” economic initiatives and organisations in Asian countries. Different terms have been used to qualify such initiatives: non-profit organisations (NPOs), non-governmental organisations (NGOs), cooperatives, social economy organisations (SEOs), informal economy, self-help initiatives, third-sector organisations (TSOs), etc. The European concept of social economy has been an important early source of inspiration for some of these works, for example through studies carried out by researchers affiliated to the Japanese section of CIRIEC International, which was established as early as 1985 (Tomizawa and Kawaguchi 1997; Nohara 1999). In a similar vein, Bidet (2000) proposed an early analysis of the social economy in South Korea. This influence of the European concept of social economy more recently reached the political and professional spheres as well, with the creation, in 2011, of the Intercontinental Network for the Promotion of Social Solidarity Economy (*Réseau Intercontinental de Promotion de l'Economie Sociale et Solidaire*, or RIPESS), which has regularly organised the Asian Solidarity Economy Forum since its first edition, in 2007, in the Philippines. The launching of the Global Social Economy Forum by Seoul Metropolitan City in 2013 is another signal of such evolution.

Another significant and early influence can be found in the American concept of non-profit sector, which reached Asia *inter alia* through the Johns Hopkins comparative project. The latter indeed included Japan, India and Thailand in its first stage, in 1993, and was subsequently, in successive stages, enlarged to other Asian countries like South Korea, Pakistan or the Philippines. The influence of the non-profit sector concept was also felt in the academic conferences organised by the ISTR Asia Pacific Regional Branch since 1999. This dynamic generated the first special issue of *Voluntas* dedicated to Asia; it was co-edited by Lyons and Hasan (2002) and included articles on China (Ma 2002), South Korea (Bidet 2002), Bangladesh and Nepal (Ulvila and Hossain 2002; Rafi and Mallick 2002) and the Philippines (Aldaba 2002). In their presentation

2 Bidet and Defourny

of this pioneering *Voluntas* issue, Lyons and Hasan underlined the fact that these five articles increased by one-third the number of articles about Asia that had been published at the time by this journal. The situation has since deeply changed; *Voluntas* now often publishes papers dealing with Asian countries, and the journal even devoted, in 2016, an entire issue to Chinese civil society, non-profit organisations and citizenship, and their institutional environment.

Although most of these early contributions were limited to a national survey or a single-country perspective, there were also a few attempts to offer a comparative view of several Asian countries. These attempts provided very interesting and largely innovative insights, which helped to grasp basic differences between third-sector organisations in different Asian countries, but they usually remained a collection of separate and disconnected research works, using very different methodological approaches. They contributed, however, to highlighting the diversity of both the academic situation and the interest for third-sector organisations among countries that were themselves very different in economic, social, political and cultural terms. As stressed by Hasan (2015: 1011), “apart from Japan and the Republic of Korea, the research infrastructure [on the third sector] has been weak in other countries in Asia”. Indeed, research about TSOs in Asian countries often depended on the personal involvement of individual scholars, who often lacked strong support by their academic institutions. Combined with the language barrier, which limited many surveys within national boundaries, this weak recognition limited the scope and impact of this field of research in most Asian countries until the late 2000s.

A new research stream appeared around the emerging concept of “social enterprise” (SE) and the setting up of an informal research group on social enterprise in Eastern Asia in 2008, within the influential academic sphere of the EMES International Research Network.¹ This initiative certainly represented the first attempt by researchers from several East Asian countries to adopt a common approach to their respective social enterprise landscapes. It led to the organisation, in 2010, of the first International Conference on Social Enterprise in Asia (ICSEA), which was held at Taiwan National University, in Taipei. The ICSEA initiative served as the basis for a special issue of the *Social Enterprise Journal*, co-edited by Defourny and Kuan (2011), which offered one of the earliest analyses on the emergence and main features of social enterprise in China (Yu 2011), Hong Kong and Taiwan (Chan *et al.* 2011), Japan (Laratta *et al.* 2011) and South Korea (Bidet and Eum 2011). It also contributed to setting the grounds for a comparative analysis of social enterprise in Eastern Asia and for a debate about the key features and forms of different models of social enterprise in this region. As a result, Defourny and Kim (2011) put forward a first typology of SE models in Asia, which included five distinct models: the “trading NPO” model, which is strongly influenced by a US

conception of social enterprise; the “work integration social enterprise” model, which is closely related to public schemes and policies fostering labour-market access for disadvantaged categories of people; the “non-profit cooperative enterprise” model, which reflects the emergence of a new wave of cooperatives, pursuing social or societal goals, and not just their members’ interests; the “social enterprise stemming from non-profit/for-profit partnerships” model, that is closely connected to corporate CSR initiatives; and the “community development enterprise” model, which is geared towards local challenges in a specific geographical area.

It is now well-documented that the concept of social enterprise emerged simultaneously in the US and in Europe in the 1990s, in reference to a set of new entrepreneurial initiatives pursuing social goals (see Dees 1998; Defourny 2001; Dees and Anderson 2006; Nicholls 2006; Defourny and Nyssens 2010, among other authors). Since the late 1990s, the quest for a widely accepted definition of social entrepreneurship and/or social enterprise has been a central issue in a great number of works. Those conceptual attempts also contributed to identifying a few fundamental issues surrounding social enterprises, like the specific profile and role of individual social entrepreneurs; the central place of innovation and, more especially, social innovation; the capacity of non-profit organisations to earn market income in a context of shrinking public funding; the importance of governance and profit allocation as elements of trust; or the appropriate level of autonomy from public authorities and/or market influence.

In this fast-growing literature, some comparative works were developed at the international level: Borzaga and Defourny (2001) as well as Nyssens (2006) for Western European countries; Borzaga *et al.* (2008) for Central and Eastern Europe; Defourny and Kuan (2011) for Eastern Asia; and Kerlin (2009) for countries from various parts of the world. All these works contributed to a better understanding of the main features and dominant conceptions of social enterprise in several regions, but they were based on conceptualisations and/or policy frameworks shaped by specific national or regional contexts and, therefore, most of their analytical grids were country-specific to varying degrees. Moreover, they did not rely on systematic data collection at enterprise level.²

1. The “ICSEM” Project

Against such background, the “International Comparative Social Enterprise Models (ICSEM) Project” was designed and undertaken with one main objective, namely to document the diversity of SE models as a way: (1) to overcome most problems related to the quest for a unifying and encompassing conceptualisation of social enterprise; (2) to show that it was feasible to theoretically and empirically build an international typology of SE models; and, consequently, (3) to pave the way for a better

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understanding of SE dynamics and eco-systems. Moreover, the ICSEM Project was based on the assumption that a solid and scientific comparative knowledge of social enterprise worldwide implied to analyse these organisations through a multi-level approach, combining the micro, macro and meso levels, and relying on empirical studies using a common methodological approach and common tools.

After a year devoted to preparing the basis for this worldwide comparative research project, under the auspices of the EMES International Research Network and within an “Interuniversity Attraction Pole on Social Enterprise” funded by the Belgian Science Policy Office (BEL-SPO), the ICSEM Project was officially presented and launched in early July 2013, just after the 4th EMES International Research Conference on Social Enterprise, held at the University of Liege, Belgium. From the outset, some 100 researchers from 25 countries decided to get involved and committed themselves to carrying out the proposed work over at least four years. Over the following twelve months, many other researchers joined the Project; in total, about 230 research partners from some 55 countries and all regions of the world became part of the ICSEM research community.

All the researchers involved in the project were first asked to provide a “country contribution” about the SE “phenomenon” or “landscape” in their respective countries. Each contribution had a threefold aim:

- First, it should help to *understand concepts and contexts* and to appreciate the use and the relevance of the notion of social enterprise in each country, the existence of alternative concepts, the interest of public authorities for social enterprise and the specific schemes that these authorities set up for their promotion and support.
- Secondly, it also aimed to *map SE models*, i.e. to identify and characterise the main categories of social enterprise as well as their fields of activity, social mission and target groups; the public or private supports from which they benefit; their operational and governance models; their stakeholders, etc.
- Finally, it should eventually propose an analysis of “*institutional trajectories*” through the identification and description of the main “institutions” (at large) shaping the profile of social enterprises: legal frameworks used by social enterprises, public policies and programmes, major financial supports or other tools such as norms or accreditations, federations of which social enterprises are members, private charters to which they subscribe, etc.

In order to make up for the lack of reliable datasets at enterprise level and to allow undertaking international comparative works, the second phase of the ICSEM Project aimed to collect in-depth information on social enterprises deemed emblematic of the different SE categories or models

identified in the country contributions. In such a perspective, a common questionnaire was co-produced with all research partners and used by them to interview social enterprise managers in their country. Although the actual number of interviews differed across countries, detailed data were collected in a rather homogenous way for 721 social enterprises from 43 countries. Needless to say, the database which resulted from such survey represents a key achievement of the ICSEM Project.

Quite logically, the last phase of the ICSEM Project, currently underway, aims to exploit this unique dataset, especially through statistical analysis of the main SE dimensions that were covered by the common questionnaire.

2. Understanding the Asian Context Surrounding Social Enterprise

As social enterprises are often regarded as new strategies to tackle social and societal problems, in order to analyse social enterprises in Asian countries, we first have to better understand the main challenges these countries are facing as well as the contexts in which social enterprises operate.

2.1. Socio-Economic Aspects

As Krugman (1994) stressed in his famous article on what the World Bank popularised as “Asia’s miracle”, Asian countries may look, at first glance, very similar to European or American ones, but a closer examination reveals that they actually present important differences. India is a world in itself, as is China—whose influence extends to a large part of Southeast Asia. Since the early 1990s, numerous works have tried to catch the specific features of Asian economic development: they identified as strong common characteristics the central role of public authorities and the social influence of religions, including Confucianism (even though this is not, strictly speaking, a religion). To understand the economic environment of Asia, other features also deserve attention, such as the strong influence exerted by the Japanese model of development and, more recently, by the South Korean one; both foreign investments by big corporations and international aid by governmental agencies; or the central economic role of the Chinese diaspora, especially in Southeast Asia.

It should be noted first that, more than any other continent, Asia offers a highly diversified picture—which can however be partially apprehended through large comparative surveys and general indexes, despite their limits and weaknesses (see Table 0.1). The countries surveyed in this book include major economic powers (Japan, China, South Korea and India), emerging economic players (Thailand, Indonesia, Taiwan and Malaysia), but also countries that still remain very poor (the Philippines, Vietnam

and Cambodia). Beyond this diversity, it should be stressed, however, that, with the exception of Japan, all these countries register today a robust economic growth, and many of them even used to have a double-digit growth in the past decades. Also worth underlining is the fact that the countries covered by this book represent almost half of the world's population and include three among the top ten world economies.

Broadening the perspective, the Human Development Index (HDI) ranking of these countries ranges from the 17th position (Japan) to the 143rd one (Cambodia), with half of them above the 100th rank. The ten surveyed countries can be distributed into four groups: (1) well-developed countries in economic but also in social and education terms (Japan and South Korea—and likely Taiwan, although comparable data are not available for this country); (2) strong economies, with an intermediate level of development in social and education terms (Malaysia); (3) quite well-developed economies, with a lower level of development in social and education terms (China, Thailand, Indonesia and the Philippines); and (4) countries with lower levels of development for all three dimensions of the HDI (Cambodia, Vietnam and India).

Regardless of their level of development, all ten countries surprisingly display an unemployment rate that does not exceed 5%, and for most of them even remains between 2 and 4% (and is even lower than 2% in a few cases). When combined with poverty indicators, the relatively low unemployment rates confirm that poverty is not necessarily connected to the absence of job—although these figures could also indicate that the “official” unemployment rate does not reflect the real situation of the labour market. According to the World Bank (2018), more than 40% of the extremely poor in the world (people living with less than US\$1.90 per day) are living in East Asia and the Pacific, but they are concentrated in a few low-income countries and, in more affluent ones, in remote areas. In the wealthiest countries of our sample, i.e. Japan and South Korea, the level of relative poverty (see Table 0.1) is indeed among the highest among OECD countries, which suggests that these societies actually leave out a significant part of their population and are indeed “dual societies”.

2.2. Welfare Systems and Cultural Environments

The scope and forms of the SE phenomenon in a given national context are sometimes considered to be closely connected to the type of welfare regime and the amount of social expenditure, and more particularly public social expenditure, in this context. Such an institutional perspective was developed in numerous works analysing the non-profit sector and eventually led Salamon and Anheier (1998) to elaborate the so-called “social origins theory”. Kerlin (2013, 2015, 2017) adopted such an approach to show how socio-economic and regulatory institutions at the national level tend to shape different types of social enterprise and

Table 0.1 Socio-economic development of Asian countries at a glance

	<i>Cambodia</i>	<i>China</i>	<i>India</i>	<i>Indonesia</i>	<i>Japan</i>	<i>Malaysia</i>	<i>Philippines</i>	<i>South Korea</i>	<i>Thailand</i>	<i>Vietnam</i>	<i>Unit</i>	<i>Source</i>
Population	16	1,386	1,339	264	126.8	31.6	104.9	51.4	69	90	Millions of persons	WORLD BANK
GDP ranking	107	2	6	16	3	37	38	12	25	45		WORLD BANK
GDP (PPP*)/ hab.	4	16.8	7	12.2	43.8	29.4	8.3	38.2	17.8	5.7	Thousands of USD	WORLD BANK
GDP (PPP*)/ hab. ranking	143	82	124	100	30	50	119	32	75	127		KNOEMA
Growth rate	6.8	6.9	6.6	5.1	1.7	5.9	6.7	3.1	3.9	5.4	%	WORLD BANK
Unemployment rate	0.2	4.7	3.5	4.2	2.8	3.4	2.4	3.7	1.1	2.1	%	ILO
HDI	0.563	0.738	0.624	0.689	0.903	0.789	0.682	0.901	0.740	0.683		PNUD
HDI ranking	143	90	131	113	17	59	116	18	87	115		PNUD
Gini Index	n/a	42.2 (2012)	35.1 (2011)	39.5 (2013)	33 (2016)	40 (2016)	40.1 (2016)	31.6 (2012)	37.8 (2013)	34.8 (2014)		KNOEMA/OECD
Relative poverty **	14 (2014)	4.5 (2016)	22 (2011)	11.2 (2015)	16 (2016)	n/a	25.2 (2012)	18 (2016)	10.9 (2013)	8.4 (2014)	%	ASIAN DEVELOPMENT BANK

* PPP: purchasing power parity.

** Relative poverty: percentage of the population living below the national poverty line.

Unless otherwise indicated, all data are for 2017, except data about HDI and HDI Ranking (2016)

contribute to different national conceptions of social enterprise. Regarding welfare regimes in Asia, one of the most influential analyses was put forward by Holliday (2000), who proposes to enlarge Esping-Andersen's well-known typology of welfare regimes and argues that there is an additional model of welfare, specific to Asian countries, which he calls the "productivist welfare capitalism". This welfare regime is based on a growth-centred state and the subordination of all aspects of state policy to economic goals. The result is a type of welfare regime mixing elements of both the liberal and the conservative regimes of Esping-Andersen's typology. However, beyond such broad elements of potential convergence regarding welfare regimes in Asia, national situations are actually very diverse, as expressed, for example, by the total public social expenditure as a percentage of GDP: although systematic data about this ratio are not available for each surveyed country, ILO and OECD data allow to highlight the wide diversity in this regard, with a spectrum ranging from 23.1% in Japan, 10.4% in South Korea or around 10% in Taiwan to less than 3% in other countries.

It may be argued that some of the countries analysed in this book (such as South Korea and Taiwan) developed a welfare system inspired by Japan, with a strong orientation towards a potentially universal welfare system, including a long-term insurance scheme that has, in Japan and South Korea, a direct influence on social enterprises *qua* services providers. In others, by contrast, the state has a very residual role in the welfare system, and social policies are extremely limited and focus mostly on providing basic benefits to the most disadvantaged categories of the population; this is probably not disconnected from the fact that most of the surveyed countries are young democracies, which only recently escaped Western or Japanese domination and/or various forms of political dictatorship and, for some of them, experienced dramatic and devastating tragedies (Korean War; Vietnam War; Khmer Rouge Regime in Cambodia; Mao's Cultural Revolution in China and Taiwan). Thus, many works stress that, as a consequence of such contemporary history, there was little room for an autonomous and independent civil society to develop until the late 1980s in Japan, South Korea or Taiwan, or even until more recently in the case of China, Vietnam or Cambodia.

The ten surveyed countries also present an interesting picture in terms of cultural environment, as is stressed, for example, in the World Value Survey (WVS), which has been regularly released since the 1980s with the aim of measuring changing values worldwide and their impact on social and political life. These surveys analyse economic development, democratisation, religion, gender equality, trust, social capital and subjective well-being. They led Inglehart and Welzel (2005) to elaborate the "WVS Cultural Map", which may be seen as a global typology of societies based on a double opposition—between so-called "traditional values" (observed in societies that emphasise religion, deference to authority,

traditional family values) and “secular-rational values” (typical of societies that place less emphasis on traditional values and therefore show a higher tolerance towards issues like divorce, abortion, euthanasia or suicide); and between so-called “survival values” (which characterise societies that emphasise economic and physical security) and “self-expression values” (observed in societies that give a high priority to environmental protection, demonstrate growing tolerance of foreigners, gays and lesbians, support gender equality and are characterised by rising demands by citizens for participation in decision-making in economic and political life). On this basis, the analysis of WVS results shows that all Asian countries offer a weak orientation towards self-expression values. It also stresses, however, that Asian countries can be classified into two different groups: (1) a group governed by the so-called “Confucian culture”, where secular and survival values are privileged (Japan, China, South Korea and Taiwan); and (2) a group governed by the so-called “South-Asian culture”, where traditional and survival values are dominating (Vietnam, Cambodia, India, Malaysia, Thailand and Indonesia). According to works by authors such as James (1989), who tried to identify a link between cultural values and the importance and features of the third sector, an orientation towards secular-rational values should be considered *a priori* as a more favourable environment for the development of social enterprises. As to the orientation toward survival values rather than self-expression values, which is common to all Asian countries, it might be reflected in a stronger involvement of social enterprises in economic issues and a weaker one around broader societal issues.

3. Contents and Structure of the Book

This book is based on contributions about ten Asian countries that were drawn up in the framework of the ICSEM Project.³ It includes three parts: The first one proposes country-level analyses of social enterprise in seven Asian countries (Cambodia, China, India, Indonesia, South Korea, Taiwan and Thailand). As explained above, these chapters, which are derived from contributions produced in the first phase of the ICSEM Project, focus on the various national contexts and on the concepts used therein to capture the SE phenomenon or landscape. It is important to note that no *a priori* definition of social enterprise was imposed on local researchers. This methodological strategy was adopted in a perspective favouring a bottom-up approach, with a view to capturing the dynamics and initiatives that can be understood as social enterprises or SE-like organisations. These enterprises are also analysed in the light of their historical background as well as in their current ecosystem, which can be more or less conducive to the development of social enterprise.

The second part of the book proposes a set of contributions that document the reality of social enterprise in a few Asian countries with regard

to specific issues. Two chapters deal with the forms of social enterprise engaged in rural community development. They show that this issue does not only concern the poorest and still mostly agricultural economies; SEs active in this field can indeed be observed in very different countries, like Indonesia, Taiwan or Japan. The next two contributions, which focus on social services provision, allow us to compare the cases of Japan and South Korea in this regard. These two countries are facing very similar social transformations (in particular, a very rapidly ageing population), which led them to develop new initiatives, including a long-term-care insurance scheme that brings stable revenues to social enterprises, and especially to social cooperatives, which are seen as efficient service providers. The last two chapters of this part are devoted to the specific role of social enterprises regarding poverty alleviation and social inclusion; they underline the critical role played by social enterprises in this regard through the examples of the Philippines and China. The specific characteristics of each of these two contexts help with understanding the very different dynamics that can be observed among social enterprises—which are more participative in the Philippines, and more “centralised” in China.

The third and last part of the book contains three chapters; it presents a few complementary perspectives for a comparative analysis of social enterprise in Asian countries. The first chapter summarises the main outcomes of a study on social enterprise and agricultural value chains in four southeastern Asian countries (the Philippines, Indonesia, Thailand and Vietnam). The second one is an original analysis of the way in which religions influence social enterprise in three countries with quite different religious traditions (Buddhism in Cambodia, Islam in Malaysia and Christianity in South Korea). The final chapter provides an analysis grounded in the exploitation of the unique dataset that was built up by the ICSEM Project through conducting a survey based on a common questionnaire, among more than 700 social enterprises. Empirical results for Asia are confronted to the typology of SE models (Defourny and Nyssens 2017) highlighted through the ICSEM dataset at the world level (Defourny *et al.* 2019) and to the typology put forward earlier by Defourny and Kim (2011) at the East Asian level. Together, these three chapters provide the basis for a better understanding of social enterprise in Asia and they pave the way for a discussion about the existence—or the absence—of one or several models of social enterprise that would be specific to Asia.

Notes

- 1 The acronym “EMES” came from the title (in French) of a large research project (carried out between 1996 and 2000 in the 15 countries that then

- formed the European Union)—namely “The Emergence of Social Enterprise in Europe” (Borzaga and Defourny 2001). This acronym was then retained by the research network that emerged from—and pursued its activities beyond—this first joint research project. This name indeed remained for various subsequent research projects as well as when the EMES members decided to form a non-profit association under Belgian law, in 2002. In 2013, the EMES European Research Network became the EMES International Research Network, as a growing number of researchers from Asia and Latin America had expressed their willingness to join and the Network opened up to these new members.
- 2 With the exception of Nyssens (2006), who coordinated a survey carried out among work-integration social enterprises in 11 EU countries.
 - 3 Earlier versions of most “national” chapters have been published in the *ICSEM Working Papers Series*, which constituted the output of the Project’s first phase (see www.iap-socent.be/icsem-working-papers). A small number of contributions did not follow exactly all steps of the ICSEM Project and were prepared at a later stage of the Project.

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Part I

National Overviews of Social Enterprise



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1 Social Enterprise in Cambodia

Typology and Institutionalisation

Sothy Khieng and Isaac Lyne

Introduction: Concepts and Context of Social Enterprise in Cambodia

In Cambodia, the explicit use of the notion of social enterprise (hereafter “SE”) varies across academia, civil society and public policy. Understanding and implementation of the concept also tend to be more advanced among foreign actors, who often come from non-governmental development organisations, than they are among Cambodian development practitioners (Lyne 2012), among whom SE is best described as an emerging concept or language. There are also organisational forms which might not be referred to as “SE” inside Cambodia but might be seen as such from the outside. This implicit notion of SE can result from cultural factors as well as from the lack of familiarity with Western-centric concepts (Hackett 2010). For instance, there are government decrees on agricultural cooperatives and microfinance, but as yet there is no common government vocabulary on SE at all.

In 2005 the International Finance Corporation (IFC) expressed that Cambodia had the most active SE sector in the region, and that it could inspire new developmental approaches in other less-developed countries (LDCs) (Hutchinson 2007: 153). IFC and the German development agency GIZ subsequently embarked on “Stay Another Day in Cambodia”, working with the Cambodian Ministry of Tourism to promote the sale of Cambodian products, including those made by well-known SEs, to tourists. The “Grassroots Business Fund” is another initiative to have emerged from IFC which supports social business as a means of poverty reduction. However, this programme is not focused on SE in Cambodia *per se*, but rather on “high-impact businesses”, which are defined as “a distinct segment of businesses at the intersection of Small and Medium Enterprises (SMEs) and Social Enterprises (SEs)”; these are businesses that “support farmers, artisans, micro entrepreneurs, and other beneficiaries at the base of the economic pyramid” (Grassroots Business Fund 2010: 2).

Cambodia has seen the emergence of SEs and social entrepreneurs winning awards from foundations including Skoll, Schwab, Ashoka

and Rockefeller. There is thus an international profile for social entrepreneurship that leans towards the “heroic individual” paradigm of SE development and social innovation with which these foundations are usually associated (Nicholls 2010). But this is not to say that this international profile closely matches the way in which SEs perceive themselves.

Despite the IFC’s observations, SE in Southeast Asia has historically gained more academic exposure in the Philippines, Thailand and Indonesia than in Cambodia. This is especially the case in the limited literature that focuses on Asia at the regional level (Dacanay 2009; Santos *et al.* 2009). But while Cambodia is not well connected with the regional analysis, there has been a recent increase in writing at the national level, focused largely on the transition of NGOs towards diversified revenue streams (Khieng 2014; Khieng and Dahles 2015a, 2015b; Lyne 2012). The “earned income” school of thought, which originated in the US (Dees 1998), has thus been a central focus of academic attention, although some other literature focuses on SEs as vocational training models (Ty and Anurit 2009) as well as on their contribution to human development and social inclusion (Lyne 2008; McKinnon 2012).

Social enterprise and social entrepreneurship have become a major focus of dialogue, curriculum development and research within Cambodia in recent years. This is evidenced by the organisation of National Social Enterprise Conferences (in 2011, 2012 and 2013) and the International Conference on “Promoting Vibrant Social Entrepreneurship” (2017), which brought practitioners, impact investors and researchers together, and also by participation in the Southeast Asian Social Innovation Network (SEASIN).

Despite a strong yearly average of economic growth (in gross domestic product)—nearly 10% per year between 1999 and 2007 (Jalilian and Reyes 2014: 197) and just over 7% per year since the 2008/2009 global financial crisis (World Bank 2014)—rural poverty is persistent in Cambodia, market mechanisms remain weak and inequality has grown at the fastest rate in the ASEAN region (Chongvilaivan 2013; Croissant and Haynes 2014). The informal economy persists as the dominant means of livelihood for 90% of the population. Formal registration as a small or medium enterprise (SME) is deterred by corrupt public officials and tax inspectors (Chan 2013). More than 80% of the informal sector is composed of family businesses (Arnold 2008) and there is documented mistrust and reluctance to form business relations with non-family members (Inada 2013; Lyne 2017).

During the early 1990s, post-war reconstruction Cambodia was inundated with international NGOs (INGOs). International donor institutions spent around US\$7 billion in the country between 1992 and 2007 (Hughes 2009). The INGO influx was followed by the proliferation

of local NGOs to meet the demand for local implementing partners of INGO projects or United Nations programmes (Downie and Kingsbury 2001). As a result, Cambodia today has the highest density of NGOs in the world in proportion to its population and NGOs are viewed as a source of comparatively well-paid employment. However, since 2006, international aid has been channelled to government budget support rather than to civil society, thus putting NGOs into greater competition for grants (Khieng 2014).

NGOs have been set up in Cambodia to tackle specific poverty-related issues, such as child rights; education; sexual trafficking; disability (including landmine victims); and health and environmental concerns. Many of these NGOs have since expanded into the SE sphere, both as a way to diversify their revenues and as an alternative way to pursue their objectives. Examples of fields of activity (Khieng and Dahles 2015a; Lyne 2012) include:

- vocational training business (hospitality, apparel, IT services, mechanics, beauticians);
- energy, environment and livelihoods (solar energy and biogas, coconut charcoal, rattan and bamboo furniture, refined palm sugar);
- health issues (nutritional products, franchised family planning centres, sanitation marketing, water purification systems);
- rural development (organic marketing, farming advice and access to inputs).

1. Data Source

The core data for this chapter was collected in three main phases. The first stage involved secondary data collection and a literature review. Two consultation workshops with stakeholders were also held in Cambodia, which helped to understand reality on the ground and develop research tools. The second stage involved a structured survey with over 300 NGOs that were randomly selected across five major regions (Phnom Penh, Kandal, Siem Reap, Battambang and Kampong Cham). In the third stage, interviews were conducted with key informants—42 NGO leaders and social entrepreneurs in the five regions listed above. NGO informants were selected among those NGOs that had participated in the earlier survey and had indicated that their sources of income were generated by various commercial activities. Additional data was gleaned from a partnership programme supported by the British Council's Development in Higher Education Partnerships (DeLPHÉ) programme. The quantitative and qualitative data were integrated and triangulated to produce concrete interpretations and explanations about emerging socially entrepreneurial approaches.

2. Social Enterprise Models in Cambodia

SEs are becoming widespread in Cambodia, and their ambiguous legal status and diversity are beginning to prompt interest in conceptualisation of the social enterprise notion among the people who are leading them. Whether these organisations' leaders regard them as SEs at all is sometimes questionable. Most SEs in Cambodia are operated by NGOs or registered as associations with Cambodia's Interior Ministry and they are not registered formally as businesses. But a growing number of SEs are registered as businesses with the Ministry of Commerce (MoC), and not all of these are "non-profit"; for instance, agricultural cooperatives return dividends to shareholders, and there is a well-developed micro-finance sector, where investors have mixed motives. In the present section, we will consider the mission of SEs in Cambodia vis-à-vis economic objectives, types of SE identified elsewhere in East Asia and the specificity of their governance issues.

This section focuses on types of organisations that have prominent social goals; in other words, we asked whether there was "a commitment to social value" (Peredo and McLean 2006: 64). We then applied the relatively simple "mission typology" offered by Alter (2006) to 42 local NGOs in our dataset that had been deemed "socially entrepreneurial", with a view to exploring the "mission-driven", "market-driven" and "mix of market and mission-driven" types, based on an analysis of their activities set against their stated mission. We found that, although the need for earned income is at the forefront of SEs' strategy to ensure their sustainability, the majority are social mission-driven organisations. Around one third are driven by both their social mission and market demands/opportunities. Only two SEs out of 42 were found to be driven by market opportunities alone. However, exploring these categories in significant depth does not seem to us to be of interest; indeed, while they prove useful for measuring the level of commercial engagement, they do not allow us to explore the contextual and institutional factors, which are essential to understanding SE in Cambodia.

Some of the most developed forms of SE in Asia are located in East Asian nations, including South Korea, Taiwan, Hong Kong and Singapore. Defourny and Kim (2011) identified five broad models of SE in this region, namely non-profit trading organisations, work integration social enterprises, non-profit cooperatives, non-profit/for-profit partnerships and community development enterprises. For the purpose of mapping various SE models in Cambodia, we positioned SEs in our study into this classification. Overall, the five-category framework appeared applicable to the Cambodian context.

The East Asian typology of social enterprise models (Defourny and Kim 2011) seems to be the most applicable typology for two reasons. First, this typology has five broad categories, which, on the basis of our literature survey, appears as the most extensive typology to date. Such

detailed grouping of social enterprises enables a wide analytical coverage of the variety of social enterprises. Secondly, this typology enables us to capture the social, political, cultural and geographical contexts of Cambodia more deeply than the other typologies (such as the mission and structure-based typology put forward by Alter [2006]). Perhaps the relative contextual similarity of the two regions—East Asia and Southeast Asia—contributes to making this approach more reflective of the real forms of social enterprise in the field. If the Cambodian case is of any indication of the more general situation in the region, our findings suggest that forms of SE in Southeast Asia may not vary too much from those in East Asia (Table 1.1).

We found that the majority of Cambodian social enterprises fit into the “trading NPO” category, most commonly as organisations seeking

Table 1.1 How do East Asian social enterprise models fare in the Cambodian context?

	<i>Description of SE types</i>	<i>Examples of Cambodian SEs*</i>
Trading NPO	NPOs looking for other sources of income or seeking to achieve financial sustainability through the delivery of social services (except work integration)	Cambodia Health Education Media Service; Fine Arts Association; Cambodia Children’s Trust; The Global Child; Chrysalis; Gender and Development for Cambodia; Khmer Arts Academy
Work integration SE (WISE)	Provision of job opportunities with training and/or employment services	Mith Samlanh; Yodifee; Buddhism for Social Development Action; NYEMO; ONE2ONE Cambodia
Non-profit cooperative (NPC)	Collective self-employment and innovative responses to unmet needs based on cooperative tradition	CEDAC Sahakreas and associated self-help groups; Artisans’ Association of Cambodia; Artisans D’Angkor; Rattan Association of Cambodia and associated handicraft/artisanal organisations
NPO/FPO partnership	Private companies (or company foundations) supporting NPOs or joint initiatives with a social mission	Khmer Arts; Kram Ngoy Centre; Phare Ponleu Selpak; SEAMETREY; Hagar Social Enterprise Group; Lotus Foods
Community development enterprise (CDE)	Multi-stakeholder partnerships (NPO/FPO and public) promoting participatory local development	Teuk Saat 1001; Family Agriculture Development Community; Lors Thmey; Leukkompas Satrey; Sovannak Palm Sugar; Ibis Rice

to diversify their funding sources. This finding supports other research indicating that local NGOs in Cambodia have adopted a socially entrepreneurial approach as a replacement strategy for external aid (Khieng 2014; Khieng and Dahles 2015a; Lyne 2012). The second largest group of Cambodian SEs are work integration SEs (WISEs); their “mission . . . is to create jobs for low-qualified people” (Defourny and Nyssens 2006: 13). In Cambodia, this means employment and on-the-job technical and vocational training for people with disabilities, street children, victims of human trafficking and domestic violence, and the rural poor. A notable example is Mith Samlanh, a local NGO partner of Friends International, which won the Skoll and Schwab award for social entrepreneurship. Mith Samlanh has initiated social businesses that help street children re-integrate into their communities. These social ventures provide vocational training in restaurant, beautician and mechanic businesses, afterwards moving trainees into work placements or sometimes providing them with support to start their own businesses. The success of this model has contributed to its scaling-up, through the development of a global alliance in vocational skills development, with presence in seven cities across four countries.

The non-profit cooperative (NPC) model does not have a real “history” in Cambodia. Agricultural cooperatives (AC), though, do have roots in the past, dating back to the 1950s.¹ They are designed for exclusively mutual interest; they have been revived by a Royal Government of Cambodia Decree in 1998 and a subsequent sub-decree. In recent years, the CEDAC² NGO, which works to promote collective agricultural outputs, has promoted innovative uses of the AC format. Similarly, the NGO Artisans’ Association of Cambodia (which has fair trade status) markets products of 40 different handicraft cooperatives, largely to tourists and overseas markets.

The non-profit/for-profit partnership model has become more prominent in recent years. While these enterprises are less numerically prevalent in the dataset, they are highly significant because they can be initiated by well-resourced organisations or attract well-resourced supporters. The Hagar Social Enterprise Group (HSEG), for instance, is a for-profit equity fund registered in Singapore since 1997. Hagar SEs are connected to Hagar NGO programmes, which work for the rehabilitation of vulnerable women, including victims of trafficking and domestic violence. HSEG provides capital up to US\$1 million for start-up SEs, which are incorporated from the outset. HSEG exits when the SE becomes sustainable, yielding average returns on investment of 10%, allowing new SE investments and partial subsidisation of Hagar’s NGO activities. The impact of Hagar SEs on the capabilities of destitute women has been the subject of a recent PhD thesis (McKinnon 2012).

Community Development Enterprises (CDEs), although also fewer in numbers in Cambodia than other forms of SEs, are nevertheless significant

to the extent that they can have a high profile and work on a wide scale, reaching many stakeholders. They are generally orientated towards social innovation. One example is Teuk Saat 1001, which establishes SEs in rural villages that lack access to clean drinking water. Each SE treats water from local rivers and ponds, using solar-powered UV disinfection, and water is sold at the lowest price possible. Sixty production sites were operational in 2012, providing clean water to more than 100,000 village consumers.³ Another example is Sovannak Sugar, which markets refined palm sugar sourced from villagers in two provinces, while its main role is to create incentives for palm tree conservation.

3. Institutionalisation Process of Social Enterprise

Institutionalisation is the process through which particular social enterprise models gain legitimacy. Fundamentally, the institutionalisation process of social enterprise models considerably determines the ability of particular types of social enterprises to attract resources and support (Agrawal and Hockerts 2013; Mason *et al.* 2007). Following institutional theory, the “marketization of the non-profit sector” is explained through the legitimacy of social enterprise that substantiates the perception that “the market knows best” and that commercial practices are now the new way of doing things better (Dart 2004).

Institutions (at large) which shape legitimacy can include governments, markets (including investment markets and markets for goods and services), culture and religion (Agrawal and Hockerts 2013). One can also add to these the well-resourced foundations and development institutions whose particular interests are served by certain models (Nicholls 2010). All such institutions impact social enterprises’ goals, values, identity and philosophy (Agrawal and Hockerts 2013), stakeholder engagement (Mason *et al.* 2007) and the way in which SEs configure resources, structures and practices as an organisational form (Dorado and Ventresca 2013). Institutionalisation is also reflexive, as far as the institutional context can determine the plausibility of social enterprise models while the emergence of social enterprise hybrid models also impact aspects of the institutional context, including policy and sectoral norms (Nyssens 2006). Some studies (e.g. Kerlin and Pollak 2011) suggest that institutional theory is the best theory to explain changes within an organisation.

In Southeast Asia, prominent institutions supporting social enterprise development use a synonymous terminology for the “institutional context”, which they refer to as the “social enterprise ecosystem” (Shahnaz and Tan 2009). In this region of the world, Kerlin (2010: 170) finds that the ecosystem supports “market-based” strategies, because of the absence of public-sector contracting, declining international aid and a lower propensity for social enterprise to be driven by civil society than by entrepreneurial individuals. The present chapter pays closer attention

to Kerlin's characterisation when analysed in the Cambodian context, which is a bit more complex. Indeed, in Cambodia, there is a very high proportion of NGOs (relative to the national population), which are increasingly seeking to substitute aid transfers with earned income strategies. Some differences in modes of organising reflect the cross-cultural institutional dynamics brought to Cambodia during the post-conflict reconstruction in the 1990s. Nowadays, organisations such as Skoll and Schwab support some of the work integration social enterprises (WISEs) and community development enterprises, while development agencies from Germany, like GIZ and the German Cooperative and Raiffeisen Confederation (DGRV), support non-profit cooperatives. The latter are also supported to some extent by policy provisions of the Royal Government of Cambodia (RGC) and engagement, including policy advice and cooperation agreements, between the RGC and organisations from within the sector, such as CEDAC and the NGO Buddhism for Development (BfD).⁴

In Cambodia, the different forces at work in the institutionalisation of SEs include:

- governmental policy and international development institutions (World Bank, Asian Development Bank, UN Agencies);
- NGO- and CSO-coordinating institutions within Cambodia;
- international civil society, including social entrepreneurship foundations (Skoll, Schwab, Ashoka), bilateral agencies (GIZ, SNV International) and international NGOs;
- impact-investment platforms (Insitor, Arun, Uberis, Asia Impact Exchange);
- private-sector institutions, including the Cambodia Chamber of Commerce;
- academic institutions (Royal University of Phnom Penh, National University of Management and Royal University of Law and Economics).

These influences impact SE tendencies (missions, target groups and operating models) in different ways. These forces must be considered in the context of Cambodian culture and recent history, which are characterised by the lack of philanthropy and of an indigenous civil society sector. Any analysis must also take into account the fact that some tendencies stem from combined effects and that it is not possible to think about one institutionalising force in isolation. For instance, the continued threats endured by and the closure of advocacy NGOs promoting democracy, human rights and environmental protection may be a critical point of departure for SE founders to rethink their legal status and identity. In the following, we proceed with the analysis of the institutionalisation of different SE categories in accordance with the East

Asian typology, as this is the typology in circulation that best allows us to analyse field realities in Cambodia.

3.1. *Trading Non-Profit Organisations*

The trading NPO model clearly exemplifies the fact that institutionalising forces cannot be examined in isolation. While the current policy of the Royal Government of Cambodia has minimal influence on—or interest in—NGOs operating SEs, it was hoped that this might change with the “NGO Law”. Indeed, although this law was viewed as an attempt to threaten with deregistration advocacy NGOs that were not to the liking of the ruling Cambodia People’s Party, that has held power for 35 years (Brown 2013), it also represented an opportunity to introduce specific “SE clauses” that could legitimise the trading NPO model and instil innovation into welfare governance (Khieng and Dahles 2015a). It was hoped that policymakers would be influenced by discussions in Vietnam about the legal recognition of SEs, which were granted in this country a differentiated tax rate of 10%, against 25% for ordinary business (Vu 2014). However, these hopes have been dashed. The 2015 law, which regulates associations and NGOs, does not include any clause on social enterprise, and currently there is still no legal definition or framework covering social enterprise. In its definition of associations and NGOs, the law is explicit about the non-profit status of NGOs. Whether they are domestic or foreign, and whether they are registered as associations or as NGOs, the key defining statement about organisations covered by this law is the fact that they cannot generate or share profits (RGC 2015: 1). As mentioned earlier, a social enterprise can exist as an NGO or a company and it can register with the Ministry of Interior (or Foreign Affairs and International Relations, for international NGOs) or the Ministry of Commerce respectively.

All the above concerns must then be considered along with the ever-changing priorities of international institutions, whose efforts in the 1990s catalysed the proliferation of NGOs, while the refocus on budgetary support has now put these NGOs into competition with each other. We are appreciative of the argument according to which the resource dependency theory and earned income as a “replacement strategy” for grants can circulate as a myth promoting a Darwinian *survival of the fittest* (or most entrepreneurial) view of non-profit organisations (Dey and Steyaert 2012). However, the data in Cambodia shows that resource dependency *is applicable here*. Excessive competition for declining grants is a central driver for earned income activities in Cambodia (Khieng 2014).

Direct influencers in Cambodia also include international foundations like Skoll and Rockefeller, and fellowship associations like Schwab and Ashoka. They support some well-resourced trading NPOs, which sometimes symbolise the “heroic individual” paradigm of social

entrepreneurship with which such foundations are associated (Nicholls 2010). Social Enterprise Cambodia (SEC) and Impact Hub are respectively a new networking platform and an incubator⁵ for start-up SEs that explicitly focus on young entrepreneurial individuals through events like the “Social Enterprise Bootcamp”. The 2014 National Social Enterprise Conference of Cambodia (largely under SEC management) was overtly oriented towards this paradigm. Development Innovations, funded by USAID, which has been initiated recently to support community innovators working with new technology in Cambodia, is a further representation of the focus on the “change agents” highlighted in American social entrepreneurship literature (Bornstein 2007). In summary and objectively, without greater engagement from government ministries, there is strong reason to suppose that entrepreneurial individuals will have the prevalent institutionalising influence on the Cambodian “trading NPO” model in the years ahead.

3.2. Work Integration Social Enterprises (WISEs)

WISEs in Cambodia must be seen in the context of the need for vocational training services and therefore also in the wider context of RGC policies. In 2007, it was forecast that more than 200,000 rural youth would attain basic primary education each year and be in subsequent need of work outside of agriculture (MoP and UNDP 2007: 99). In the Cambodian capital, Phnom Penh, and other urban centres, including Kampong Cham, Battambang and Siem Reap, vocational training is the most pressing social need for these disadvantaged migrating youth with low education (Chea and Huijsmans 2014). The RGC asserts that the relevant Ministries have the capacity to deliver Technical and Vocational Education and Training (TVET), but although there are dispersed TVET centres across the country, there is also a need for businesses to fill gaps where RGC TVET centres cannot provide market-relevant training (MoP and UNDP 2007: 100–1).

WISEs therefore have a fundamental role to play; however, options for large-scale “market-relevant” training are constrained, because the industrial base in Cambodia is narrow: 27% of GDP is generated by agriculture (dominantly rice and rubber); 33% by textiles and footwear (which also constitute 82% of manufactured exports); and 15% by tourism (OECD 2013). As TVET preparing women for garment work is widely provided already by government centres, the most exploited opportunity among SEs is tourism. There are some success stories in mechanics and increasingly in beautician work, but there is also an evident need for more partnerships between the Chamber of Commerce, the RGC, private-sector companies and SEs to identify nascent sectors where TVET is required. In this respect, the institutionalisation of WISEs can be assisted by government policy, even though the government itself is limited in terms of the resources that it can provide (Ty and Anurit 2009).

3.3. *Non-Profit Cooperatives*

The presence of NPCs in Cambodia is limited; however, the success of CEDAC Sahakreas and Artisans D'Angkor provide cause for optimism. These organisations are being institutionalised primarily through support from well-resourced European civil society actors, including the German Development Agency GIZ, the Dutch Development Agencies SNV international and Interchurch Organisation for Development Cooperation (ICCO), along with the World Wildlife Fund and programmes funded by the European Union. Moreover, the potential for NPCs to become more widely institutionalised is significant, because cooperatives constitute one area where the RGC has significant capacity and interest, as evidenced by the 1998 Decree and subsequent Sub-decree on Agricultural Cooperatives (ACs). RGC's interest in ACs is largely instrumental—the legislation passed in 2013 primarily aimed to increase rice exports⁶—but there is also an intent, which should be acknowledged, to help farmers gain a greater share of the post-harvest addition of value to their crops (de Silva *et al.* 2014). The RGC, to its credit, has also been open to the co-production of the regulatory framework for ACs, through engagement with CEDAC and with BfD, which provides capacity-building support to more than 30% of registered ACs in Cambodia and is in turn supported by the German Cooperative and Raiffeisen Confederation (DGRV), which promotes cooperative development internationally.

Further opportunity for the institutionalisation of the NPC model is also provided by the recent RGC decision to adopt the “Saemaoul Undong” (New Community Movement) framework for rural community development that was popularised in South Korea in the 1970s (Shin 2014). In accordance with the new laws on ACs, RGC positions Saemaoul Undong as part of its rice export strategy; however, this movement's potential goes beyond this goal: it has historically facilitated social innovation and roles for social entrepreneurs in South Korean rural development through the promotion of mutual self-help and cooperation (Lew 2012). It has also been revised to more explicitly serve the “social economy” in South Korea, since then gaining more widespread attention (Peng 2012). Capacity building based on this model could be very promising if it is well coordinated with the work that RGC has already undertaken on ACs with civil society actors.

3.4. *Non-Profit/For-Profit Partnerships*

While non-profit/for-profit partnerships are not numerically prominent in the dataset, it should be considered that they can gain significant institutional influence very quickly if they are well financed from the outset or if they attract the support of well-resourced actors, like the Skoll and Schwab foundations. Moreover, among Cambodian SEs, non-profit/

for-profit partnerships are the SEs that are most likely to attract equity investment, since NGOs are not allowed to make profits for private investors. The Hagar Social Enterprise Group (HSEG), for example, gets support from the Skoll and Schwab foundations, and it also delivers returns on private financial investment back to IFC: this is in summary the type of SE that the “impact investment” platforms in Cambodia—such as Insitor management, which also invests, alongside HSEG, in the JOMA bakery chain that provides training and employment for vulnerable women—are really interested in. The non-profit/for-profit partnership is also the model that the Impact Investment Stock Exchange, founded in Singapore with the support of the Asia Development Bank, is promoting in Cambodia (though it has had more success in other countries). The equity investment that Arun Capital LLC now has in CEDAC Sahakreas constitutes one notable exception in this landscape: it bears testimony to the fact that impact investing needs not necessarily lean towards individualistic organisations (even if it does so overwhelmingly).

The “trading non-profit” and the “non-profit/for-profit partnership” models can both be considered as belonging to the “earned income” school of thought, which is thus the prevalent *modus operandi* in Cambodia. These models also indicate that advanced notions of SE have been operative for some time in the terms described by Defourny and Nyssens (2010: 41)—i.e. Cambodia now embraces all business models under the generalised notion of “*mission-driven business*”.

3.5. *Community Development Enterprises*

While CDEs, like non-profit/for-profit partnerships, are not the dominant SE model in terms of numbers, they are sometimes capable of going to scale in a way which many SEs cannot. This is the case especially when CDEs lean towards social innovation and franchising, which in turn can catch the attention of well-resourced foundations, international development agencies and private-sector actors. Examples hereof include Teuk Saat 1001 and Ibis Rice, which are supported by USAID and the Wildlife Conservation Society. Large-scale CDEs are also sometimes initiated by well-resourced organisations from the outset and command a significant international support network. For instance, Lors Thmey is a farm business advisory service (also retailing agricultural equipment) operating across Cambodia as a non-profit business franchise. It was established by International Development Enterprises, which is historically supported by several international donor institutions (including Grassroots Business Fund). In addition, this particular business has leveraged private-sector support from Nestlé and Du Pont,⁷ adding into the mix the advanced notion of CSR-SE partnerships, which can be conducive to corporate business at the bottom of the pyramid and can leverage impact investment (Power *et al.* 2012).

Conclusion

In summary, the main factors impacting the emergence of SEs and their *raison d'être* have been set in motion by the international donor community, which directly induced the proliferation of local NGOs and subsequently changed its approach in a manner that has compelled every one in five of these organisations to seek earned income as an alternative to grants (Khieng 2014: 1441). The rise of trading non-profit NGOs in Cambodia, in response to changes in the nature of “aid”, also resembles somewhat the rise of “enterprising non-profits” in the US. The commercial turn is problematic in terms of possible goal displacement or mission drift, but it does have positive effects on accountability and can also induce a more direct focus on the needs of stakeholders rather than on the priorities of donors, ultimately making possible more “locally owned” processes of development (Khieng and Dahles 2015a).

It is also evident that the least prominent categories of SEs in Cambodia (using the East Asian typology; see Defourny and Kim 2011), namely non-profit/for-profit partnerships and community development enterprises, are the two models which have most traction among international supporters. In this regard, two different logics underpin the thinking of international actors. Non-profit/for-profit partnerships, especially through impact investing, are viewed as the best way of going to scale with a promising business venture. This follows from the observation that impact investors in less-developed countries can fill the gap in capital resources “by selectively investing in profit-seeking businesses that have significant potential to increase economic participation of the poor” (Dees 2008: 8). But the same international institutions wear a different hat when it comes to community development enterprises, providing philanthropic capital or seed grants to induce social innovations that create new markets and help to transform society through a bottom-up process. Under these circumstances, from the social innovation point of view, “social entrepreneurship can . . . be a question of outcomes and social impact rather than a question of incomes” (Defourny and Nysens 2010: 42). However, one thing which unites both points of view is that entrepreneurial “change agents” are the most appropriate focus for capacity building—a conception that is typical of the cultural notion of social entrepreneurship that comes from the US (Nicholls 2010).

The institutional framework for supporting non-profit/for-profit partnerships and social innovation through community development enterprises has emerged totally independently from the RGC. Since the dominant “paradigm-building actors”, which shape how social entrepreneurship is understood (including Skoll, Schwab and Ashoka and sometimes, in the Western context, governmental agencies and universities), are invariably those with the most resources to invest (Nicholls 2010), it is worth recalling that RGC still depends on international

aid for half of its public budget (Khieng 2014: 1445). RGC cannot be considered a well-resourced actor and, consequently, it does not have a strong influence on SE tendencies. But beyond this, there is a need for a stronger grasp of institutional realities in Cambodia. The RGC Rectangular Strategy-Phase III for national economic development emphasises the need for equitable economic growth and partnerships with civil society (RGC 2013), but there is no provision yet for the social economy as a mechanism to achieve these objectives. However, this does not imply that the RGC explicitly lacks interest in SE, but rather that it has not readily absorbed a hitherto western-centric construct (Hackett 2010).

If optimism regarding policymaking is to be maintained, it is necessary then to refocus on where the RGC does implicitly influence the emerging social economy—namely through approaches to cooperatives. A further note of optimism is that although ACs are the only legally constituted cooperative model in Cambodia, the Ministry of Commerce also works closely with artisanal organisations, which are, regardless of their legal statutes, cooperatively managed. These organisations are also supported by well-resourced organisations, which focus more on communities than on entrepreneurial individuals. It is no coincidence that these supporting organisations originate from Europe, where the cooperative foundations of SEs stand in contrast to the cultural individualism of the US approaches (Defourny and Nyssens 2010); in this influence lies the potential for the emergence of a counterbalancing force for the institutionalisation of SE. It is noted for instance that the Memot Pepper Cooperative, situated near the Vietnamese border, in Tbong Khmum Province, is supported by the German Cooperative and Raiffeisen Confederation; this cooperative now has the largest membership among Cambodian ACs and is cited as a good example of the emerging “social solidarity economy” in the Mekong Sub-Region (Thiel 2011).

In addition to the development and policy implications discussed above, the present research contributes to the theoretical debate about the hybridity and blurring boundaries between not-for-profit and for-profit organisations. Traditionally, not-for-profit organisations are trying to gain legitimacy through a market approach to solving social problems. In this regard, this research contributes to providing evidence from a developing country perspective on how institutional theory is relevant and applicable in such context.

In summary, the emergence of the “enterprising non-profit” in response to the changing nature of aid suggests that the US-originated “enterprising non-profit” school has considerable influence on the majority of SEs that have emerged out of NGOs. Of course, not all NGOs that are reflected by this framework are aware of its existence. However, indirect influence on them is plausible, given that the NGOs which are supported by international actors like Skoll, Schwab and

Ashoka are well aware of this framework. Some of these NGOs are role models in their field and concepts can get passed along, especially at the Social Enterprise Conferences that have been taking place. The European social and solidarity economy tradition meanwhile has some influence in the countryside. CEDAC and BfD are committed to enacting social solidarity in their capacity-building work with ACs and farmer associations. However, evidence that ACs themselves widely recognise or value the principles of the social economy is unclear so far because of lack of research.

Future research could provide great value by analysing social enterprises using a more dynamic framework and typology—an approach that could potentially capture hybridity, blurring boundaries and the variety of organisations that, through time, may shift from one form to another or overlap between two forms. The inclusion of the emerging and diverse forms of social enterprise within the business community and the relevance of corporate social responsibility in the debate and typology analysis would also constitute a significant contribution. Finally, analysing the contribution of “enterprising non-profits” to building an autonomous civil sector society would also be worthy of exploration, as Cambodia seems to be moving toward becoming a one-party state, with the recent closure of opposition parties, NGOs and numerous independent media outlets.

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Notes

- 1 A short overview of recent cooperative history can be viewed at <http://news.victoria.coop/artman2/uploads/1/FactsCambodia.pdf> (accessed on February 5, 2015).
- 2 Cambodian Centre for Study and Development in Agriculture (*Centre d'Etude et de Développement Agricole Cambodgien*; see www.cedac.org.kh/).
- 3 Information from a personal interview with Mr. Chay Lo and from Teuk Saat's business plan and website (www.1001fontaines.com/en/on-the-field/cambodia). In 2012, TS 1001 received an Asian Sustainability Leadership Award for Best Renewable Resources (Water Stewardship), while co-founder Mr. Chay Lo won the Schwab Foundation 2011 Social Entrepreneur of the Year award for Asia.
- 4 For more information, see: www.bfdkhmer.org/
- 5 For information about the SE Incubator, see: <http://socialenterprisecambodia.org/se-space/>
- 6 2013 Royal Decree on Establishment and Functioning of Agricultural Cooperatives: information available at www.fao.org/docrep/field/009/i3761e/i3761e.pdf
- 7 The list of institutional supporters for International Development Enterprises can be found on the “Programmes” page at: www.ide-cambodia.org/.

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2 Social Enterprise in China

Key Features and New Trends

Xiaomin Yu

Introduction

Broadly defined as a business venture or economic activities aiming at the achievement of social and collective purposes while operating with the financial discipline, innovation and determination of a private-sector business (Alter 2007), social enterprise has gained increasing momentum globally over the last two decades. However, the development of social enterprise remains quite a new phenomenon in China, where the past several years have seen a growth in discussions, agencies and practices dealing with social enterprise, social entrepreneurship and social innovation.

Social enterprises in China are sprouting in the soil of the country's deepening transition to a market economy, where the role of the socialist state as a social welfare provider has shrunk significantly, the market economy has grown dramatically, and civil society organisations have expanded in various directions. The development dynamics of SEs in contemporary China have generated a variety of puzzles awaiting scientific research. What kinds of organisations are defined as SEs in China, and according to what standards? How can SEs in China be categorised by constructing an evidence-based typology? What are the major social problems or needs to which SEs strive to provide solutions, and how? What are the major features of legal frameworks or SEs? All these questions are still almost unexamined, despite their practical and theoretical significance.

This chapter seeks to somehow help to fill this research gap and to shed light on the new phenomenon of SEs in China especially by focusing on the specific socio-economic context of the social welfare regime transformation during China's transition to a market economy. However, this chapter is only a preliminary study. It is based on both secondary and primary data collected through two research approaches. First, we carried out a comprehensive review of secondary resources, including SE-related legislation and policies, transcripts of SE forums and media reports. Secondly, using in-depth interviews and participative observation, we

conducted case studies of several typical SEs in major sectors where SEs play growing roles.

1. Definition and Typology of Social Enterprise in China

1.1. How to Define Social Enterprise in China?

Social enterprise was a little-known notion in China until 2004, when theories developed abroad began to be increasingly introduced in the country through a series of forums, symposia and conferences. However, practitioners and academics have not yet reached a consensus on the definition of social enterprise in the Chinese context. The ongoing debates mainly focus on two issues: SEs' organisational nature (non-profits or for-profits) and their method of income generation (largely market-based or integrating resources from various origins—market revenue, social donation and government subsidies) (Cultural and Education Section of British Embassy [CESBE] 2008). The current efforts to delineate SEs in China thus encapsulate these two important conceptual elements but may also miss other major components, frequently discussed in existing SE literature, such as the levels of “non-governmentality” and autonomy, community orientation, and governance models underlined for instance in the works of the EMES International Research Network (Defourny 2001; Defourny and Nyssens 2010).

In September 2015, the *Certification Standard on Social Enterprise of China Charity Fair (Trial)* was issued during the Fourth China Charity Fair. It was jointly formulated by five organisations, namely, the Centre for Civil Society Studies of Peking University, the China Philanthropy Research Institute of Beijing Normal University, the Narada Foundation, the Development Centre for China Charity Fair and the Social Enterprise Research Centre. As the first certification standard on social enterprise in China, it defines “certificated social enterprises” as entities having the following features:

- Organisation's mission: the organisation aims to promote employment, to help unprivileged social groups or to solve other specific social problems, including—but the list is not exhaustive—poverty, education, health care, elderly care, environment protection, agriculture and food safety.
- Source of income: over 50% of the organisation's total income stems from sales or trade of goods or services.
- Distribution of profits: the annually allotted profits should not exceed 35% of the total profits.
- Human resources: the organisation has full-time salaried employee(s), in charge of internal management and business operations, and the salaried employee(s) should have at least a two-year tax-paying record.
- Registration status: the organisation must have been legally registered as an enterprise for at least two years.

Such a SE certification standard, jointly formulated by research institutes and practitioners in China's social sector, sheds new light on the definition of social enterprise in China and helps us achieve a more comprehensive and more practice-oriented understanding of the defining features of SE in China.

The development of SE in China is currently still in its infancy, and the underpinning characteristics of SE remain blurred and sometimes indistinguishable. Moreover, the absence of specific legislation on SE in China makes it difficult to elaborate a precise working definition. Consequently, it is wise to start with a SE concept broadly defined as "a business venture or economic activities driven by social objectives", and to base conceptualising efforts firmly and flexibly upon the evolving development dynamics of diverse SE initiatives.

1.2. Toward a Multi-level Typology of Social Enterprise in China

To shed light on the characteristics of diverse categories of SEs in Asian countries, various scholars have taken a typological analysis approach, examining the development origins, legal status, organisational missions (especially social objectives) and operational patterns of various types of SEs (Bidet and Eum 2010; Kitajima 2010; Kuan and Wang 2010; Laratta 2010; Santos *et al.* 2009; Tsukamoto and Nishimura 2009). To obtain a bird's-eye view of the convergences and divergences among SEs in East Asian countries, Defourny and Kim (2010) categorise SEs into five major models, thereby opening up multiple comparative perspectives.

In the line of those authors, and considering the complexity of development dynamics of SEs in China, we chose to provide an overview of various possible typologies, each of them built upon one key criterion or dimension. First, social enterprises can be distinguished according to their *development origins*. On the basis of this dimension, four major types of SEs can be identified: Chinese social enterprises can have their origins in the state, in market dynamics, in the non-profit sector or in international cooperation agencies. Section 2 provides a brief review of the development dynamics of these four types of SEs, triggered by different driving forces. Secondly, SEs can be distinguished from each other based on their *social missions*, which include employment promotion, social service provision, health care delivery, poverty alleviation and education development. The development patterns and typical practices of SEs pursuing these different types of social missions are examined in Section 3. Thirdly, SEs may be categorised by their *organisational nature* and *legal status*, which are closely interrelated. In terms of organisational nature, SEs fall into three major categories: non-profit, for-profit and hybrid organisations. Non-profit SEs include those having the legal status of civilian-run non-enterprise units; for-profit SEs include those

registered as farmers' specialised cooperatives, social welfare enterprises, civilian-run educational institutions and commercial companies; while hybrid SEs include those having non-profit/for-profit mixed legal status. Fourthly, Section 4 discusses the legal characteristics of SEs with various legal statuses. Fifthly and finally, SEs can be classified on the basis of their *operational model*, which refers to the configurations used by SEs to create both social and economic value, and is designed in accordance with the SEs' financial and social objectives, mission, marketplace dynamics, client needs or capabilities, and legal environment (Alter 2007). Operational models adopted by SEs in China include fee-for-service, service subsidisation, market intermediary (e.g. through fair trade initiatives), entrepreneur support (e.g. through microfinance institutions), employment service and cooperative.

2. Driving Forces Fuelling the Growth of Social Enterprise

China's socialist welfare system has encountered drastic challenges since *the late 1970s, when the market reform was launched*, and dramatic socio-economic and demographic transitions took place. First, with the reinforcement of the urban enterprise reform, and especially with the corporatisation and privatisation of state-owned enterprises (SOEs) and the dismantling of the rural commune system and collective economy, the central government and government-run institutions were increasingly expected to replace SOEs and rural communes, which had hitherto been major providers of public services (such as health care, education, social assistance, housing, etc.), as direct providers of social protection and welfare; this resulted in a challenge to the government in both financial and managerial terms (Lu and Feng 2008: 59). A serious financial crisis arose in the state-funded welfare system when the government's budget for social welfare (services) and social relief was reduced, from 0.58% of GDP in 1979 to 0.19% in 1997 (Shang 2001). Secondly, a series of demographic and socio-economic changes—rapid ageing of the population, decreasing family size, explosion of rural-urban migration—have eroded the function of traditional family and kinship networks in providing services for senior citizens, children, the disabled and other vulnerable groups. Thirdly, radical socio-economic transformations during the market reform led to the emergence of new types of vulnerable groups, such as the unemployed or rural migrants and their children, who were excluded from the traditional welfare system. The inability of the traditional welfare regime to reduce unemployment and to respond to an ever-growing demand for social services for these newly emerging vulnerable groups triggered massive protests and challenged the governing legitimacy of Chinese authorities.

In response to these dilemmas, the Chinese government gradually directed the welfare system toward a trajectory of decentralisation and

privatisation; it did so by allowing local authorities more power to decide and implement social policies, by mobilising resources from the flourishing market economy and emerging civil society, by encouraging partnerships between the state, the market and the third sector, and by seeking solutions to problems in innovative and entrepreneurial ways. All these trends contributed to the emergence of social enterprise initiatives; however, China did not experience a real “burgeoning” of social enterprise until very recently, when several driving forces emerged in the state, market and non-profit sectors.

2.1. State Sector

In the state sector, the first embryo of social enterprise appeared in the reform of the social welfare system, in the 1980s, when the Chinese government launched income-generation-oriented reforms for state-owned welfare entities, emphasising the diversification of financial resources and services and seeking new sources of revenue by providing services for a fee and running small businesses. The other focus of the reform was the decentralisation of service provision; this was achieved by mobilising resources from local governments and communities and establishing a multi-level and multi-pillar system of welfare institutions. Gradually, this reform agenda developed into a whole set of new policies, later called “community services”, which were formally defined by the Minister of Civil Affairs in 1994 as a new type of welfare economy in China (Shang 2001: 269–70).

In order to tackle the growing problem of lay-offs, the state introduced, in 1993, a national policy package called the “Re-employment project”. Within its toolkit, the centrepiece is the “re-employment service centre” (RSC), which was first introduced in Shanghai in 1995. In 1998, a new state policy required every state firm planning to lay off surplus staff to set up an RSC to take care of the dismissed workers. The core functions of the RSC are to guarantee the basic livelihood of redundant workers and to assist in their re-employment. Despite their organisational differences, all RSCs follow almost identical operational and financing mechanisms. The centres are funded jointly by the local state, the enterprise and social insurance funds in equal shares (Wong and Ngok 2006). Then, in 2001, the Ministry of Labour and Social Security and eight other central administrative organs issued a new policy, entitled “Opinions on Promoting Community-based Employment”, whose aim was to channel the growing demand for community-based services into a new solution to large-scale urban unemployment. Under this policy, “community-based employment entities” (CBEEs) are designed as a major mechanism to create community-based jobs for laid-off workers. The re-employment model sustained by the operation of RSCs and CBEEs has been identified by Chinese scholars as an embryonic form of work integration social enterprise (WISE) which emerged during the market reform (Shi 2005).

Beside these state initiatives, the current rise of social enterprise is a result of the Chinese government's effort to empower the private sector as a vehicle to solve various social problems that have surged under market reform. In May 2010, the State Council introduced an across-the-board policy to derive more investment from the market and the third sector and to boost the role of non-state agencies in various public sectors, such as urban facilities, welfare housing, health care, education, services for the elderly and the disabled, culture and entertainment, etc. In recent years, the Chinese government has also acknowledged the importance of social enterprise/entrepreneurship as a vehicle of socio-economic development and has taken more steps to cultivate momentum of social enterprise/entrepreneurship in China. For example, in 2005, the State Council's Leading Group for Poverty Alleviation and Development and the Ministry for Civil Affairs partnered with the World Bank to launch the first "China Development Marketplace" (CDM) programme. The second CDM programme was launched in 2007, providing grants of over CNY8 million in total to 50 innovative development projects proposed by non-profits working in the fields of poverty alleviation, environmental protection, services to migrant workers and their children, reconstruction after the Wenchuan earthquake, etc.

2.2. Non-Profit Sector

The past decade has witnessed the emergence of so-called "social organisations" (*shehui zuzhi*)—a concept that might be considered equivalent to that of civil society organisations (CSOs) or non-profit organisations—as new agents of socio-economic development and providers of social services in China. Among legally registered social organisations,¹ three legal types, officially sanctioned by the Chinese government, can be distinguished: social associations, civilian-run non-enterprise units and foundations. As illustrated by Figure 2.1, since relevant regulations were passed, in 1998 and 2004, all three kinds of CSOs have grown drastically. By the end of 2014, the total number of social associations, civilian-run non-enterprise units and foundations reached 606,000; they were hiring 6,823,000 employees and creating roughly CNY63.86 billion in value added, or 0.21% of the total value added in the service sector (Ministry of Civil Affairs of China [MOCA] 2015).

While all three categories of CSOs have increased gradually, many scholars point out that civilian-run non-enterprise units may manifest more social enterprise traits than the other two forms of CSOs (Wong and Tang 2006/2007; Shi 2005). As non-profit entities established by civilian organisations and individuals using non-state resources, civilian-run non-enterprise units play an essential role in delivering diverse types of social welfare services.

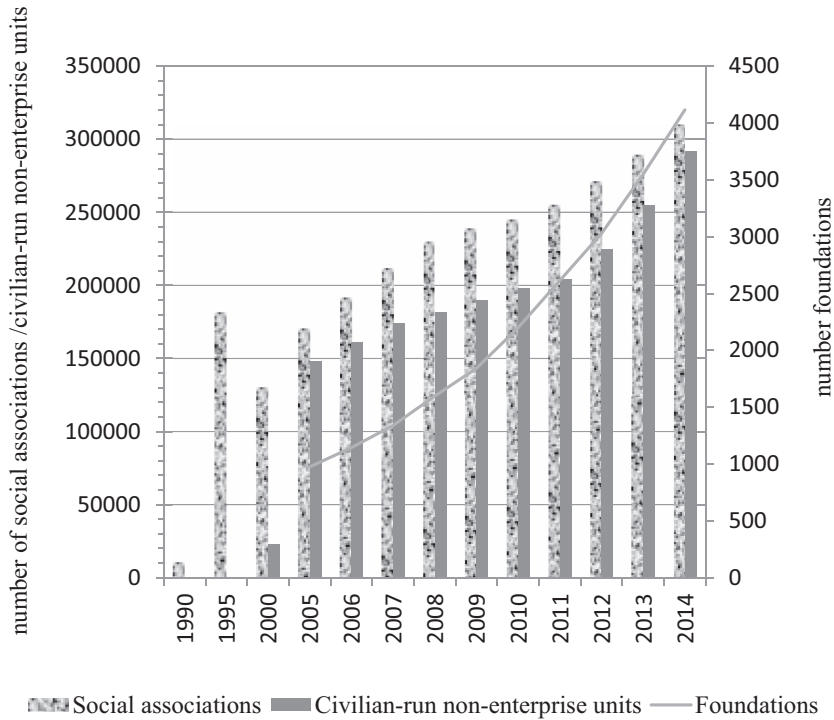


Figure 2.1 Development of three types of CSOs in China (1990–2014)

Although CSOs have now obtained more socio-political space for their development than they enjoyed during the Maoist era (1949–1978), they remain under close state control and are subject to strict conditions for registration, licence renewal, monitoring and administrative supervision (Béja 2006; Wong and Tang 2006/2007). However, as Chinese authorities have encountered escalating challenges in social development and social welfare in recent years, they have increasingly come to rely on a “big society, small state” formula, and they now attach more importance than they did in the past to the growth of the third sector and the active participation of social organisations.

The development of the non-profit sector in China has long been handicapped by financial constraints as well. According to a national survey, about 40% of non-profits rank the problem of revenue shortage as the most significant barrier confronting the development of the third sector in China (Li 2008). In response to this situation, non-profits in China are experiencing, in their search to become financially self-sufficient, a trend towards marketisation and commercialisation: they apply enterprise-style

management and engage in various types of market-based income-generating activities, such as providing services for a fee, engaging in state's purchase-of-service contracting, cooperating with commercial firms in charitable activities and cause-related marketing, and carrying out profit-making investments (Zhang 2008).

2.3. Market Sector

Corporate social responsibility (CSR) has gathered increasing momentum in China during the past several years, generating new legislation, perspectives, institutions and practices. China's Corporate Law was amended in 2005, including for the first time a CSR provision. In 2007 and 2008, several regulations on CSR were issued by Chinese central and local authorities to promote voluntary CSR initiatives, especially in the state-owned sector and among publicly listed and export-oriented companies. Although it is still a rather new phenomenon, the rise of private foundations is one of the most significant signals bearing witness to the development of CSR in the country. By the end of 2014, there were 4,117 foundations in China, with a total sum of assets reaching CNY105 billion and an annual total of collected donations of CNY34 billion (Ministry of Civil Affairs of China [MOCA] 2015; China Foundation Centre 2016). This emerging CSR movement is creating new possibilities for more dynamic corporate philanthropic practices and closer partnerships between companies and non-profits to achieve a win-win situation, serving both commercial imperatives and social needs. For companies pursuing long-term commercial success with a CSR agenda, cooperation with non-profits could improve their public image and reputation, and for non-profits, partnering with companies could lead to more private contributions and alleviate financial difficulties.

Moreover, experimental instances of impact investing have emerged in China in recent years, providing multiple resources to fuel the development of social enterprises. Private foundations are becoming the most important players in the field of impact investment in China. Several corporate foundations are playing a leading role in supporting social enterprises in China through impact investing; this is for example the case of the Narada Foundation, China Social Entrepreneur Foundation, Leping Social Entrepreneur Foundation and Live Foundation (Social Enterprise Research Centre *et al.* 2013). Lenovo is a typical example of a pioneering corporation engaging in venture philanthropy, which is a major form of impact investing activities in China. Lenovo launched a Venture Philanthropy Plan in 2007 and 2008, with the aim of nurturing entrepreneurship in China's third sector and raising the capability of non-profits to achieve sustainable development through "innovative funding". By the end of 2008, the project had allotted a total of CNY3 million in social venture funds to 16 non-profits. In 2012, Lenovo upgraded the plan,

investing CNY1 million in total to support the growth of social organisations at scale-up stage, highlighting the importance of cross-sector partnership and introducing a tutorial system to provide customised support and guidance to different organisations (Lenovo 2016).

2.4. International Agencies

The rise of social enterprise in China is also a result of promotion by foreign or international agencies. Since 2004, international agencies have organised numerous forums or seminars to raise awareness of social enterprise, social entrepreneurship and social innovation and to introduce overseas' theories and practices in China. Meanwhile, some international agencies have taken an active role in supporting social entrepreneurs in China. In 2007, the Youth Business Development International initiative of the Oxford Saïd Business School introduced its experiences to China by establishing Youth Business Development China (YBDC). Similarly, in 2009, the Cultural and Education Section of the British Embassy in China (or British Council) launched a "Social Enterprise Programme", which provides aspiring and existing social entrepreneurs with skills training, mentoring and access to UK expertise. So far, the programme has trained around 2,900 social entrepreneurs and distributed CNY29 million in funding from partners to 91 social enterprises (British Council 2016).

Leading microfinance institutions, such as the Grameen Bank, have made increased efforts to implement in China the innovative financial service model targeting impoverished people as a vehicle for reducing poverty and enhancing socio-economic development. In 1994, Grameen Trust of Bangladesh donated US\$150,000 to Xiaoshan Du, a scholar from the Chinese Academy of Social Science, to set up several poverty-alleviating financial cooperatives—referred to as "China's Bank for the Poor" (Feng 2014)—in the Hebei and Henan provinces of China. The most concrete progress was achieved in 2014, when Grameen China was created as an initiative aiming to provide microcredit financial services to China's poorest residents, with a view to creating income-generating opportunities for the latter and helping them achieve a higher standard of living. By June 10, 2015, Grameen China had set up eight centres in China, providing micro-financial services to 50 customers and managing loans totalling CNY920,000 (Grameen China 2017).

Impact investing is another field where international investment institutions are playing an active role to support social entrepreneurship in China. For instance, several Chinese social entrepreneurship initiatives have received funds from LGT Venture Philanthropy (LGT VP), which was founded in 2007 on the initiative of H.S.H. Prince Max von und zu Liechtenstein. So far, LGT VP has invested in three social enterprises in China: Dripteck, which provides low-cost, effective drip irrigation systems for small plot farmers; Shangrila Farms, which provides market

access to farmers; and the Institute of Public & Environmental Affairs (IPE), which identifies and eradicates the root causes of massive pollution (LGT Venture Philanthropy 2016). Meanwhile, several foreign foundations, such as the Ford Foundation and SOW Asia (which is based in Hong Kong), are also taking an active part in impact investment in social enterprise in China.

3. Development Patterns of Major Types of Social Enterprise

China's social enterprises are currently operating in a wide range of sectors, and they can be classified into five broad types according to the social mission they pursue—work integration, social care, health care, poverty alleviation and education development. This section provides a brief review of the development patterns and emblematic practices of SEs falling into these five major categories.

3.1. *Work Integration Social Enterprises*

“Work integration social enterprises” (WISEs) refer to social enterprises seeking to assist a wide range of marginalised people who are at risk of permanent exclusion from the labour market, and to help them return to work and to society in general through a productive activity (Nyssens 2006; Spear and Bidet 2005; Vidal 2005). *In China, various types of WISE coexist and differences among them may exist on several dimensions:*

- some WISEs (such as social welfare enterprises) reflect the legacy of China's welfare regime of the Maoist era, while others are new initiatives that have emerged during China's market reform of the last three decades;
- some WISEs are launched by the government, while others stem from civil society innovation or public-private partnerships;
- some WISEs focus on people with disabilities as target beneficiaries, while others provide services to other types of marginalised people, such as the laid-off/unemployed, impoverished rural people, rural migrant workers, people hit by natural disasters, etc.;
- some WISEs mainly provide employment opportunities (be they temporary or permanent), while others focus more on organising vocational training and providing job information.

Social welfare enterprises (SWEs), which provide jobs to disabled workers, are one of the main categories of WISEs; they have played an essential role in promoting the employment of the disabled in China since the 1960s. Almost all SWEs were set up and managed by governmental

agencies, collective units or state-owned enterprises until the early 1990s, when SWEs were increasingly privatised and their ownership structure became more and more diversified. Civil society then emerged as the driving force fostering the development of SWEs: in 1998, the number of “society-run” (*shehui ban*) SWEs (i.e. SWEs funded and managed by non-governmental entities—individuals or social organisations) reached 42,987, making up over 85% of the total number of SWEs, and hiring 722,656 employees with disabilities (Ministry of Civil Affairs of China [MOCA] 2000). However, with the enterprise reform implemented in the late 1990s with a view to enhancing efficiency, SWEs experienced a significant decline. From 1995 to 2014, the number of SWEs decreased from 60,000 to 16,389, and the number of disabled employees dropped from 939,000 to 479,000 (National Bureau of Statistics of China [NBSC] 2010; Ministry of Civil Affairs of China [MOCA] 2015).

The other major type of WISE in China is the one that seeks to help laid-off and urban unemployed workers return to work. This service is operated by the already-mentioned “re-employment service centres” (RSCs) and “community-based employment entities” (CBEEs). RSCs and CBEEs have different functions: RSCs are set up to provide an integrated package of services and benefits, including career training, vocational guidance, job mediation, basic living allowances and social insurance premiums, while CBEEs are created to provide job opportunities in the community-based service sector, such as housekeeping, childcare, home-care for the elderly, delivery of mail and goods, neighbourhood security, estate maintenance, community environment management, fitness and entertainment, etc. From 1998 through 2004, of the 21.6 million workers laid off from SOEs, 19.4 million were re-employed (Lu and Feng 2008), most of them thanks to RSCs and CBEEs. Over the last decade, the number of CBEEs has increased dramatically, from 35,198 in 1999 to 140,252 in 2008. Among the 468,000 employees newly hired by CBEEs in 2008, 267,000 (57%) were laid-off workers, and 92,000 (20%) were unemployed (National Bureau of Statistics of China [NBSC] & Ministry of Human Resource and Social Security of China [MOHRSS] 2009).

3.2. *Social Care*

During the transformation of China’s welfare regime, a huge number of society-run welfare homes emerged, as a result of government encouragement and supportive policies (as we have explained above, a “society-run” initiative is an initiative funded and managed by non-governmental entities, i.e. by individuals or by social organisations). Some society-run elderly care homes launched by socially oriented entrepreneurs or civil society organisations and relying mainly on a market-based approach to generate revenue have been recognised by scholars as experiments in social entrepreneurship (Wong and Tang 2006/2007).

Other social entrepreneurship initiatives focus on providing services to vulnerable children—namely orphans, abandoned and disabled children and prisoners' kids.

3.3. *Health Care*

During the market transition, China's health care system was transformed from one that provided affordable preventive and basic health care to all people to one in which many people cannot afford basic care and many families are driven into poverty because of large medical expenses. The problems partly resulted from the privatisation of the medical care system launched by the Chinese government. In 2000, the Chinese government initiated a new reform measure, through which the government determined the status of a small number of high-quality public providers as non-profit organisations, and let all others choose their status as non-profit or for-profit entities. Non-profit providers were to offer basic health care services at prices imposed by the government, while for-profit providers could focus on non-basic services and were allowed more freedom in setting prices. Only non-profit public providers could receive government subsidies (Gu and Zhang 2006). The reform resulted in a growingly mixed health care system. Although state-run health care entities still dominate the sector, non-state providers have begun to play an essential role, especially at the grassroots level, through a large number of local health centres and clinics which are of much smaller size than state-run facilities.

In recent years, with a view to curbing the over-commercialisation of the health care sector, the Chinese government has increasingly promoted the development of non-profit health care providers. In 2009, the Chinese central authority introduced a new policy to strengthen the reform of the health care system, emphasising the importance of mobilising resources from society to invest in non-profit health care entities, and especially in those providing charitable services.

3.4. *Poverty Alleviation*

In 2011, the Chinese central government raised the poverty line dramatically, from CNY1,196 in 2009 to CNY2,300. Consequently, the impoverished population suddenly grew sharply, from a "statistical" point of view—from 26.88 million to 128 million. By the end of 2014, despite significant progress in terms of poverty reduction, there remain 70.17 million Chinese people living below the national poverty line (National Bureau of Statistics of China [NBSC] 2010; Lin and Chen 2015).

Over the last decade, microcredit initiatives have emerged in China as one of the major forms of social entrepreneurship; they seek to explore a sustainable way to alleviate poverty by mobilising resources and encouraging innovation from civil society and the private sector.

In the early 1990s, international development institutions and NGOs introduced numerous microfinance programmes in China (Tang 2008). The estimated number of microfinance programmes launched by development organisations and NGOs reached 300 by 2006; however, only a few have achieved operational sustainability (Cheng and Li 2009). In early 2008, the China Banking Regulatory Commission announced a policy to foster the development of microcredit companies, emphasising their essential role in promoting the development of farming, agriculture and the rural economy. A more comprehensive policy was launched by the State Council in May 2010 to enhance the role of privately funded financial institutions in rural development, especially those providing microcredit services, such as rural credit cooperatives and micro-loan lending companies. As a result, privately funded microfinance institutions have been expanding rapidly. By the end of 2015, the total number of microcredit companies in China reached 8,910, and the total amount of loans exceeded CNY941 billion (Jiang 2016).

3.5. Education

Over the last two decades, China's educational policy has focused on the inclusiveness of compulsory education. In 2006, the law was amended, explicitly stating that students are entitled to an education free from all tuition charges and incidental fees. However, the country has faced daunting challenges in trying to extend compulsory education of adequate quality to all population groups, and particularly to children in ethnic minority areas and poverty-stricken rural regions.

Financial difficulty is one of the prominent reasons accounting for the problems encountered in actually implementing compulsory education. Since the amendment of the Compulsory Education Law in 2006, governments at the county and provincial levels have been charged with the primary responsibility for raising funds for compulsory education. However, the gap in education expenditure remains very significant between regions with a stronger economy, on the one hand, and less-developed regions, such as the Western minority areas, on the other hand. In response to the insufficiency of education funding in impoverished regions, the Chinese government has attached more importance to mobilising non-government sources from charitable donations and the increasingly privatised education market. Consequently, education providers have begun to rely less heavily on state funds and increasingly on earned income, such as "undertaking's revenue" (*shiyè shouru*), which refers to fees charged by schools for providing educational and auxiliary services.

The privatisation dynamics of the education market in China are also reflected by the growth of civilian-run educational institutions at the higher, secondary, primary and early-age education levels. The number

of civilian-run educational institutions increased from 79,207 in 2005 to 100,403 in 2008, and the number of enrolled students in these institutions rose from 16.35 to 30.42 million in the same period.

In recent years, as a growing number of rural migrant workers started bringing their children with them to the cities where they had found jobs, migrant children's access to compulsory education in cities has become a major social problem. It is in response to the unmet demands for qualified education for migrant children that several social entrepreneurship initiatives have been launched in the education sector.

4. Regulatory Framework for Social Enterprises

4.1. Legislative Framework

China's current legislative framework does not provide any specific legal form for social enterprises, which thus have to choose a legal status among a variety of legal forms, based on various relevant laws. The legal forms currently adopted by SEs include those of commercial companies, farmers' specialised cooperatives, social welfare enterprises, civilian-run educational institutions and civilian-run non-enterprise units. The legal characteristics of Chinese SEs vary, in terms of organisational nature, ownership, tax-exempt status, profit distribution and governance autonomy, according to the legal form chosen by the organisation. Under ideal circumstances, one could argue that typical SE legislation may define the SE as an autonomous non-profit organisation with a social/multi-stakeholder ownership structure, which enjoys more favourable tax status than purely commercial firms and is constrained in its profit distribution to ensure its community-interest orientation. Compared with this overly simplified ideal-type (which is itself debatable), the legislative framework for social enterprises in China is much more complicated and diversified. Among the five types of legal forms usually adopted by organisations that could be considered as social enterprises, farmers' specialised cooperatives and civilian-run non-enterprise units are those which manifest most of the salient features of a typical SE, and probably are the most "suitable" legal forms for SEs in China's current legislative context, in spite of severe limitations.

In recent years, Chinese legislatures at the local level have begun to experiment with new legislation on social enterprises. Ningxia Hui Autonomous Region led the way in this effort. In September 2011, the Standing Committee of the Ningxia Hui Autonomous Region People's Congress promulgated the Regulation on the Promotion of Charity in the Ningxia Hui Autonomous Region, which encourages the development of "social charitable enterprises" and is recognised as the first local legislation on social enterprise in China. Under the provisions of the regulation, "social charitable enterprises" can enjoy preferential policy treatments

in accordance with the investment scale of their charities' projects; such preferential policy treatments range from low-interest loans to deduction and exemption of administrative fees and taxes charged by local governments.

4.2. Policy Framework

Chinese civil affair departments, the main governmental bodies in charge of the registration and regulation of civil society organisations in China, support the new mode of philanthropy which resorts to business approaches to solve social problems. However, the Chinese government remains cautious about making a breakthrough in initiating new policies to promote the development of social enterprises. Such caution results from several concerns. For one thing, social enterprises are diversified and include several organisational forms, ranging from pure philanthropy to pure commerce. Thus, formulating relevant policies would require different government departments to work collaboratively; efficient policies could not be designed from the sole perspective of the non-profit organisations regulated by Chinese civil affair departments. For another thing, both the Chinese government and the general public have started paying more attention, in the past several years, to the credibility and transparency of non-profit organisations, and promoting the commercial operations of non-profit organisations may raise new regulatory challenges and policy risks. In addition, compared to that of Western societies and many other Asian countries, the development of social enterprises in China, regardless of their scale or impact, still lags behind; it might thus appear premature to initiate new policies (Yu 2015).

Although a specific policy concerning social enterprises has not yet been promulgated, there are several policy changes currently being implemented at the central and local levels and which may provide direct or indirect support to the development of social enterprises in China. At the central level, the Chinese government issued, in 2013, a new policy, which clarifies that the entities taking part in government procurements can be non-profit organisations legally registered with the civil affair department or approved by the State Council to be exempted from registration, or social entities such as enterprises legally registered with the department of industry and commerce or institutions registered with the industry administering department (General Office of the State Council 2013). It thus seems that the policy relaxing the restrictions imposed hitherto on providers taking part in the growing market of government procurement of social services will offer more opportunities to social enterprises registered under diversified legal forms.

At the local level, several provincial or municipal governments have recognised the concept of social enterprise; some have even begun to promote the development of social enterprises in related policies.

Beijing municipal government was the first local authority in China to use the concept of “social enterprise” in policy documents. In June 2011, Beijing Municipal Committee of the Communist Party of China issued a statement entitled *Opinions on Strengthening and Innovating Social Administration and Promoting Overall Social Construction*, which recognises “actively promoting the development of social enterprise and vigorously developing social services” as a strategy to further enhance the level of public service.

In March 2013, the Social Work Committee of Guangdong Provincial Committee of the Communist Party of China issued a statement entitled *Working Focuses for Deepening Social System Reformation in Guangdong in 2013*, which identifies “urging the development of social enterprises” as one of the priorities in the province. In August 2014, the party-state of Shunde district, Foshan city of Guangdong province, issued its *Outline of Planning for Deepening Comprehensive Reform of Shunde (2013–2015)*, which emphasises the importance of “reinforcing the support to and development of social organisations and social enterprises”, and of “setting up standards for social enterprises and making policies to foster them, to actively support social entrepreneurs, to encourage private capital to invest in social enterprises, and to promote the use of business approaches to solve social problems”.

Concluding Remarks

During the past several years, since non-profits began to play a vanguard role in serving social needs left unmet by governmental and market agencies, China has witnessed a burgeoning development of social enterprises. This chapter aims to provide insight into the dynamics, context and features of this new phenomenon. As a result of the socio-economic and legislative context configured during China’s transition to a market economy, social enterprise in China is following a development route which looks quite different from its counterpart in Western countries.

At first sight, the recent rise of SEs in China was driven by multiple forces that emerged during the market reforms and can be observed in Western Europe as well—namely the state’s efforts to privatise and marketise public services, the third sector’s endeavours to play a greater role in solving social-economic problems, the private sector’s growing interest in corporate social responsibility and venture philanthropy, and international players’ activities to foster social entrepreneurship. However, compared with the situation in many Western countries, the institutional context for social enterprise is much less developed; it provides (growing but) still limited financial, intellectual, technical and human resources—all of which are important for a sustainable development of social enterprise.

Secondly, as reflected by empirical evidence collected for this study, Chinese SEs display quite specific features as to their legal status, their

organisational nature and their operational model. However, as in most Western or East Asian contexts, they also share a core similarity, in that they all constitute an innovative solution to pressing and emerging socio-economic problems which are not solved efficiently by the state sector nor by the private market.

Finally, the regulatory framework governing SEs in China also differs from the more favourable systems which exist in several Western countries. Under China's current legislative framework, there is no specific legal form for SEs. Depending on the legal form they choose, SEs have diverse characteristics in terms of ownership, tax-exempt status, profit-distribution and governance model. In recent years, Chinese legislatures at the local level have begun to experiment with new legislation on social enterprises but, as underlined above, with regards to the policy framework of social enterprises, the Chinese government remains cautious about making a breakthrough in initiating new policies to promote the development of social enterprises. However, there are several policy changes currently occurring at the central and local levels and which may provide direct or indirect support to the development of social enterprises in China.

In an international comparative perspective, this also means that some indicators put forward by the EMES International Research Network to identify social enterprises do not have much relevance in today's Chinese landscape. Indeed, according to the EMES working definition, a high level of organisational autonomy is one of the salient features of SEs, while under the current Chinese legislative framework, the two major legal forms of non-profit organisations—namely the social association and the civilian-run non-enterprise unit—are under close government supervision at the registration threshold and through annual inspection. Moreover, as shown by Defourny and Nyssens (2010), one of EMES' most specific contribution to the social enterprise debate is to highlight the participatory governance structures that are often found in European SEs. However, many existing SEs in China are registered as for-profit companies, in which the ownership and control rights are legally retained by investors and are not necessarily being shared with other stakeholders, especially the beneficiaries. However, in a medium-term perspective, further developments of a more autonomous third sector in China might change this picture.

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Note

1 For more information about non-registered and registration-exempt social organisations, see Chapter 13 in the present book.

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3 Social Entrepreneurship in India

Models and Application

Anirudh Agrawal and Prajakta Khare

Introduction

The promise of social entrepreneurship in a country like India is enormous, as there are considerable variations concerning culture, societies, economies, development achievements, etc. The country is referred to as an emerging giant, with a noticeably high GDP growth rate, yet there are several social and developmental challenges dividing the country and stalling its progress. The availability of funds for public services like education, health care and public transport is fast decreasing, and for-profit enterprises remain out of reach of the poor (OECD 2017). The growing disparities and lack of empathy for the marginalised are creating many socio-economic problems for India. To address this, innovation in products and services and entrepreneurial mind-set may bridge the divide between the poor and the rich through high-quality affordable, accessible, empathetic caring public services for the poor. Social entrepreneurship is one such leadership and organisational practice that can address the pressing socio-economic problems of India. The communities, corporations, government, civil society and individuals can all undertake social entrepreneurial practices to address India's problems (Agrawal and Sahasranamam 2016).

The article is structured in four major sections. The first one presents different SE traditions and attempts to define social entrepreneurship in the context of India. The second part discusses the different social enterprise models existing in India; it draws its inspiration from the work of Defourny and Nyssens (2017) on SE models and typologies and applies them to the Indian context. The third section provides examples of concrete applications of the conceptual models in different fields of activity. Finally, we conclude with a discussion about future opportunities for SE development in India.

1. SE Traditions and Definition

1.1. Overview of the Social Entrepreneurship Tradition in India

The values enshrined in social entrepreneurship and philanthropy have a historical and cultural presence in India; however, the use of the term

social enterprise is very recent in the country, and the concept still has to gain institutional recognition. In this section, we provide an overview of the major traditions that have shaped the emerging social enterprise concept.

Religious and Political Social Entrepreneurial Traditions

The practice of giving back to society, of helping the less fortunate through generous material donations (*daan*) and through volunteering (*shramdaan*) can be traced back to 1500 BC. For instance, the Rig Veda (one of the four canonical sacred texts of Hinduism, which dates back to that era) discusses voluntary action and charity in depth. Voluntary action was the source of most of the welfare activities carried out in empires in ancient India. Besides, India is a land of many religions, and religious practices have also been a platform for social welfare and social entrepreneurial activities, such as providing free food for the poor, free education, free care for the elderly and orphans, free primary health care services, etc. Politically influential religious organisations also engage in political advocacy, promoting the preservation of rights and justice for minority religious groups. Religious and political organisations mainly finance their activities through charities, public funding and crowdfunding. Their services and activities are free for all, irrespective of religious affiliation. Srivastava and Tandon (2005) reported that 26.5% of non-profits engaged in social development activities in India had a religious identification.

All religions in India promote social and community welfare activities, and they have all played a pivotal role in the country encouraging social value creation. Places of worship—such as Sikh Gurudwaras, Islamic Madrasas and a host of Hindu temples across the country—are religious-based social centres, which all encourage social and economic value creation through the provision of free food, free high-quality education and care for the elderly and the poor. The Akshaya Patra Foundation, for example, is a social enterprise that provides free midday meals to three million poor students in India. It was started by the ISKCON (International Society for Krishna Consciousness) Foundation.

Before we define social entrepreneurship in India, it is important to understand the Indian society in its complexity and diversity, and to capture the set of roots that have had and continue to have a major influence on the social entrepreneurial landscape. It is also important to understand the historical and present social entrepreneurial traditions in India. The strong emphasis on social value, morality and human values are important factors that drive the social entrepreneurial effectuation (Mair and Noboa 2006). These values are also preached by the diverse religions practiced in India; this value system thus forms a major overarching umbrella for many prominent social entrepreneurial activities in India.

Examples of market-based hybrid social entrepreneurial approaches among religious and political organisations are very rare. Most organisations probably fear that adopting market-based practices might result in their losing their social and political legitimacy. Patanjali Ayurved Limited, established in 2006, is one of the few examples of such hybrid SEs. It traces its roots back to the ancient Hindu culture of yoga and ayurvedic medicine, and it has used its cultural legitimacy to create one of the biggest FMCG¹ brands and product range in India. Patanjali sells food, spices and body products at market rates throughout India, and it is currently valued at US\$3 billion. It claims that all the profits made by the firm are used to provide free health care services to the poor and the elderly and encourage the preservation of the environment.

While religiously inclined non-profit organisations have a strong motivation for public service, sometimes, the same religiously inclined organisations resist new ideas and repel changing social structures that challenge the incumbent dogmas. In the long run, this resistance stalls the socio-economic progress of the communities. It takes social movements, political advocacy and/or special social entrepreneurial activities to change the *status quo* within such religious, social and political structures. From the early 19th century onwards, India has always had such movements, and they continue to be strong, even today. For example, Raja Ram Mohan Roy, a reformist and social entrepreneur, championed the liberation of women from patriarchal routines. Even in the 21st century, the caste-based divisions, though illegal, are still socially and culturally relevant; they are fought by both social movements and social entrepreneurs in various parts of the country. Currently, Rashtriya Swyam Sewak Sangh (RSS) is the biggest religious political enterprise that is promoting both social entrepreneurial activities (such as culture-based organisations, primary health care, subsidised education) and identity-based politics. Religious and religion-inspired organisations in India are highly complex, at times reinforcing the *status quo* and at times challenging it.

Collective and Cooperative Social Entrepreneurial Traditions

The voluntary sector received a lot of encouragement and gained wide social acceptance during the Indian independence movement led by Gandhi. The volunteers were first attracted by the protest movement against the British rule in India; subsequently, these volunteers were inspired to join the Swadeshi movement (a movement that encouraged people to boycott the colonial goods and promote domestic products), and eventually to support social development. After India achieved independence, voluntary agencies were considered as an integral part of the nation-building process, and their number increased significantly. In the 1960s and 1970s, due to the increased occurrence of natural

calamities (such as famines or floods) in India, a number of welfare NPOs were launched by social entrepreneurs to provide relief and support public services.

The collective social entrepreneurial tradition in India gained support in the early 20th century; such support further increased after the end of colonial rule. The cooperative movement of India is considered as one of the biggest components of civil society, with a great potential for rural employment and development. In 2010, there were 600,000 registered cooperative societies in India, totalling almost 250 million members, which represents 20% of the Indian population.²

Formally, co-operatives were introduced in India in 1904, when the 1904 Indian Cooperative Credit Societies Act was promulgated. Rural indebtedness was the major force behind the initiation of chit funds³ and cooperatives in India. Initially, these simply aimed to provide credit to farmers, operating under the form of credit societies, but they gradually expanded to other fields, such as banking, processing and marketing (dairy cooperatives). The meagre funds of farmers were pooled-in to run the cooperative; this constituted an attractive way to solve their financial problems. Non-credit societies appeared in 1912. The importance of co-operatives was also highlighted in the Royal Commission on Agriculture, in 1928. With the setting up of the Reserve Bank of India (RBI), in 1935, the goal of supporting the development of more cooperative societies was given due importance. After independence, the role of cooperative societies grew to involve socio-economic development and eradication of poverty in rural India. Cooperatives became an integral part of the Indian economy.

Market-Oriented Social Entrepreneurial Traditions

It would be a perfect world if enterprises could do good and earn capital simultaneously, while competing globally. It is in this space that market-oriented social enterprises draw much interest among researchers and social entrepreneurs. However, the downside is that social entrepreneurs seeking market opportunities do not enjoy the same legitimacy that society gives to “social change entrepreneurs” such as Raja Ram Mohan Roy, Mahatma Gandhi and Vinoba Bhave in India or Martin Luther King in the USA.

Since the founding, in 1997, of SKS Microfinance Limited (a non-banking finance company aiming to provide financial services to the poor, now known as Bharat Financial Inclusion Limited), one could observe a rise of hybrid, pro-market and Schumpeterian social entrepreneurial models in the Indian landscape. This trend is aligned with the institutional progress of social entrepreneurship practices in western countries. These market-oriented models are significantly profit-oriented; they are engaged in the sale of products and services just like

conventional entrepreneurs and businesses. SEs belonging to this tradition share five common features: (1) they were started by young emerging entrepreneurs, or by existing entrepreneurs or corporations looking for social legitimacy; (2) they are based on social and market opportunities; (3) they provide an innovative solution to an existing social problem; (4) they bear a significant level of market risk; and (5) they have a certain level of earned income.

Since the 2008 financial crisis, India, just like other countries, has seen a significant increase in responsible investment. Impact-investing firms invest in for-profit social enterprises. This new capital has further encouraged the emergence and development of for-profit social enterprises.

1.2. Defining Social Entrepreneurship in India

Specifically defining social entrepreneurship in India is difficult; indeed, the Indian context is characterised by such a diversity of models, practices and overarching institutional and market influences that any definition will be context-specific, rather than field-specific. It is difficult to use the already existing definitions and to “force” them onto Indian social enterprises and policymakers. In this section, we try to provide a broad, widely encompassing definition of social entrepreneurship and social enterprises, drawing inspiration from established definitions in Europe and the USA while simultaneously reflecting existing social entrepreneurial practices in India.

The EMES Perspective

The EMES perspective on social entrepreneurship is championed in the works of Defourny and Nyssens (2010, 2012). The EMES perspective on social entrepreneurship involves three major dimensions, namely a social dimension, an economic dimension and an organisational structure dimension.

THE SOCIAL DIMENSION

In the EMES perspective, the social dimension expresses through three indicators: First, social enterprises should have an explicit aim to benefit the society and community. Secondly, the distribution of profits should be limited to some extent, so as to avoid profit-maximising behaviours. Thirdly, social enterprises should be initiatives launched by a group of citizens or civil society organisations. Indian social enterprises are close to the EMES perspective on this dimension, as they are strongly organised around the social value logic. Several cooperatives share the values enshrined in these EMES indicators. Many religious social enterprises in India also share similar values.

THE ECONOMIC DIMENSION

The economic dimension concerns economic and market activities, such as employing people (the social enterprise should have a “minimum amount of paid work”), producing goods and/or services on a continuous basis, and bearing a significant level of economic risk. Within India, many social enterprises display a strong economic dimension. Social enterprises promoting technology, organisations offering services such as education and health care or selling rural handicrafts, and agricultural and dairy cooperatives all engage in economic and social activities (Kapoor and Goyal 2013).

THE GOVERNANCE DIMENSION

The governance dimension within the EMES definition is important because it does not only give shape to the social enterprise structure, but it also provides a direction for decision making and independence and in turn ensures the future sustainability of the organisation. EMES governance-related indicators include a high degree of autonomy, a decision-making power not based on capital ownership and a participatory nature involving various parties affected by the activity. The governance structure of many co-operatives, trusts and social entrepreneurial associations in India meet these indicators (Gupta and Jain 2012). This is also the case of the organisations and NGOs that shape social movements in India. However, not all social enterprises in India adhere to the democratic principle of “one member, one vote”.

The Social Business Perspective

Dees and Anderson (2006) identify two major schools of thought in the field of social entrepreneurship study, namely the “*social business*” school of thought and the “*social innovation*” school of thought. The social business school of thought focuses on the marketisation of non-profits through an hybridisation of their operations with commercial, earned income activities, and on the hybridisation of commercial enterprises’ activities through a transformation of part of their business into foundations, charities and BOP/CSE hybrid models, which strongly address social issues in society (Hockerts 2010; Olsen and Boxenbaum 2009).

Bottom-of-the-pyramid (BOP) social enterprises are organisations that exclusively develop products and services to address the needs of the poor (Prahalad 2004; Prahalad and Hammond 2002) and sell them at a low price. For example, the Industrial Credit and Investment Corporation of India (ICICI) Foundation, owned by ICICI Bank, runs various microfinance initiatives around India.

The Social Change Perspective

In a social change perspective, social enterprises are defined as organisations based on transformative ideas to address pressing social problems, which are related to social and government structures rather than being economic or market problems (Spear 2010). Socially conscious and emphatic citizens are coming together, either as a civil society group (Arjaliès 2010) or individually, with a view to creating organisations active in welfare activities. Social movements are an important manifestation of the social change perspective.

Social movements, defined as loosely-organised coalitions that provoke social change by challenging prominent social and cultural practices through sustained campaigns, promote the creation of new (social) ventures and industries. Diverse actors within social movements, such as the media and professional associations, pursue varying interests, and in the process, furnish entrepreneurs with resources, capabilities, and legitimacy—ingredients vital for the formation of new ventures.

Akemu *et al.* (2016)

Groups of individuals, NGOs and communities come together to address a recent social issue or any serious problem existing at the socio-religious level or at governmental level. In India, for example, in 2011–2012, the IAC (India against Corruption) Movement engaged the whole country towards addressing the increasing corruption problem.

Instead of giving a very specific definition of social entrepreneurship in India, we take into consideration these three different perspectives—the EMES approach, the Anglo-Saxon social business perspective and the social change perspective. We conclude this section by underlying the fact that, in India, social entrepreneurship is highly context-specific. Social enterprises can be closer to the SE ideal-type such as it is defined in any of the three perspectives described earlier and can derive their legitimacy from any of these three definitional and organisational forms, depending on the socio-economic context and entrepreneurial motivations.

2. Tentative Typology of Indian SE Models

Based on the extant literature, the institutional trajectory of social entrepreneurship in India and expert interviews, we classify Indian social enterprises into five broad models, namely: the entrepreneurial non-profit (ENP) model; the social business (SB) model, the cooperative model; the public-sector social enterprise (PSE) model and the social change model (which shares some characteristics with the “social cooperative model” as defined by Defourny and Nyssens [2017] but is distinct from “pure” cooperatives



Figure 3.1 Indian SE models

as this category focuses more on institutional change). As Huybrechts *et al.* (2016) had done for Belgium, we summarise in Figure 3.1 the major traditions and institutions and their respective influence on the emergence of the five SE models widely practiced in India. It appears that the five categories we identified in India fit well with the SE typology developed within the ICSEM Project by Defourny and Nyssens (2017), which includes four models, namely the entrepreneurial non-profit model, the social cooperative model, the social business model and the public-sector social enterprise model.

The models presented next are conceptual models that capture most of the SE forms, visions and missions. They may differ in terms of legal forms, governance and ownership structures, practices of participation and democracy, and combinations of general, mutual and private interest. All these models of social enterprise are registered as either for-profit or non-profit enterprises. When registered as non-profit SEs, they are submitted to the legal requirements provided for in the Societies Registration Act (1860), the Indian Trusts Act (1882), the Cooperative Societies Act (1904) and the Companies Act (1956, 2013).

2.1. The “Entrepreneurial Non-Profit” Model

Defourny and Nyssens (2017: 12) define the “entrepreneurial non-profit model” as including “all non-profit organisations developing any type of earned income business activities in support of their social mission”. Primarily, these non-profit organisations work to address social and sustainability issues. Their primary beneficiaries are their members and their communities. They also engage in earned income activities to meet their financial requirements. Their focus on helping their members and communities through some type of earned income activities differentiate them from social change SEs and social cooperative SEs.

Indian SEs following the entrepreneurial non-profit model operate as non-profit organisations (NPOs), foundations, associations, NGOs or societies. They are typically registered under the Societies Registration

Act (1860), under Section 8 of the Companies Act (2013) (for private limited non-profit companies) or under the Indian Trusts Act (1882) for trusts. A foundation or a trust may primarily engage in social activities but fund its activities by capitalising on the earnings of another privately owned source (for-profit enterprise), similar to the model proposed by Defourny and Nyssens (2017: 13).

The financial resources of most of these enterprises include public subsidies, support from charities, crowdfunding and sale of products and services. The majority of the observed organisations in this category utilise their commercial entrepreneurial activities as a means to fund their social programme. Since most of the NGOs register as non-profit organisations, the Act prohibits profit annexation by the members or the trustees. The Societies Registration Act (1860), the Indian Trusts Act (1882) and the Cooperative Societies Act (1904) call for transparency in organisational, operational and financial decision making among the members and trustees.

One of the unique and evolving categories of social entrepreneurs that can be classified in this model are micro-entrepreneurs who pursue mutual interest goals but also simultaneously engage in general interest activities (Pratono *et al.* 2016). Small self-help groups across rural India producing small rural artefacts and employing rural women constitute a good example hereof.

2.2. *The “Social Business” Model*

Social businesses have a very strong social focus, but they differ from other models in terms of their profit motive (they are mostly for-profit), governance structures and legal forms. This category is broad and includes SEs as diverse as corporate social enterprises (Agrawal and Sahasranamam 2016) with strong earned income, hybrid SEs (strong social objective with some earned income), “edu-tech firms” (innovating in educational delivery methods), “clean tech firms” (innovating in and providing clean technologies and services) and health care firms (innovating in and providing health care services). They have a strong individual interest factor, but they pursue a social mission of public interest. Social enterprises belonging to this group have a very strong market orientation. This model focuses both on addressing social problems, using market-oriented risk taking, and on business innovation (Hockerts 2010). Along with their strong business orientation, these social enterprises leverage a good marketing capability, including pricing strategy, promotion and advertising, product distribution, and sales capability. They work towards well-defined targets, measure their social impact, report on their financial performance, are held accountable with the same rigour as professional businesses and report on their activities and results to their stakeholders (investors, funders, crowdfunders, private promoters).

These social enterprises have distinct and well-defined social missions and social activities. The role of social and political legitimacy is very important for these organisations' survival and sustainability. These SEs' social missions are instrumental in their gaining market shares, financial resources, social and political legitimacy and in their increasing their earned income. These social enterprises finance their operations through diversified sources, but their major source of income is the sale of the goods and services that they produce. For example, in the case of SKS microfinance, their major source of operational income are the profits generated by their microcredit services (SKS obtained low-interest loans from banks and for-profit venture capitalists [Sequoia Capital] and granted microcredits with higher interest rates). Similarly, Patanjali manages its operational expenditures through the sale of its products. These social enterprises look for social investment with partners who take a similar approach to developing innovative new models and mechanisms to address social problems using the earned income approach. These initiatives mostly operate under the form of private companies, while ensuring both the creation of social value and a strong earned income component.

In India, as in many other countries, social enterprises, depending on their profit motive, can be registered as non-profit trusts under the Indian Trusts Act (1882), as societies under the Societies Registration Act (1860) or the Cooperative Societies Act (1904), or as for-profit companies or conventional for-profit firms under the Companies Act (2013). Since for-profit SEs have to manage social and commercial goals at the same time, the organisational structure, communication and profit distribution are important pillars around which the governance and ownership structure of these organisations are designed. From a legal point of view, they are allowed to earn profit; however, the legitimacy of these SEs becomes questionable when the profit motive directs the social motive. To avoid such mission drift and manage the organisational legitimacy of for-profit social enterprises, the organisational design, the social and moral values of the entrepreneurship and the relation of the SE with the community all play an important role.

2.3. *The "Public-Sector SE" Model*

The Government of India has many programmes to support the marginalised and help them move out of poverty. These programmes primarily deal with health care, education, sanitation, drinking water, justice and equality, sports, employment and related training, buying rural produce, etc. However, despite their high budget, these programmes hardly ever reach their intended goals. Public bureaucratic machinery is rigid, and costly when it comes to reaching marginal locations and implementing programmes. In order to overcome these limitations, an increasing

number of government organisations are now integrating social entrepreneurial models into public-service delivery, using a variety of innovative approaches involving highly efficient and cost-optimised public services through public/private partnerships. This new and upcoming model of social entrepreneurship is conceptualised by Defourny and Nyssens (2017: 16) as the public-sector SE model.

The government is exploring new collaboration policies and frameworks, wherein governments and private entities (social businesses) work together to provide low-cost, efficient and high-quality public services. These policies and frameworks require less public scrutiny and regulation; innovative public-procurement procedures are designed and implemented; and these multi-institutional collaborations are financed and controlled through innovative financial products. The public-sector SE model also entails risks. Indeed, these enterprises are exposed to higher financial and bureaucratic scrutiny than “normal” SEs. In cases where public servants managing the public-sector SEs indulge in crony or corrupt practices, they may face corruption charges and these SEs may lose their public funding and cease to exist.

Some examples of public-sector SE models are: social enterprises providing subsidised health insurances where part of the health insurance is subsidised by the government; SEs implementing “re-skilling” policies involving private players and government funding; and free online education involving Indian universities and funded by public funds.

2.4. *The “Cooperative SE” Model*

The cooperative movement in India was encouraged to help the agricultural sector. Through cooperatives, the poor, landless labourers and marginalised farmers were able to bargain and obtain better prices (for example for agricultural and dairy produce and for agricultural inputs, such as fertilisers), fairer wages and higher income for their contributing members, and political intervention against market distortions. Cooperatives engage in political advocacy with the government, fighting for institutional change, in collective action against unnatural price increases, and in collective bargaining against prohibitive bank interest rates. They also provide social and public services to the poor at reduced prices. The cooperative movement has thus created significant socio-economic value in rural India.

Most cooperatives in India are registered under the Cooperative Societies Act (1904). According to this Act, board members have to be democratically elected; the decision-making process is decentralised; and stakeholder interest is prioritised. However, the EMES indicator about the decision-making power not being based on capital ownership is not met here, as the number of votes held by board members depends on equity and social capital ownership. Cooperatives’ governance structures

are most often composed of members, including volunteers and employees, and possibly other stakeholders such as donors, experts, citizens and representatives of other associations or public bodies, but usually not the beneficiaries of the organisation's services.

The IFFCO (Indian Farmers Fertiliser Cooperative), for example, provides competitive, affordable prices for fertilisers. The Amul dairy cooperative provides competitive rates for the dairy produce of the farmers. Large cooperatives like these two (IFFCO and Amul have a respective annual turnover of US\$3 billion⁴ and US\$5 billion)⁵ are professionally run cooperatives, which hold regular elections for electing leaders, community representatives on the boards and professional managers.

2.5. *The “Social Change” Model*

In a situation characterised by institutional change and, in some cases, institutional void, religious, political and a-political advocacy organisations, strongly coupled with civil society, play an important role. These organisations share many elements with social entrepreneurship; we thus decided to include them in our typology, in a “social change” model. While Defourny and Nyssens (2017) do not explicitly include the social change model in their typologies, our study of the Indian landscape shows that social change plays a very special role in the Indian context.

The social change model corresponds to those organisations, associations or movements whose primary social mission is to create greater social value for the community, society, and humanity. Dees (1998) described social entrepreneurship as an entrepreneurial process creating social value and social change. The entrepreneurial actions can bring about social change through social movements, political activism, use of democratic rights, advocacy, protests and demonstrations and constitutional amendments. Many organisations and individuals are stakeholders in the larger ecosystem of social change, including religious institutions, political institutions, legal bodies such as courts and legislatures, the press and media and citizens. We think that political activism, social movements, protests and associations that bring about social change all display elements of social entrepreneurship, as all of them involve elements of social value creation, social change, pursuit of the general interest, risk taking, innovation and (mostly democratic) organisational structures in which the distribution of decision-making power is independent of equity ownership. As for the indicator about paid work, social entrepreneurship focused on social change may employ people, but it certainly relies on a large number of volunteers.

SEs of this type may experience a sharp limitation of their autonomy when they come under the purview of public funds; consequently, they tend to avoid financial support from the government. The governance structure of SEs belonging to the social change model is still being

researched by academics. Some of these SEs might be political associations formed by charismatic leaders; others can take the form of spontaneous protests by associations of people; others still might take both these forms. Some of the foremost principles around which social change SEs work are voluntary participation, concern for the community and transparent and democratic decision making. The main unifying characteristic shared by social change SEs is the fact that they identify the cause of a social problem and use different socio-political means to address this problem. Another defining characteristic of these organisations lies in the fact that their members are driven by the general interest and have no mutual interest in the organisation. Examples of social entrepreneurs and SEs that can be classified in this category include Mahatma Gandhi, Nelson Mandela and the Chipko Movement.

2.6. Synthetic Overview of SE Models: Concepts and Practice

Table 3.1 provides a synthetic overview of SE models in India. We should underline the fact that the models described earlier are broad conceptual models that try to capture the essence of social entrepreneurship practiced in India. These social entrepreneurial models are legally registered as non-profit organisations, non-governmental organisations, foundations, trusts, cooperatives, private limited companies (for the “social business” model) under the Societies Registration Act (1860), the Indian Trusts Act (1882), the Cooperative Societies Act (1904), or the Companies Act (2013). Many large social enterprises are also organised as trusts, cooperatives or foundations where these forms act like holding companies, managing many different social enterprises. Unfortunately, the legal frameworks defining and categorising SEs are limited in scope. The institutions in India must work to expand the scope of legal frameworks capturing wider categories and models of SEs.

3. Examples of SEs From Different Fields

In this section, we explore how the five social entrepreneurial models discussed earlier are applied in the real world. We divide the various social entrepreneurial activities in India into six broad categories, namely: (1) social, political and religious activities; (2) financial activities; (3) bottom-of-the-pyramid (BOP) activities; (4) agricultural cooperatives; (5) cultural activities; and (6) work integration social enterprises. This list may not be complete, but most of the SEs found in India are active in one of these fields.

3.1. Social, Political and Religious Activities

Social, political and religious SEs hold an important position in Indian society. These initiatives display several features of social entrepreneurship,

such as being innovative, involving huge risks, working to create value, and aiming at financial soundness and sound governance.

Social enterprises operating in the field of social, political and religious activities collectively act as important pillars of institutional building, helping to address institutional voids and institutional discrepancies, and creating social value by capitalising religious and political institutions, often through entrepreneurial means. For example, in 1951, The Bhoodan Movement, launched by social entrepreneur Vinoba Bhave, inspired the feudal classes to donate part of their land to the landless peasants. The peasants could not sell this land, but they could settle on it and use it for agricultural cultivation. The Art of Living was started in 1981 by spiritual leader Shri Ravi Shankar and now operates in more than 150 countries. It combines Hinduism centric spirituality with yoga; it aims to help its millions of followers achieve external and internal well-being and strives to spread peace across communities through humanitarian projects. Patanjali is a FMCG brand that was started by the Yoga guru, Ramdev Baba. The brand capitalised on its social and cultural capital and health values related to Ayurveda to quickly create space in the FMCG market.

3.2. *Financial Activities*

SEs operating in the field of finance have existed in India under the form of credit societies and cooperative banks since the early 20th century. They subsequently diversified into microfinance SEs, in the early 1990s, and impact investing, in the early 2010s.

Cooperative banks are financial institutions providing financial services to meet the needs of the communities where they are located. Their distinctive feature lies in the fact that their members are also their beneficiaries. These institutions are registered under the Cooperative Societies Act (1904), which gave farmers and dairy farmers access to credit. In 1959–1960, the Reserve Bank of India (central bank), considering that cooperative banks constituted an important element in providing financial support to farmers and SMEs, further regulated them and thereby facilitated greater public funding. In terms of SE models (see Section 2), cooperative banks can be considered a “hybrid” category, between the entrepreneurial non-profit and the public-sector SE models.

Microfinance services are a special category of financial products that are designed to help the poorest among the poor, who are outside the purview of traditional financial institutions. Microfinance services were pioneered by Prof. Yunus, founder of the Grameen Bank (Yunus and Jolis 1999). Microfinance institutions (MFIs) in India include both cooperative banks and private MFIs. Most Indian microfinance institutions (MFIs) are registered as non-banking finance companies (NBFC) under the Companies Act (1956). Following the initial public offering (IPO)

Table 3.1 Overview of the SE models commonly found in India

<i>SE models</i>	<i>Entrepreneurial non-profit model</i>	<i>Social business model</i>	<i>Public-sector SE model</i>	<i>Cooperative model</i>	<i>Social change model</i>
<i>Characteristics</i>					
Main legal form/ Legal act used	Non-profit/Societies Registration Act (1860), Foreign Contribution Regulation Act (2010)	Companies Act (2013)	May come under Section 3 of the Companies Act (1956)	Non-profit/Societies Registration Act (1860); Cooperative Societies Act (1904)	Non-profit/Societies Registration Act (1860); Fundamental Right to protest
Social mission	Social change through entrepreneurial value creation, mutual interest	Optimising social benefit, market potential and financial resources, solving social problems using markets, BOP	Reaching the most marginalised and left-out segment of society	Social change through entrepreneurial value creation, fair wages, fair pricing, collective marketing, social and political advocacy, collective bargaining	Maximising social benefit, social change, institutional change, advocacy
Financial mission	Operational efficiency with a mission to maximise social benefit	Strong focus on financial prudence and on earning through sales and marketing, private profit	Operational efficiency with a mission to maximise social benefit, may follow political compulsions and investment based on politics, mixed income	Earned income, fair pricing, fair market value	N/A

Social legitimacy	High social and political legitimacy	Medium social and political legitimacy	Political and public legitimacy	High social and political legitimacy	High social and political legitimacy
Financial resources	Extensive reliance on fund raising, charities, foundations, government funds, impact investment; foreign donations	Impact investment, charities, government ministries funds and, in addition to earned income strategies, subsidies	Government and public funds, impact investment, charities, foundations, government ministries funds and, in addition to earned income strategies like sales of goods and services, subsidies	Membership fees, service fees, earned income, government subsidy	Extensive reliance on fund raising, charities, foundations, government ministries funds, impact investment; foreign donations
Governance	Democratic decision making among the primary members (primary leader); members are beneficiaries	Entrepreneur- and profit-centric, high efficiency, central decision making; owners are the primary beneficiaries	Government as the main stakeholder in the decision making, hybrid and Public-Private Partnership (PPP) model	Democratic decision making among the primary members; members are beneficiaries but cannot make profit	Democratic decision making among the primary members (primary leader); members may/may not be beneficiaries
Examples	Education institutions, cooperatives, religion-based and political institutions, advocacy groups, Sewa bank, trusts, foundations	Edu-preneurs, eco-preneurs, tech-preneurs, micro-entrepreneurs	Aganwadi, skill development initiatives, PPP model, MNREGA	Amul, IFFCO, Verka, Sewa Bank	Cooperatives, religion-based and political institutions, advocacy groups, Sewa bank, trusts, foundations, movements

of SKS Microfinance, farmers' distress increased, because the organisation's shareholders exerted pressure to increase profitability at the cost of mission (Grunewald and Baron 2011). These developments led to the politicisation and regulation of MFIs in India.

Impact investing is a practice of investing in social enterprises, using market-driven investment approaches, with the motivation of creating both financial value and social impact. There are over 50 impact funds in India. They are funded in multiple ways—through charities, foundations, responsible investors, high-net-worth individuals and corporate social responsibility (CSR). According to studies carried out by British Council India, around US\$1.6 billion had been invested in 220 social enterprises in India by 2014 (British Council 2016; British Council India 2015). Impact investors support SEs at the stage of incubation, through mentoring, by introducing enterprises to their first customers, and by helping them obtain financial support and manage mission drift. Impact investing can take the form of a for-profit social business (e.g. Aavishkaar) or of an entrepreneurial non-profit (e.g. Villgro Innovation).

3.3. Bottom-of-the-Pyramid (BOP) Activities

The “bottom-of-the-pyramid” (BOP) concept gained acceptance in the academic and business communities after the publication of a book on BOP by Prahalad (2004). According to a market report on BOP market opportunities published by Hammond (2007), the BOP represented a US\$5-trillion global market potential in 2007. BOP-focused social enterprises in India usually belong to the social business model. They involve a high level of innovation in product and service offering, affordability and business model, and they are typically funded by banks, impact investors and corporations. In addition, the governments, the private sector, international aid organisations and social entrepreneurs are all engaged in creating entrepreneurial, innovative and competitive solutions to address the socio-economic problems linked to the lack of services in the areas of education, health care and cleantech at the BOP level. The ICICI Foundation, the Tata Trusts, the ITC and the Shiv Nadar Foundation are some of the most famous corporate foundations funding BOP-oriented social entrepreneurial activities. The Sulabh Sauchalaya, Janta Meals, Aravind Eye Care and Life Spring Hospitals are well-known social entrepreneurial non-profits which provide low-cost, high-quality public services to the BOP segment.

3.4. Agricultural Cooperatives

India, until the end of the 20th century, was largely an agricultural economy. Nearly 600 million people in the country are dependent on

agriculture for their livelihood. The country also counts almost 600,000 cooperatives, with 400 million members. Cooperatives in India support the poorest and the most vulnerable sections of society. Agricultural cooperatives play an important role in increasing their members' earnings, protecting them from middle men who undercut benefits to farmers, bargaining for the prices and supporting agricultural communities in terms of quality control and marketing. IFFCO is one of the largest cooperatives in India; it procures fertilisers and seeds at bargain prices for its member farmers and markets their goods at fair rates. Amul, Verka and Mother Dairy are examples of cooperative dairies whose primary shareholders are millions of rural milk producers. The revenues and dividends are fairly shared with the shareholders. India Coffee House and Lijjat Pappad are cooperatives whose workers are also the owners of the cooperative's assets; they share the revenues and dividends among themselves (Datta and Gailey 2012; Dhillon 2014). These SEs employ rural and peri-urban workers and thereby increase the social well-being of these workers and their families. They closely resemble the "entrepreneurial non-profit" SE model. These cooperatives can also be considered as examples of WISEs (work integration social enterprises).

3.5. *Cultural Activities*

India is a unique country, with many ethnicities, languages, religions, castes and disparities, and with different forms of art, festivals and cultures, which all coexist. This diversity results in multiple political collisions, but also in a melting pot of many different cultures, colours and stories. But there is order in this chaos, which gives rise to a unique blend of art, media, handicraft, tourism, food and recipes, which are strongly reflected in the image of India. This mix indeed also represents the cultural heritage that attracts millions of tourists from across the world to India. Preservation and sharing of this cultural heritage is a social act that benefits society (Dhesi 2010; McCarthy 2012). Culture is a broad platform where many social enterprises are active, employing millions through tourism and the sale of handicrafts items and through preserving and sharing culture and preserving the public social good. Culture-based social enterprises belong to any of the five SE models we have identified, but most are social businesses and entrepreneurial non-profits. Craftvilla is one of the largest e-commerce social business; it provides rural artisans with a marketing and logistics platform and support for sales and marketing.⁶ In the process, it helps to preserve these artisans' cultural heritage and create public goods. Delhi Karavan is a social enterprise that takes interested citizens and tourists around the city of Delhi, showcasing the Mughal cultural and historical heritage of India, thereby keeping it alive.

3.6. *Work Integration SEs*

Work integration social enterprises (WISEs) are primarily studied in Western Europe. The term “WISE” is not used as such in India, but there are many SEs providing work to people who are left out of the labour market for various reasons—which is the main focus of WISEs. WISEs in India are usually registered as NGOs/NPOs and owned and operated by a trust, a foundation or a cooperative. Shradha Charitable Trust, for example, is a non-governmental organisation in Mumbai that provides employment opportunities to autistic adults by training them in making handicraft items and creating a market for such items. Barefoot College, one of India’s most successful social enterprises, can also be categorised as a WISE. The college trains adults, mostly females who have not been formally educated, in various white-collar professions (engineers, electricians, accountants, teachers, etc.) and provides them with opportunities to pursue these professions and earn a livelihood. MNREGA (The Gazette of India 2005) provides an example of a public-sector WISE. MNREGA is a rural employment policy whereby the government provides a very basic monthly salary to villagers from rural areas and employs them in activities such as designing and maintaining rainwater harvesting, small house construction and road construction. The union government’s skilling initiative is encouraging many for-profit companies to invest in on-the-job training programmes. These programmes are carried out in collaboration with the union government.

Finally, Table 3.2 presents an overview of examples of SEs found in India and of their activities. These activities inform us about how the

Table 3.2 Examples of SEs in various fields of activity

<i>Fields of activity</i>	<i>Examples of SE</i>	<i>Activities</i>	<i>SE model</i>
Religious, social and political	Patanjali	Provides low-cost, high-quality FMCG products with high quotient on organic, environmentally friendly food	Social business
	Missionaries of Charity by Mother Teresa	Basic health care for the elderly and poor children, old-age home and orphanage for poor children	Social change
Financial	Aavishkaar	Impact investor; invests in social enterprises using the venture capitalist model	Social business

<i>Fields of activity</i>	<i>Examples of SE</i>	<i>Activities</i>	<i>SE model</i>
	SKS Microfinance	Provides microfinance services, such as micro-loans, micro-insurance and micro-housing loans	Social business
	Cooperative Banking Societies	Owned by the borrowers, dual governance structure, provides low-interest, low-collateral financial services	Cooperative and public sector SE model (cooperative but funds from public sector)
BOP	E-chaupal, ICICI Foundation, Tata Trusts	Entrepreneurial, innovative and cost-efficient BOP services provided by corporations to the poor at highly subsidised rates	Entrepreneurial non-profits
	Janta Meals, Sulabh Shauchalaya (sanitation)	Low-cost sanitation and food services for the poor, using highly innovative service models	Started as social change SEs, then became social businesses
	Aravind EyeCare, Vaatsalaya Hospitals	Highly innovating services in specific areas of health care; provision of high-quality health care services at a very low cost to the poorest among the poor	Entrepreneurial non-profits
Agriculture cooperatives	IFFCO	Providing fair price agricultural input materials (such as fertilisers) to farmers	Entrepreneurial non-profit, cooperative
Cultural	Delhi Karavan	Takes tourists around Delhi and introduces them to the city's cultural heritage	Social business
WISEs	MNREGA, Skill India Initiative	Government engages and trains unemployed persons through employment programmes	Public-sector SE

different models of social entrepreneurship are operationalised in the country. It also informs us about the different socio-economic fields where these social enterprises interact and bring about socio-economic change.

Conclusion

One of the main contributions of this book chapter is the definition of social entrepreneurship in the Indian context. The definition differs from those found in the UK or the EMES tradition, but also shares many elements with them. SE definition in India can draw inspiration from the Anglo-Saxon approach, the EMES approach and the social innovation approach, depending on the social, cultural and institutional problems and contexts. Given the diversity of approaches and the changing context, we consider that the five-model typology put forward in Section 2 can best represent the evolving and circumstantial practices of social entrepreneurship in India. Finally, we discuss how these SE models are implemented in practice. The research found that prominent fields of activity of social entrepreneurship in India are agriculture, BOP activities, work integration, culture, finance and religious activities.

Three opportunities appear to stand out for the development of the social entrepreneurship sector in India: the Companies Act (2013); community-owned social enterprises; and renewable energy co-operatives. Section 8 of the Companies Act (2013) calls for mandatory investment in CSR activities (The Gazette of India 2014). This Act has encouraged greater allocation of CSR funds to social enterprises. Many corporations in India are now engaging in CSR-driven activities through social entrepreneurship. A major percentage of these activities is channelled into shared-value-driven activities and corporate social enterprises. Secondly, the success of community-owned social enterprises in the UK and Indonesia (Pratono *et al.* 2016) is very encouraging and should be replicated in India. Community-owned social enterprises do not benefit yet from a structured legalised framework in India; the country should learn from and implement the community-based enterprise models existing in Indonesia and the UK. Finally, the concept of renewable energy cooperatives that is emerging in Europe (Huybrechts *et al.* 2016) is very inspiring for the Indian market as well. We believe that the renewable energy cooperative model, if applied to India, could provide answers to some of the challenges linked to emissions of greenhouse gases, the demand-supply gap in the field of energy, and information asymmetry on pricing, as this model would bring about more transparency in energy pricing and create more jobs at the community level, in addition to mitigating climate change.

Notes

- 1 Fast-moving consumer goods.
- 2 See www.mospi.gov.in/#
- 3 A chit fund is a specific kind of savings scheme practiced in India.
- 4 www.iffco.coop/
- 5 www.amul.com/m/about-us
- 6 <https://yourstory.com/2011/08/monica-a-manoj-gupta-craftsvilla-e-commerce-platform-for-indian-handicrafts/>

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4 Social Enterprise in Indonesia

Emerging Models Under Transition Government

*Aluisius Hery Pratono, Pauline Pramudija
and Ari Sutanti*

Introduction

Indonesia has been witnessing the development of the role of the third sector through the emergence of social enterprises. These initiatives aim to respond to various social problems, including mass unemployment, the great deficit of the public budget and fear of national disintegration, caused by the 1998 financial crisis. In fact, social enterprises—and more particularly the cooperative model—have played a pivotal role in the country in the last decades (Pratono and Sutanti 2016).

The Indonesian Constitution underlines the fact that the economy is required to adopt the cooperative principles, and the emerging concept of social enterprise has raised attention for the Indonesian third sector. However, a precise view of the social enterprise concept is still lacking in Indonesia, for several reasons. First, the existing literature has relied so far only on cases presenting social activities or policy studies (Dacanay 2005). Secondly, there is no specific legal form for social enterprises in Indonesia, which implies an ambiguity in the implementation of social enterprise activities. The definition of social enterprise varies a lot according to the context as well as among the different schools of thought (Defourny and Kim 2011). Hence, a more in-depth analysis is required to understand social enterprise models in Indonesia and move forward in the comparative analysis.

This study aims to put forward a tentative typology of social enterprise models in the Indonesian context to overcome this research gap. With a view to achieving this goal and to exploring the social movement in the Indonesian context, we decided to adopt a qualitative method. Beside our main research question on what the typical social enterprise models in Indonesia are, we also analysed the way in which the economic activities support the social mission and the decision-making process in the “social enterprise practices” of Indonesian organisations.

The present working paper consists of four major sections, beside this introduction. The first one presents the historical context influencing social enterprises, while Section 2 describes the various forms of support

currently available to social enterprise in Indonesia. In Section 3, we put forward a tentative typology of SE models in the Indonesian context. Finally, the last section offers some conclusions and discusses possible orientations for future studies.

1. Historical Background

In order to understand the organisational landscape of social economy in Indonesia, it is essential to capture the historical development of this sector. Indeed, the Indonesian third sector experienced dictatorship regimes for several decades, which were followed by a transition toward democracy.

The Indonesian Constitution of 1945 shapes the economic system and mentions cooperation as a main element of the economy. Specifically, Article 38(1) of the Indonesian Constitution states that the “national economy shall be organised on a cooperative basis”. The principle of free competition was thus rejected. The reason for this can be found in the Indonesian experience with the Dutch East India Company (*Vereenigde Oostindische Compagnie*); this company controlled the top of the economy, while the local indigenous people suffered from poor education and a lack of opportunities to set up enterprises (Hatta 1954).

1.1. *The Colonial Government*

The Dutch colonial government ruled the country for over three hundred years; it was followed by Japan for a three-year period. The third sector (with the exception of cooperatives) emerged when the Dutch colonial government enacted the Civil Law, in 1848, and consequently relaxed the restriction that had hitherto prevailed on social activities. During the Japanese occupation, the third sector and traditional organisations were banned (Hasan and Onyx 2008).

Under the colonial regime, the types of civil society organisations could be identified on the basis of the social services they provided. For example, in 1903, women’s rights activist Kartini established a school to break with a tradition that marginalised women. Her feminist agenda included education for women, professional training and abolition of polygyny (Kramarae and Spender 2001). She financed the school she founded through voluntary aids and the sale of books (Hati 2013). In West Java, Dewi Sartika founded nine midwife schools between 1904 and 1912 (Robinson 2008). In 1922, the Taman Siswa School was established by Ki Hadjar Dewantara, another activist, to provide inclusive education for the native population; the school operated as an independent organisation and did not receive any subsidies from third parties (Kelch 2014).

The origins of market-based approaches to solving social problems can be traced back in the history of religious organisations. For example,

in 1905, the Muslim Trading Community (*Syarikat Dagang Islam*) was established in Surabaya with the aim of promoting fair trade (Formichi 2012). In order to support fair competition in the textile industry and to empower the local batik industry, this community established a cooperative. Another religious community established the Indonesian Merchant Association (*Himpunan Saudagar Indonesia*) in Bukittinggi in 1930. Both organisations agreed to focus on helping the small business enterprises to allocate their surplus to apply for credit with a microfinance institution, namely the National Bank in Surabaya (Kahin 2005).

Among the Muslim organisations in Indonesia, the most prominent movements were Muhammadiyah and Nahdlatul Ulama. Both organisations bear testimony to the high resilience and adaptation capacity of religious organisations with a charitable tradition. Muhammadiyah was founded in 1912 to reform the Islamic doctrine in Indonesia through providing public goods, namely basic education and health services. The traditionalist Muslim organisation of Nahdlatul Ulama (NU) was established in 1926 in response to reformist pressure; its aim was to strengthen the role of Muslim scholars (*kyai*) within their boarding schools (*pesantren*).

During the following years, other Islamic organisations emerged on different islands, such as Al Washiliyah in North Sumatra, Tarbiyah Islamiyah in South Sumatra, Nahdhatul Wathan in West Nusa Tenggara, Al Khairaat in Central Sulawesi, and Al Irsyad in Central Java (Chirzin 2000). Other religion-based social enterprises also emerged to provide public goods. The Catholic Church, for instance, also provided basic education and used schools effectively to spread Catholicism. In 1918, for example, the Jesuits established the Kanisius Foundation, which aims to promote basic education with Christian values. To generate income, the organisation established the first Indonesian printing house in 1922 (Subanar 2001).

The Indonesian cooperative tradition also emerged during the colonial era. The story of cooperatives began in Indonesia in 1896, when Aria Wiria Atmadja established the first cooperative to provide credit to the civil servants in Purwokerto. The idea came from his colleague, de Woff van Westerrode, a Dutch civil servant who was stationed in Purwokerto and tried to apply the so-called “Ethical Policy”¹ (Van Zanden and Marks 2012). In the following years, other cooperatives emerged to meet the needs of particular groups of members, such as consumers, households or textile traders (Masngudi 1990).

Responding to the emerging cooperatives, the Dutch Colonial Government passed a Cooperative Law (*Verordening op de Cooperative Verenigingen*) in 1905. This regulation was similar to the Dutch cooperative law of 1876 in the Netherlands, which recognised cooperatives as legal entities, regulated by law. However, the regulation did not really enhance the development of cooperatives, as the government considered

cooperatives as organisations that could be utilised as a political tool (Rusdiyono 2009).

1.2. The Dictatorship Regimes

The first period of dictatorship after Indonesia proclaimed its independence, in August 1945, is referred to as “Soekarno’s Guided Democracy”; it began in 1959, when the elected parliament was suspended and President Soekarno outlined the “guided economy”. During that time, all social and political organisations were required to support the political programme to help the ruling government to achieve its vision of the revolution (Polman 2011). Soekarno had three major allies: the Nationalists, the Muslims and the Communists. During that time, the mass mobilisation was identified as a movement of the communist party (Hefner 2000).

The movement of community-based cooperatives had convened in a national congress in 1947. The congress had gained support from nearly 500 cooperatives from Java, Sumatra, Kalimantan and Sulawesi, and it had proposed the setting up of an independent council, the Indonesian Cooperative Council (DEKOPIN), with a view to promoting the values of the cooperative. The organisation had branches at the provincial, municipal and district levels. At the end of 1955, there were more than 11,000 cooperatives operated in Indonesia (Van Zanden and Marks 2012).

Providing basic education services remained a priority for the Catholic Church in Flores, where more than 50% of Catholic followers were located. The Church schools enabled the Flores people to receive an education that was both modern and rooted in their local culture. Indeed, between 1940 and 1960, Flores was one of the most educated islands in Indonesia (Aritonang and Steerbink 2008). In the 2000s, the Catholic community managed more than 370 primary schools, with nearly 55,000 pupils and around 600 teachers.

The second dictatorship era occurred between 1965, when Soeharto came to power, and 1998. The government’s foreign policy changed; ties with Western countries were strengthened and foreign aids were allowed. The government also introduced press censorship and controlled the political parties, the third sector, and other mass organisations. During this Soeharto era, the government played a prominent role in promoting civil society organisations (CSOs) to solve social challenges, through the establishment of government-CSO partnerships. These “top-down” models were appropriate for the social enterprises established during this authoritarian regime.

The cooperative was the only type of community-based organisation that the government allowed, while other mass organisations were strictly restricted. But although allowed, cooperatives were highly regulated, and the government mandated cooperatives in rural areas as development

agents to promote food self-sufficiency programmes. The government allocated resources to handle microcredit schemes for farmers, supply agricultural inputs (fertilisers and rice varieties) and market farm commodities. The government also guaranteed the market price of agricultural products, especially rice. The cooperative thus gained popularity thanks to the role it played in local economies (Swasono 2012). However, this movement was faced with great challenges, due to the globalisation of the economy and the open market policy implemented in the 1990s (Suradisastira 2006).

Bina Swadaya is the best example of a social enterprise that has survived throughout the Soeharto era. In 1967, the organisation was established as a non-profit organisation to help farmers gain knowledge and information. Agriculture is the main business of Bina Swadaya. The organisation aims to promote agriculture intensification, post-harvest management, human and research development, and advocacy for farmer communities. The organisation established a partnership with the government to promote community-based income-generating activities in wide areas, such as agribusiness, microfinance, environment and tourism (Bina Swadaya 2014).

Education and health services remained major economic activities for some religious organisations during the second dictatorship regime. In 1971, Muhammadiyah was acknowledged through letter No. 14/DDA/1972 of the Ministry of Home Affairs. This allowed the organisation to generate income from its service provision activities (Aljunied 2011). In 1987, the organisation was officially recognised as a provider of health services. In 2010, the Ministry of Law and Human Rights recognised the work of Muhammadiyah in the fields of social activities, preaching of Islam (*da'wah*), education and health services. In 2015, the organisation reported managing 4,623 kindergartens, 2,604 primary schools, 1,772 junior high schools, 1,143 senior high schools, 172 universities, more than 70 hospitals and many smaller clinics. The organisation also established more than 200 orphanages and homes for senior citizens (Syamsuddin 2015). In 2015, the annual income of the organisation was around IDR10 trillion, or nearly US\$1 million (Abbas 2015).

2. Support to Social Enterprises

The government supports the emergence of third-sector organisations by creating, through policies and regulations, a conducive environment for organisations to develop. In some cases, the government also offers credit schemes, entrepreneurial training and education. But overall, international development organisations play a more important role in strengthening CSOs in Indonesia than the government, insofar as they provide substantial funding. Moreover, ideas for solving social issues

mostly come from individual founders (agents of change), in a “bottom-up” process, rather than from the government.

2.1. Governmental Support

The transition government began in 1998. After Soeharto resigned, the country introduced the institutions of a liberal democracy, including popular general elections, public participation, and press freedom. In the immediate post-transition years, through Law No. 22/1999 and Law No. 25/1999, the central government delegated authority to the local governments to define development plans to meet the local demand. This policy allowed the development of local-government practices and resulted in a “fragmentation” of regional development (Firman 2009). In this context, civil society enjoyed a new advocacy role in public policy and community development: civil society organisations were indeed encouraged to get involved in all development planning activities.

The transition that the country experienced in 1998, from an authoritarian to a democratic government, allowed the local non-governmental organisations (NGOs) to experience a dramatic upsurge. The government of Indonesia acknowledges three types of non-profit organisations, namely foundations, associations and non-legal entities (Law No. 28/2004), while cooperatives are member-based organisations that are allowed to generate profit for their members and society (Law No. 25/1992). The foundation is a non-profit organisation that can be founded by a legal entity or by an individual. Associations refer to member-based organisations; in associations, those holding the ultimate decision-making rights are the members.

Since the Indonesian government ratified the ILO Convention No. 87 on Freedom of Association and Protection of the Right to Organise, in 1998, the number of NGOs and associations has been increasing, exploring various social issues for the community. According to the Ministry of Law and Human Rights, in 2009, there were 21,301 foundations and 268 associations in the country (The Global NPO Coalition 2010). Quite logically, the non-legal organisations, *qua* informal organisations, were not registered. The prevailing regulations mandated that third-sector organisations provide an annual financial report to the public, but no efforts were made to implement sanctions for the organisations that neglected this obligation.

After a decade of political transition, international funding sources dried up and many NGOs suffered from a lack of financial resources. Social enterprise strategies then became popular to sustain the organisations’ social mission. However, there has been much dispute over the definition of social enterprise in Indonesia. Some trainers and social activists put forward tentative definitions of SE focusing on social goals and social impacts, but they did not pay attention to the governance issue. Others

would refer to small and medium enterprise development or creative industries. The growing interest in the subject of social enterprise has also been influenced by the global business paradigm shift.

2.2. *International Support*

The global movement also influenced the practices of Indonesian philanthropy. The first initiative aiming to identify local social enterprises and to support their practices dates back to 1983, when Ashoka began to run its programme in Bandung for far-reaching social change. Between 1965 and 1998, however, the Government of Indonesia controlled all social and economic activities, and the political pressure during this period prevented Ashoka from really supporting the growth of the field. In 1998, the financial crisis and the end of the authoritarian government led Ashoka to reorganise and launch a new strategy to support changemakers—as, according to this organisation, bringing about change should be the ultimate goal of social enterprise and a social entrepreneur is not just a social activist, but someone who brings about a ground-breaking social innovation in his/her field of social activism—through providing investment, capacity-building services and networking opportunities. Ashoka fellows carry out many social innovations to solve existing problems in a wide range of sectors, including education, health, human rights, environment, fair trade and gender balance (Kyati and Sembiring 2013).

In 2009, Indonesia's Social Enterprise Association (*Asosiasi Kewirausahaan Indonesia*, or AKSI) was established with the goal of building networks for Indonesian social enterprises. These were expected to share knowledge and best practices with sustainable movements, and AKSI gained support from the government as well as from multinational corporations. In April 2010, AKSI organised the first national meeting for Indonesian social enterprises. This meeting gained attention from the national government; the Vice Minister of Trade gave a speech during the meeting. The second meeting was held in 2012; various social innovators were invited. Under the Cooperative and SME Ministry, the Indonesian government focused on support to small businesses among young entrepreneurs. Support to social enterprise development in Indonesia thus relied on funding agencies and multilateral agencies such as AusAID, USAID and the World Bank (Palesangi 2012).

The British Council in Indonesia started nurturing community-based social enterprises all over the country by organising competitions for start-ups and organisations in their early stage of development (semi-established organisations); the selected organisations then benefited from capacity building, networking events and provision of seed fund. This programme has been run jointly with the Arthur Guinness Foundation (AGF) since 2010. The recent work has raised the profile of the sector and continued supporting start-ups in Indonesia. The British Council has

initiated a series of workshops in universities to support the establishment of an ecosystem conducive to the development of social enterprises by embedding the subject of social enterprise into teaching, advancing incubation, and carrying out community development work (Pratono and Sutanti 2016).

The Development Bank of Singapore (DBS) supported the social enterprise movement in Indonesia through a corporate social responsibility programme. In order to help social enterprises meet business challenges and to facilitate their access to seed and early-stage venture capital, the bank concluded a partnership with local organisations to conduct various activities: in 2016, DBS funded Universitas Indonesia to develop a handbook on social enterprise; in 2015, DBS conducted a boot camp for social entrepreneurs; DBS also supported the Greeneration Indonesia, particularly on promoting waste management practices, and it supported local online shopping portal bukalapak.com to accommodate social entrepreneurs in marketing and selling their products online (Haryanti *et al.* 2016).

Some NGOs and local universities, with support from international funding or from the private sector, established incubators to generate new social ventures, including through the transformation of NGOs into social enterprises. They aim to nurture business organisations with the purpose of providing a solution to social needs through various means, such as mentorship, networking and funding opportunities for early-stage social enterprises.

3. Tentative Typology of Indonesian SE Models

We categorise social enterprises into four broad groups: an “entrepreneurial NPO” model, a “social cooperative” (SC) model, a “community development enterprise” (CDE) model, and a “social business” (SB) model, corresponding to social enterprises stemming from partnerships between non-profit and for-profit organisations.

3.1. *The “Entrepreneurial NPO” Model*

Social enterprises in this group emerged from non-profit organisations with a strong philanthropy tradition. This model is adapted from Defourny and Nyssens (2017), who argue that small and medium-sized enterprises (SMEs) can be motivated by a mission balancing social and economic aspects. In the Indonesian context, SMEs play a pivotal role in terms of number of business units and job creation.

Social Mission

It appears that small-sized enterprises tend to adopt an “integrated” social business model, i.e. they integrate their social mission and economic

activities. Many of them are established to create jobs for the family and neighbours; some of them then implement additional initiatives to meet the demand for public goods. Enterprises that expand their business, evolving into medium-sized enterprises, tend to apply an “external” social business model; in other words, they create distinct entities for the social and business aspects of their activities. IBEKA, Savy Amira and ASPUK are among the enterprises that initiated their business with an integrated social business model, then evolved into organisations with an external social business model. IBEKA, for example, was launched by a small group of students who ran a social business in the micro-hydro industry; it then evolved into a large-scale organisation generating income from the electricity sold to the Indonesian state-owned electricity company (PLN).

Finance

For enterprises in this group, self-financed social activities are part of their sustainability. These enterprises remain highly focused on their social mission and struggle to find a relevant business model to finance this social mission. These organisations typically offer multiple products/services, either by commercialising their social programme as income-generating activities (e.g. training, research or education services), or by developing products related to their social programmes. In addition, they may expand their social mission; they may for instance sell products made by women within the frame of an empowerment programme. In this case, the target group gets involved both directly and indirectly in the entrepreneurial activities.

Governance

From the governance perspective, small-sized organisations or informal organisations adopt a self-governing and independent governance model. They are not part of the government nor governed by the government or any other agencies, and they are established voluntarily. Many small-sized and informal SEs rely on a single person; some of them grow into medium-sized SEs, with a single person as leader or manager and a small group of voluntary workers. These social enterprises involve their stakeholders and constituents in the decision-making process; however, these stakeholders are not involved in the governance structure (e.g., they do not sit on the board of directors). The enterprises develop strong relationships with their stakeholders and adopt civil norms such as a sense of respect, joint work (*kerja bakti*) and tolerance. Those that grow into larger organisations and begin new ventures may not grant autonomy to their subsidiaries: the strategic decisions relating to the new ventures may remain under the direct control of the parent organisation, but such dependence may be considered positive, in that it can ensure that the

social mission remains unchanged. In informal organisations, in many cases, the challenging issue for social enterprises belonging to this model is their lack of transparency, as they rarely publish annual reports.

3.2. *The “Social Cooperative” (SC) Model*

The social cooperative model results from a move of mutual interest organisations towards a greater concern for the general interest. This model is adapted from Defourny and Nyssens (2017), who argue that social enterprises of this type result from the evolution of mutual interest associations—which can evolve either towards the entrepreneurial NPO model or the SC model. In the Indonesian context, social enterprises in this group have emerged from societal organisations, including religious group and professional organisations.

In some cases, SEs of this type experienced a sharp limitation of their autonomy under the authoritarian government, which strongly controlled them. As a result, these enterprises now tend to avoid any financial support from the government or the private sector, which in the past had a destructive impact on their social bound. *Pancur Kasih* is the best example of this social enterprise model in our sample. Legally speaking, the organisation is registered as a cooperative, but in order to bring about change and distinguish itself from other cooperatives, the organisation refers to itself as a “credit union”—the idea behind this being to emphasise the organisation’s autonomy and its independence from other organisations, such as the government and the private sector. *Pancur Kasih* fears that any financial support from the government or private enterprises would prevent the cooperative from focusing on its own goal. Such fear is rooted in past experiences of government’s intervention, under the authoritarian regime; the government provided financial support, thus gaining voters’ support from the organisations’ members. The organisations’ lack of financial independence thus also resulted in a more general lack of autonomy.

Social Mission

In line with the cooperative tradition, these social enterprises contribute not only through providing donations or community services² but also through establishing partnership with local communities in need of logistical support. In microfinance programmes, the contribution of social enterprises includes small loans with affordable interest rates as well as financial education and community development. It should also be underlined that many productive activities (e.g. community farming or activities of ex-migrant workers or street vendors) with primary social aims are developed at the local community level in a cooperative way but remain informal, legally speaking. Microfinance is the most popular field of activity among SCs in Indonesia.

Finance

The member base and mutual interest are essential elements to generate social capital, which aims to deal with the risk inherent in the micro-finance sector. The member base and mutual interest also allow these SEs to be more consumer-oriented. For example, microfinance SCs meet the huge demand from the informal sector, as entrepreneurs in this sector find it difficult to obtain credits from traditional banks, due to lack of collateral and to administrative problems. The key success factor of microfinance social enterprises is their capability to provide loans that meet the needs and repayment capacity of their borrowers or members. The cooperative principles allow their members to distribute the surpluses and minimise the risk of non-performing loans. The community's involvement improves the organisation's capacity to effectively deal with risk in microfinance and to keep overhead costs low. The cooperative can mobilise financial resources from individuals and organisations that support its social mission.

Governance

In order to achieve a higher autonomy level and promote the value of self-help, these SEs rely on their own resources rather than on financial support from the government or other funding organisations. The intention to promote democratic governance, i.e. equal voting power in the general assembly and limitation of capital shares' remuneration, is essential. Since these are membership-based organisations, members are expected to play a greater role in the governance than in other forms of SE.

The leadership, as well as professional management, are essential elements in the decision-making process of this type of social enterprise. The challenges for these SEs to promote good governance include establishing a general assembly with real power, holding regular elections of administrators, and complying with the democratic powers and duties of the cooperative. Information dissemination is essential for transparency; managers in some organisations thus promote an open attitude towards cooperative members, while administrators on the board of directors adopt representativeness principles. In addition, coordination among cooperatives within the national and local cooperative councils is essential for effective negotiation with the community, government and business partners.

3.3. *The “Community Development Enterprise” (CDE) Model*

This model is adapted from Defourny and Kim (2011), who argue that this SE model focuses on local development in specific areas. In Indonesia, social enterprises of this type have been emerging following the community-based development programme PNPM Mandiri, carried out

in the 2007–2015 period. These SEs, launched thanks to initial financial resources provided by the PNPM Mandiri Project, focus on local economic development in rural and urban areas. They foster forms of community-based ownership.

Social Mission

Community-based social enterprises strive to meet the problems of their community. These organisations, which are strongly connected to their community, strongly focus on enhancing the practical relevance of their resource allocation to the benefit of the community. Their achievements are useful to the community members in terms of supporting positive social change and promoting social equity. They also strive to enhance their alliance capability with a view to gaining support for social innovation, and they establish partnerships with research institutions, the government or universities that are interested in sharing their innovations.

Finance

In enterprises of this type, the social and economic activities merge. The business venture is created specifically for the target group. These SEs generate income from their activity of service provision to the local community, such as clean water provision or waste management. In some cases, these enterprises suffered from allocating too many financial resources to the construction of infrastructures to meet the demands of isolated villages, where no public services were available.

Governance

Trust is an essential element of these organisations' sustainability. Local leaders thus have a fundamental role to play in making sure that the social enterprise is accountable to the community. Community members and entrepreneurs equitably share control of the business agenda through active and reciprocal involvement in the business design, implementation and dissemination. These social enterprises have a great potential to scale up, generate more jobs and return benefits to the community beyond the persons directly employed in the enterprise. Under supervision from the community, which is represented on the board of directors, these SEs reinvest their profits for community benefit, and the assets belong to the community. The government plays a supporting role, but it is not part of the ownership structure. The local community has the responsibility in many aspects of management of the entrepreneurial activities, and local community members are the direct beneficiaries.

3.4. The “Social Business” (SB) Model

Social enterprises belonging to this group emerged with a strong market orientation. This model was adapted from Defourny and Kim (2011), who indicate that this SE model emerges as a result of governments encouraging partnerships between private companies and NPOs, which in turn results in the setting up of new social ventures. In Indonesia, this type of social enterprise operates under the legal form of companies or for-profit organisations to gain credibility with their business partners (Pratono and Tjahjono 2017). SEs belonging to this model can be franchised entities of social enterprises from abroad and have a strong orientation toward the international market; examples include The Body Shop Indonesia and The Javara. For the Javara, the parent company is a non-profit organisation that has established a partnership with for-profit organisations, while in the case of The Body Shop Indonesia, the parent company is a for-profit organisation that has established a partnership with non-profit organisations.

Social Mission

The social mission is essential for SEs of this type, as the parent organisations mandate it. These social enterprises focus on mission-driven investments; they strive to achieve a social impact along with market rate returns through focusing on building financial sustainability. In some cases, it is a challenge for these SEs to achieve a balance between their social and economic goals, especially when the social mission becomes instrumental in gaining market shares and increasing profits.

Finance

Their strong market orientation enables social enterprises of this type to achieve financial sustainability, with the aim of accomplishing their social mission, such as promoting fair trade or providing market access to poor farmers or micro-enterprises. These social enterprises look for social investment opportunities with partners who take a similar approach to developing innovative new models and mechanisms to address social problems.

Since, as we have seen, these initiatives operate under the form of private companies, the social programmes can overlap with business activities—they can share costs, assets and programme attributes. The financial strategy focuses on providing capital for the expansion of the activities and enhancing the networks with business partners to increase the scale and social impact of such activities. Along with their strong business orientation, these social enterprises leverage a good marketing capability,

including pricing strategy, promotion and advertising, product distribution and sales capability.

Governance

These social enterprises set targets, measure their own social impact, report on their financial performance, are held accountable with the same rigour as professional businesses and report on their activities and results to their parent organisations. These enterprises may pay dividends to their shareholders. More importantly, they share a social mission with all their shareholders. In many cases, the initiatives may receive grants from their parent organisations. In some cases, these initiatives just result from profit-maximising strategies: some enterprises from the private sector establish social businesses to help the parent organisation gain trust from their customers and stakeholders. Similarly, some businessmen establish social businesses to gain popularity as social activists, and some even use this popularity to become politicians.

In terms of governance, there is a strong relationship between the for-profit and the non-profit entities, although they are managed separately. The parent organisation chooses the members of the board of directors or commissioners of the SE. This helps the parent organisation stay in control of the SE entity. When the parent organisation is a non-profit organisation, this contributes to ensuring that profit sharing is carried out in respect of the social mission. The legal structure may differ between the not-for-profit and the for-profit SE entities. The non-profit entity may operate under the form of a foundation, whilst the economic venture may operate under the form of a limited-liability company. The activities of the social and business entities may be unrelated to one another, but they are necessarily both related to the social mission. The target group corresponds to the direct beneficiaries, although they may not participate directly in the activities.

Concluding Remarks

This paper aimed to explore the social enterprise phenomenon in Indonesia with a specific focus on the EMES approach and its three dimensions—the social mission, the economic project and the governance dimension. In the Indonesian context, the philanthropic, community-based, and cooperative traditions have been identified as the main driving forces behind the emergence of social enterprise.

The Indonesian political context appears to have played—and to still play—a pivotal role in the dynamics of evolution of the third sector, including social enterprises. The Indonesian Constitution of 1945 mandated the cooperative as Indonesia's economic model to respond to the dualism of economies during the colonialist era. However, this did

Table 4.1 Tentative typology of SE models in Indonesia

<i>SE models in Indonesia</i>	<i>Background</i>	<i>Vision-based typology</i>	<i>Governance and ownership structure</i>
Entrepreneurial NPO model	SEs established with a strong philanthropy orientation; they try to develop business activities to support their social activities.	Integrated and/or external activities with a strong philanthropy orientation.	The decision-making process relies on individuals, founders or a group of stakeholders.
Social cooperative (SC) model	SEs resulting from the move of cooperatives or any other type of mutual-interest organisations towards a concern for a more general interest.	Integrated activities, with a strong intention to gain more autonomy.	Member-based and independent governance.
Community development enterprise (CDE) model	SEs focusing on local economic development in a specific area. The business division is established to gain access to market opportunities for the products from the community development programme.	Integrated activities: the business division is established to support the community development programme.	The role of charismatic leaders as representatives of the community is essential.
Social business (SB) model	SEs resulting from organisations with a strong market capability establishing a social division.	The business division and social division are embedded to develop the self-financed social programme.	Private companies with shareholders, sharing their mission with their stakeholders or parent organisations.

not constitute a guarantee that the ruling party would follow the initiative, and the intervention of the authoritarian government prevented the implementation of the participation principle of the cooperative model.

The emerging phenomenon of social enterprise in Indonesia became apparent during the transition from the authoritarian regime (before 1998) to the democratic regime (after 1998). This political context provided opportunities for the development of the third sector, with support from international funding organisations. Many social enterprises resulted from the transformation of NGOs; challenges in this transformation process were linked to the lack of entrepreneurial capacity and skills, and of an appropriate legal form for social enterprises. Indeed, there is no specific legal form dedicated to social enterprises in Indonesia, and selecting the most appropriate legal form, taking into account the many relevant aspects—including the accountability and governance structure, the funding structure and the taxation scheme—remains a challenge for social enterprises.

In general, most social enterprises in Indonesia choose a non-profit model and register under the legal form of a foundation, an association or a cooperative. The majority of the observed organisations utilise their entrepreneurial activities as a means to fund their social programme. We highlighted four major SE models in Indonesia: the entrepreneurial NPO model, the social cooperative (SC) model, the community development enterprise (CDE) model and the social business (SB) model.

Finally, we should acknowledge that the qualitative approach we developed also has clear limitations. The observed cases do not represent all social enterprises in Indonesia. A general survey and empirical studies are needed to provide a broader picture of social enterprises in the country. Deeper analysis should also be conducted into the institutionalisation process of Indonesian SEs; it should determine how the integration between the market orientation and the social mission interacts with organisational cultures in the various social enterprise models. Future studies on governance may focus on cooperatives experiencing conflicts of interest between the role of government and their members.

Notes

- 1 The concept of “*Ethische Politiek*” or “*Politik Etis*” emerged during an annual meeting of the Dutch Parliament, when Queen Wilhelmina (1880–1962) underlined the “moral duty” of the Netherlands to fight against poverty in colonial Indonesia. The stance was acknowledged as the “Ethical Policy”. However, a clear definition of the concept has never been provided (Gin 2004).
- 2 Traditionally, charity activities are typically carried out during Ramadan and at the moment of the Sacrifice Feast (*Eid al-Adha*). Many companies offer food or clothing to the low-level staff and to poor people. Some mass organisations, like Muhammadiyah, Nahdatul Ulama, and Dewan Dakwah Islamiyah Indonesia, organise massive donation and have been managing charity activities for many decades.

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5 Models of Social Enterprise in South Korea

Eric Bidet, Hyungsik Eum and Jieun Ryu

Introduction

South Korea (hereafter simply referred to as “Korea”) is probably one of the countries in the world that has gone the furthest in the promotion of social enterprise. In this chapter, we trace the development of the concept of social enterprise over time and then develop a typology of different forms of social enterprise in the Korean context.

In Korea, the social enterprise concept is often related to the 2006 Social Enterprise Promotion Act (hereafter referred to as the SEPA), enacted in December 2006 and monitored by the Ministry of Labour. This Act restricts the use of the title “social enterprise” to officially certified social enterprises, or “SEPA social enterprises”. This limited use of the term social enterprise contributes to generating an often-restrictive understanding of the concept and of the way in which it has evolved in Korea. In fact, many initiatives other than “SEPA social enterprises”, and that could be considered as social enterprises, have appeared before or after the enactment of the SEPA, and these initiatives should not be ignored, as all of them contribute to building the concept and models of Korean social enterprise in a large sense.

Therefore, in order to grasp the diversity of and the broad dynamics that surround the social enterprise concept, we will, when exploring the social enterprise phenomenon, not limit our analysis to SEPA social enterprises. Additionally, several different terms used to refer to initiatives that could be considered as social enterprises (and in particular, those supported by public schemes) and their development processes will be compared to SEPA social enterprises.

In this chapter, we first briefly describe, in Section 1, the historical development of the main concepts related to social enterprise in Korea. In Section 2, we then present the articulation between the two complementary levels that we identified—meta-models and single models of social enterprise—before presenting these models and their main trajectories of institutionalisation. In the concluding section, we emphasise that the concept of Korean social enterprise is not a fixed concept but that it is

currently evolving within the relationship between public authorities and civil society.

1. Historical Perspective

An unstable labour market situation influenced the emergence of social enterprise in Korea. As stressed in our previous work (Bidet and Eum 2011; Bidet 2012), the Korean labour market structure is characterised by a relatively low employment rate and a low percentage of stable jobs on the well-protected primary labour market, which offers good working conditions and social protection, while the secondary labour market, which is very flexible and where wages, job stability and social protection are much lower, is dominant. The labour market problems, with high inequalities, social exclusion and poverty, became more apparent with the 1997 Korean financial crisis. A rising poverty rate since the mid-1990s and a deteriorating income distribution generated a growing feeling that the Korean society is a dual society, divided into people with stable jobs and those with unstable jobs (the so-called “irregular workers”).

These macro-level economic and social problems influenced the emergence of social enterprise initiatives. The first initiatives were “worker collectives”, “consumer cooperatives” and “medical cooperatives”; they appeared in the late 1980s as experimental responses to the problems of unemployment and poverty, but also as the expression of a more positive vision of society, based on democracy and fairness. Worker collectives, which were derived from the European model of worker cooperatives, emerged as a tool for community development, job creation and struggle against poverty. Meanwhile, consumer and medical cooperatives emerged from the development of closer relations between consumers and producers to serve a social purpose—respectively promoting organic agriculture and maintaining an equal access for all to basic health care. For a while, though, most of these early independent initiatives remained very small and local experiences.

As a consequence of the struggle against unemployment and related issues during the Korean financial crisis of 1997, the interest for the social enterprise model began to pervade public policies through the self-sufficiency programme and public works programme. Although the term “social enterprise” was not yet used at this stage, the model shared significant features with that of social enterprise. Self-sufficiency and public works programmes influenced civil society actors and public policies, fostering collaboration to build a concept of social enterprise. For example, the National Basic Livelihood Security (NBLS) system, established in 1999, stresses the concept of self-sufficiency through the introduction of a work integration chapter. Under the NBLS system, “self-sufficiency enterprise” activities were supported by the government with a view to fighting unemployment and exclusion.

In the late 1990s, the term “social jobs” appeared for the first time to refer to jobs in activities that were socially useful but not clearly profitable. The Ministry of Labour and the Ministry of Welfare launched the social job programme in order to solve not only work-related issues, such as unemployment and poverty, but also social issues, such as an aging society and a growing need for childcare and social welfare. In the late 1990s, the OECD began to stress the huge deficit of jobs in the health and social welfare sectors in Korea, compared to other developed countries. In order to deal with the rapidly emerging needs for jobs in these sectors, new policies were therefore designed for the promotion of “social jobs”.

Faced with both the lack of entrepreneurial competence of the target people and the growing bureaucratisation of the programme, social movement activists picked up and promoted the concept of social enterprise as an alternative ideal and an operational model for their ideas of setting up organisations able to economically and socially empower disadvantaged people. In 2003, a few activists launched a social enterprise support centre; this represented the first perceptible and formal expression of interest for the term “social enterprise”. Compared to the self-sufficiency model, which aimed to support very small firms launched by unemployed people to generate sufficient resources for their living, the supporters of the initial concept of “social enterprise” put greater emphasis on the collective benefits of the initiatives. More and more actors followed this perspective, and the term “social enterprise” began to spread in the Korean media and scientific community.

This initial concept of social enterprise, emphasising collective benefits, inspired the Social Enterprise Promotion Act (SEPA), which was passed in 2006. The aim of the SEPA was to reinforce social services provision by increasing public expenditure, encouraging the formation of a social services market, and promoting social enterprises as an important social services delivery system. The SEPA contributed to the quantitative development of social enterprises: by 2017, there were 1,975 certified social enterprises in Korea. However, the SEPA also generated a system of state control on social enterprise, including monitoring of the certification process, granting of employment subsidies, and setting up of support agencies such as the Korea Social Enterprise Promotion Agency (KOSEA).

The local authorities started to use social enterprise to deal with local issues, such as the preservation of local employment, the promotion of local food, and the provision of social services in the areas of health, ageing, housing and education, among other fields. Several young reformist governors who had been elected in 2010 contributed to introducing local systems for the promotion of social enterprise, with the aim of preparing initiatives—so-called “pre-certified” or “preliminary” social enterprises—to be then certified at the national level under the SEPA.

The SEPA also inspired other national ministries, which introduced their own schemes to support social enterprises related to their field of

interest—such as the “community business scheme”, introduced by the Ministry of Security and Public Administration in 2011; the “rural community enterprise scheme”, launched by the Ministry of Agriculture, Food and Rural Affairs in 2011 as well—or set up schemes of preliminary certification to support organisations in the process towards a national certification by the SEPA.

The Korean government also tried to attract big companies as fund providers for social enterprises or direct operators of social enterprises in order to boost the effect of public funding and to make social enterprises more sustainable, based on solid management skills.

This accumulation of public schemes contributed to making social enterprise more visible and more attractive, but also more complex and more closely monitored by the government, both at the central and local levels. As the number of social enterprises increased, in relation with the different supportive schemes, critical views also developed, stressing above all the question of the sustainability of most of the supported enterprises in the medium term. This concern generated a reflection on what a suitable ecosystem for a sustainable and appropriate development of social enterprises would be. After 2011, some organisations, including consumer cooperatives, picked up and promoted the concept of social economy to refer to this ecosystem. This tendency found a decisive support with the introduction, in 2012, of the Framework Act on Cooperatives, which opened the way for the creation of new cooperatives such as worker cooperatives and social cooperatives that were not unknown in Korea but had not hitherto had any appropriate legal framework to operate. This Act also raised the interest for existing cooperatives, like consumer cooperatives, which had remained outside the social enterprise movement.¹

The concept of social economy rapidly gained in visibility and in recognition, especially with municipalities, which view social economy as an appropriate framework to embrace different initiatives in the fields of ageing, youth, health, social services, work integration and inclusion of minorities. Under the influence of a new mayor, Wonsoon Park, who came from the social enterprise sphere, the city of Seoul became a major player in this regard, launching in 2013 the Social Economy Centre, a collaborative platform between the city, the organisations and the social investment fund as a financing body for social economy initiatives.

2. Meta-Models and Single Models of Social Enterprise

In order to grasp the diversity of social enterprise as shown in Section 1, we analysed Korean social enterprises using a two-level perspective—distinguishing between “meta-models” and “single models” of social enterprise. Using the two models, we will explain the different existing social enterprise forms and their trajectories of institutionalisation.

The “meta-model” represents a national dominant conception or a consensual view of social enterprise, with a strong structuring power and an ability to satisfy and inspire different perspectives. On the other hand, a “single model” corresponds to the main concrete realisations which are inspired by this dominant view. Our analysis explores how a national dominant conception, i.e. a “meta-model”, generates different single concrete types of social enterprise—or, in other words, different “single models”—and how both meta- and single models evolve under the influence of social, political and economic forces.

We identified three meta-models of social enterprise which have been successively used in the Korean context (Eum and Bidet 2014): (1) the *self-sufficiency meta-model* expressed in the pioneering integration schemes that were set up in the early 2000s; (2) the *SEPA meta-model* was shaped by the SEPA, enacted in 2006; and (3) the *social economy meta-model* gained a growing legitimacy after the enactment of the 2012 Framework Act on Cooperatives (FAC).

2.1. SE “Meta-Models”

The “single models” that will be described in Section 2.2 are related to one or several meta-models that contributed to generating them and/or that they contributed to generate, in a constantly dynamic, interactive and evolving process. Our presentation of each meta-model will help to explain this process.

The Self-Sufficiency Meta-Model

The self-sufficiency programme introduced in 1996 in Korea as a public policy can be considered as a pioneering step for the social enterprise phenomenon. The self-sufficiency programme still remains today an important social integration system, with well-organised infrastructures in both the public and the private sectors and significant resources, such as a large public budget, considerable human resources, specific knowledge and internal/external networks. The self-sufficiency programme is a broad public scheme, including various kinds of sub-programmes across two different ministries—namely, the Ministry of Health and Welfare and the Ministry of Labour. However, in this section, we will focus more specifically on the sub-programmes directly related to the social enterprise phenomenon, which are carried out through the 247 local self-sufficiency centres (LSSCs) distributed across the national territory.

The self-sufficiency programme aims to promote the work integration of the beneficiaries of the National Basic Livelihood Security (NBLS) and of the poor who cannot benefit from the NBLS or its different sub-programmes because their income is just above the income threshold defined by the NBLS. It should be noted that the self-sufficiency

programme is more related to anti-poverty policies than to unemployment policies or enterprise policies. This is the reason why it is closely articulated with the NBLs and is the responsibility of the Ministry of Health and Welfare. The main programme includes several different sub-programmes, which are proposed to participants by the social workers in local authorities according to the participants' profile.

Although the sub-programmes closely related to the social enterprise phenomenon involve less than half of all participants in the whole self-sufficiency programme, they have often been presented as an essential and symbolically important part of the programme. "Self-sufficient enterprises", "market-type self-sufficiency work projects" and "social-job-type self-sufficiency work projects" can be considered as typical models, among others, of social enterprise. Table 5.1 shows the general architecture of the self-sufficiency programme and of the related sub-programmes, according to target groups and operating agencies.

Whereas the "market-type self-sufficiency work projects" and the "social-job-type self-sufficiency work projects" can be considered as preparatory stages before the launching of a real "enterprise", the "self-sufficiency enterprise" is a real social enterprise model in itself. According to the current programme, self-sufficiency enterprises should be established by at least three NBLs beneficiaries or poor persons. If more than one third of the workers in the self-sufficiency enterprise are NBLs beneficiaries and if the enterprise can generate a turnover covering a certain level of wages, the self-sufficiency enterprise can be supported by the local authorities or the LSSC, for a maximum of three years.

Unlike the self-sufficiency work-project teams, which are dependent, organisationally, on LSSCs and, financially, on public subsidies, self-sufficiency enterprises officially have their own independent governance structure; they take economic risks and receive little direct financial support. As enterprises providing employment to NBLs beneficiaries or poor persons, self-sufficiency enterprises can engage in any field of activity, from agriculture to social services and manufacturing. Regional and national-level consortia structuring self-sufficiency enterprises operating in the same field are possible and even encouraged by public policies. In 2016, the estimated number of self-sufficiency enterprises was 1,334, and they provided together 9,147 jobs, including 2,303 jobs for NBLs beneficiaries (25.2%), i.e. an average of seven employees/unit (Central Self-Sufficiency Foundation 2016).

Local self-sufficiency centres themselves tend to evolve into a social enterprise model. Indeed, until now, although LSSCs were operated by associations, religious organisations and cooperatives, they had remained almost totally financed and regulated by public authorities; they were thus not really independent nor exposed to economic risk. But the recent debates surrounding the reform of the self-sufficiency programme may

Table 5.1 General architecture of the self-sufficiency programme

Ministry	Programme	Target group	Operating agencies
Ministry of Labour	Job search programme	Workers with high employability	Job centres
Ministry of Health and Welfare	Hope Re-born programme (intensive case-management programme to help jobseekers find a job)	Workers with a middle level of work capacity and with high motivation for finding a conventional job	Contracted private organisations
	Self-sufficiency enterprises	Workers with a middle level of work capacity	LSSCs, Regional SSCs and Central Self-sufficiency Foundation (CSSF)
	Self-sufficiency work projects		LSSCs (sometimes, local NGOs)
	Market-type self-sufficiency work projects		
	Social-job-type self-sufficiency work projects		
	Intern- and interim-type self-sufficiency work projects		
	Self-sufficiency work projects aiming to maintain work capacity	Workers with a low level of work capacity	Local authorities, LSSC

drive them towards a new financing system and a new legal form (namely that of social cooperative), according to the 2012 Framework Act on Cooperatives. LSSCs could then become independent from the control of public authorities but would then assume financial risk, and they could then be considered as a social enterprise model for work integration

(through their self-sufficiency work projects) and local development (through the support they provide to self-sufficiency enterprises and other social enterprises).

Available data on the number of participants in the parts of the self-sufficiency programme closely related to social enterprise is summarised in Table 5.2.

The self-sufficiency programme has experienced two major institutional developments. The first one corresponded to the introduction of the self-sufficiency programme as a public pilot project, in 1996. It can be considered as the first step of its institutionalisation, which gave a legal recognition to pioneering social movement initiatives inspired by the worker cooperative model. The integration of the programme into the NBLs scheme, in 2000, represents the second major step; it significantly changed the programme's main original orientation. The current model of self-sufficiency enterprise has been shaped through these two stages of the institutionalisation process.

This two-step institutionalisation process also led to a strengthening of the organisational infrastructure of the whole self-sufficiency system. LSSCs are considered as essential intermediary bodies in the self-sufficiency programme; their number continuously increased, from five at the beginning of the pilot project in 1996 to 249 in 2010—there are now LSSCs in every county. From the beginning, the role of a federation of LSSCs has been recognised as crucial for maintaining and diffusing the original model, which stresses the idea of self-sufficiency of the poor based on strengthened community networks. Regional self-sufficiency centres (SSCs), regional support centres for social services and the Central Self-sufficiency Foundation have been successively created by the government to support the professionalisation of LSSCs and the scaling up of their activities at the regional and national levels. They aimed at diffusing the original self-sufficiency idea, emphasising the worker cooperative model. However, the growing involvement of new actors, disconnected from local social movements, led to a reshaping of the original view and introduced various kinds of interpretation of the self-sufficiency programme. In this sense, it can be argued that the self-sufficiency programme has

Table 5.2 Number of participants in the sub-programmes related to social enterprise within the self-sufficiency programme (reference year: 2014)

<i>Type of initiative</i>	<i>NBLs beneficiaries</i>	<i>Poor people</i>	<i>Other employees</i>	<i>Total</i>
Social-job-type work projects	8,976	4,666	12	13,654
Market-type work projects	4,584	2,753	5	7,342
Self-sufficiency enterprises	1,180	524	318	2,022

Source: Central Self-Sufficiency Foundation, cited by Kim *et al.* (2016).

played a role as an incubator and a laboratory for new social enterprise models and has provided an archetype of successful social enterprise models.

The SEPA Meta-Model

With the Social Enterprise Promotion Act, passed in 2006, Korea became the first Asian country to enact a specific legal framework supporting and labelling social enterprise. The 2006 SEPA defines a social enterprise as “*a certified organisation 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*”. Based on this definition, the SEPA model proposes its own conditions and procedures for certification, and its own supportive ecosystem for promoting social enterprise through the certification. Although the SEPA model constitutes a specific model of its own, it was initially designed as a secondary labelling for various existing social enterprise models; as such, it allows important public support to social enterprises and plays a role of meta-model in (re)shaping various single social enterprise models wanting to get the label.

Apart from the definitional clarification of the social enterprise concept, the SEPA details the supportive system for the promotion of organisations that can be considered as social enterprises according to this definition. The conditions emphasised in the SEPA can be easily related to the characteristics of the EMES ideal-type of social enterprise (business activity, social purpose and participative governance), as shown below.

- Business activity: there is no specific legal form for SEPA social enterprises; these can operate under any of the various existing legal forms available to organisations. The SEPA adds specific rules to the original legal framework in order to express the organisations’ social purpose and their participative governance. The SEPA provides that the organisation must have at least one paid employee and must assume an economic risk, which is expressed here by the fact that the total income generated by the organisation’s business activities for the past six months before the date of the application for certification should represent more than 30% of the total labour cost.
- Social purpose: five main types of social goal have been considered under the revised version of the SEPA (2010): (1) offering jobs to vulnerable social groups; (2) providing vulnerable social groups with social services; (3) providing both jobs and social services to vulnerable groups; (4) improving the quality of life in the local community; and (5) other goals which refer to social purposes difficult to judge on the basis of the ratio of employment or provision of social

service (this may for example be the case of social enterprises with an environmental dimension). The social purpose is also guaranteed through a specific regulation regarding profit distribution. If the basic legal form of the organisation allows profit distribution (as e.g. in the case of companies registered under the Commercial Act), specific rules specify that two-thirds of the profits should be reinvested and serve the social purpose, instead of being distributed. Moreover, if an enterprise has to close down, two-thirds of the remaining assets should be given to other social enterprises or to a public interest fund. These rules should be explicitly mentioned in the organisation's statutes.

- Participative governance: the 2006 SEPA requires that the applying organisation allow different kinds of stakeholders to participate in the governance; this requirement must be mentioned in the statutes, although the “one person, one vote” rule is not explicitly required. Until 2012, since there was no official legal status allowing an explicitly multi-stakeholder governance structure, this condition was respected in indirect ways: in each organisational type, stakeholders other than the main stakeholders participated in the governance structure as additional constituting elements. The social cooperative chapter was introduced in the 2012 Framework Act on Cooperatives in order to address this legislative gap regarding the participatory governance structure in the SEPA model.

In order to help certified social enterprise achieve economic sustainability, the government provides certified social enterprises with various support programmes, including both financial and non-financial forms of support. The most important financial support is the subsidisation of the labour cost of employees and professional staff. There are also subsidies for social insurance fees and project funding for business development. Indirect financial support includes tax exemptions on social enterprises' income and tax rebates linked to donations to social enterprises. Among non-financial supports, there are consulting services, collective marketing and advertisement for social enterprise label, and support in mobilising volunteers among retired professionals. These forms of non-financial support are provided through 14 regional support agencies, which are coordinated by the KOSEA. These regional support agencies also provide training and consulting services for people who want to create social enterprises.

With such strong financial and managerial support from the government, the number of social enterprises has increased sharply during last ten years. In 2007, when the SEPA was passed, only 55 social enterprises were certified; in May 2017, there were 1,975 certified social enterprises in total. Among them, 60% were job-creation-type social enterprises, and about 20% were mixed-type SEs. Overall, 80% of certified social

enterprises thus aim to achieve the social objectives of providing job opportunities and/or social welfare services to vulnerable people.

In May 2017, the main industries in which certified social enterprises were active were social services (13.4% of enterprises), culture (12.1%), cleaning (10%), education (8.4%) and environmental activities (6.4%). Various kinds of activities for the work integration of disadvantaged people, gathered under the “Other” category in the statistics of the Korea Social Enterprise Promotion Agency, represented 46.3% of enterprises. The high relative importance of the “social services” and “cleaning” categories can be accounted for by the fact that many self-sufficiency enterprises—many of which were/are active in these categories—have become certified social enterprises.

Besides the SEPA scheme, as already mentioned, a local system of “pre-certification” for enterprises willing to apply for SEPA certification at the national level was introduced in 2011. Through this preliminary certification system, the Ministry of Labour introduced a collaborative way to deal with social enterprise through regional governments and other ministries in the central government. Indeed, the preliminary certification is awarded by regional governors or ministers of the central government to organisations fulfilling the minimum legal conditions necessary to be certified as a social enterprise—including the realisation of a social purpose and the generation of profit through business activities—but not satisfying some requirements, such as the mandatory reinvestment of profits for social purposes. The idea is to provide support to “pre-certified” SEs during a short period (of one to three years), until the organisation meets the necessary missing requirements to be recognised as a certified social enterprise through the SEPA and thus receive full support from the Ministry of Labour. By May 2017, there were 1,192 preliminarily certified enterprises—971 pre-certified by regional governors and 221 by ministers of the central government.

The Social Economy Meta-Model

Compared to the two previous meta-models, the social economy meta-model is at an earlier stage of development; consequently, it is still difficult to analyse it in a coherent way. This difficulty is reflected in the complex ongoing debates on the “Framework Act on the Social Economy”. Therefore, we will focus here on this model’s trajectory of institutionalisation and on its role as a meta-model.

At the beginning of the 2000s, the concept of social economy appeared sporadically within small groups of social movement activists and in a few studies by some researchers to refer to the economic dimension of civil society. The reference to the social economy officially appeared with civil society organisations, including new cooperatives, certified social enterprises and various organisations engaged in work integration: in

2008, these organisations launched a platform dedicated to the promotion of the social economy. It was then discussed by a few research fellows, who initiated research and surveys on this issue, and finally picked up by local governments, which opened “social economy centres” and introduced local decrees devoted to the development of the social economy. The social economy concept rapidly found strong support from the local governments, as it was frequently articulated with local issues such as local food, social inclusion or community development. It now tends to become an encompassing concept, embracing different initiatives with various legal forms in the fields of ageing, youth, health, social services, work integration, inclusion of minorities, etc.

This broad interest for the social economy concept is also closely related to the development of new (and independent) cooperatives in the 1980s and the 1990s, and to their full legal recognition through the Consumer Cooperative Law of 1999 and the 2012 Framework Act on Cooperatives. Unlike the more traditional cooperative movements in Korea, which resulted from a top-down process and were submitted to strict government supervision, these new cooperatives emerged from a bottom-up process and remained independent. They are engaged in three major fields of activity: the promotion and distribution of organic food and the provision of health care, for consumer cooperatives, and the creation of jobs—often related to community development—for worker cooperatives. They thus share several features and aims with the social enterprise as defined by the SEPA, and medical cooperatives, operating as a specific form of consumer cooperatives, are actually considered as one of the eligible legal forms to get the SEPA certification.

With the exception of medical consumer cooperatives, cooperatives were usually not considered as social enterprises, though. The main consumer cooperatives, which became powerful economic actors with several hundred thousand members for the largest ones, however, played an interesting and central role in the promotion of the social economy concept and its close articulation with the cooperative model. The introduction of the 2012 Framework Act on Cooperatives boosted this rising interest for the cooperative as a prominent socio-economic model by providing a suitable legal framework for the constitution of new cooperatives inspired by the European models of social cooperatives and worker cooperatives. This law and the success encountered by the new cooperatives generated a new interest for the cooperative model in itself, including traditional cooperatives—which, however, despite gaining partial autonomy from the 1990s onwards, are still commonly perceived in Korea as quasi-governmental organisations, due to their long history of submission to public control (Bidet 2002).

The social economy is becoming an increasingly dominant concept, challenging the previous meta-model, based on the SEPA. Indeed, despite small differences among the various promoters of the concept, the social

economy approach commonly tends to include self-sufficiency enterprises, SEPA social enterprises, community business organisations, community enterprises in rural areas, consumer cooperatives, and cooperatives registered under both specific laws for traditional cooperatives and the 2012 Framework Act on Cooperatives. It is still questionable whether various types of association will find a room inside this social economy concept. If such an evolution were to occur, the self-sufficiency meta-model and the SEPA meta-model may become single social enterprise models under the broader social economy concept.

The social economy model is undoubtedly in the process of becoming in Korea a kind of “integrated” model, in which various single social enterprise models can be articulated. However, the social economy model cannot yet be considered as a stable model, nor as a consensual one, as the concept is promoted with different views. The first one reflects a top-down process through which public authorities, politicians and some researchers promote the social economy as a broad concept, covering different kinds of social enterprise models developed by different public policies. Such a view is focusing on how the scattered public policies concerning social enterprises can be articulated under the integrating “umbrella” concept of the social economy and a specific coordinating public authority. The second one corresponds to a bottom-up process; it does not stress the need for institutionalisation through legislation but defends a more substantial construction of the social economy sector, on the basis of the actors who acknowledge themselves as components of this sector. In this movement, the social economy concept is rather used as a symbol and a means to highlight the strengthening of civil society initiative in the social enterprise phenomenon. Rather than searching to form a concrete model through a hasty legal institutionalisation, the proponents of this approach, who are mostly civil society activists and researchers, stress the need for an institutionalisation through the movement’s development. Their efforts can be observed through the development of a network organisation called the “Korea Cooperative and Social Economy Alliance”, which gathers 40 umbrella or single organisations. Implicitly, this movement suggests a model that is similar to the European concept of social economy, i.e. a model first rooted in the action of actors and only subsequently generating a form of legal institutionalisation—though it must be stressed that only a few Western European countries (including Spain, France and Portugal) and a few regions (like the Walloon Region in Belgium)—have enacted so far a general law on the social economy.

2.2. SE “Single Models”

The complex ecosystem surrounding the social enterprise phenomenon contributed to the generation of a large range of single models of social enterprise in the Korean context, including initiatives that may not be

Table 5.3 Typology of single models of Korean social enterprises

<i>Categories of single models</i>	<i>Single models of SE</i>	<i>Type No.</i>
Public-policy-driven models	Initiatives for the employment of the elderly	1
	Community businesses	2
	Community enterprises in rural areas	3
Models resulting from the reinterpretation of existing experiences	Social enterprises for the disabled	4
	Medical cooperatives	5
	Self-sufficiency initiatives for socially disadvantaged people	6
Emerging models	Social ventures for the youth	7
	Social-innovation and ethical enterprises	8

spontaneously recognised as part of this phenomenon. On the basis of abundant material, gathered through interviews and field research for several consecutive years, we distinguished three main categories of social enterprise “single models”, according to their degree of institutionalisation, their main claimed target, their operating features and their proximity to policies specifically designed for social enterprises (Bidet *et al.* 2018). These three categories are: (1) public-policy-driven models; (2) models resulting from the reinterpretation of existing experiences; and (3) emerging models. In each of these three categories, we found a few typical models of social enterprise that led us to build a general typology of Korean social enterprises, as shown in Table 5.3.

Public-Policy-Driven Models

The *first category*, which corresponds to so-called “*public-policy-driven models*”, includes the models that have been driven by public policies which are explicitly related to and target the social enterprise concept. Each model in this category is shaped by public policies aiming to deal with unmet needs of society, such as those linked to an increasingly aging population, the lack of local development opportunities or increasing unemployment rates. Public policies focused on the employment of the elderly or on local and rural development were introduced under the strong influences of the social enterprise phenomenon. More specifically, three models can be included in this category: *initiatives for the employment of the elderly* (type 1), *community businesses* (type 2) and *community enterprises in rural areas* (type 3).

Initiatives for the employment of the elderly (type 1) are providing work opportunities especially to older people, over 65 years old. Senior clubs selected by public agencies provide relevant services to the seniors to help them perform economic activities. Although the idea of supporting economic activities of older people was originally influenced by the concept of self-sufficiency, after the SEPA was passed, any organisation supporting economic activities of the seniors became able to apply for the SEPA certification. However, obtaining a social enterprise certification has somehow become a minor issue for these SEs, as these public schemes focus more on increasing the quantity of jobs created than on ensuring their quality and sustainability. The government has recently started encouraging employment initiatives for the elderly to adopt the legal form of social cooperative.

Community businesses (type 2) result from the convergence of two different paths of development. One corresponds to the various community-building activities that have been organised by local grassroots organisations since the mid-1990s. The other is the public-work programme initiated in 2008 by the Ministry of Security and Public Administration, under the influence of the global financial crisis. According to this public-work programme, the title of “community business” can be granted to various kinds of moral entities, such as private enterprises, non-profit corporations, cooperatives and agricultural corporations. Local people create community business organisations to carry out economic activities that mobilise mainly local resources to promote local development and provide jobs and income to people in the local community.

Community enterprises in rural areas (type 3) are inspired by experiences launched in rural areas by young urban people who were mainly motivated by personal well-being, as well as by environmental concerns and a community vision. These young newcomers initiated some interesting experiences in collaboration with the traditional networks of village people. In 2010, influenced by the success of the SEPA, the Ministry of Agriculture, Food and Rural Affairs reframed these pioneering experiences as a specific kind of social enterprise specialised in rural areas. This Ministry introduced a new public scheme, called “Community enterprise in rural areas”, which emphasises the “voluntary participation of local people”. In practice, many initiatives are developed based on a joint project between initiators with an entrepreneurial competence, who left the urban life to come to live in rural areas, and traditional networks of village people. In principle, community enterprises in rural areas are independent from public authorities and from other private enterprises.

Models Resulting From the Reinterpretation of Existing Experiences

The *second category*, i.e. that of *models resulting from the reinterpretation of existing experiences*, includes models that already existed before

the emergence of the concept of social enterprise but have been gradually “reinterpreted” through a SE approach after the SEPA was passed. Social enterprise models in this second category have their own relatively consolidated communities, including related initiatives and support schemes. Although they were not, initially, explicitly inspired by or related to the concept of social enterprise, these models eventually contributed to the emergence of specific forms of social enterprise and to the reinforcement of the social enterprise phenomenon. In this category, we have identified three different models: *social enterprises for the disabled* (type 4), *medical cooperatives* (type 5) and *self-sufficiency initiatives for socially disadvantaged people* (type 6).

Vocational rehabilitation facilities are an example of *social enterprise for the disabled* (type 4). They are managed by non-profit organisations, which are in turn regulated by the Ministry of Health and Welfare. Although vocational rehabilitation facilities rely upon resources generated by their economic activities, they often belong to welfare foundations or associations, which receive financial subsidies and donations. For this reason, vocational rehabilitation facilities can be considered as subsidiaries—or sometimes even simple vocational programmes—of parent welfare foundations or associations.

Medical cooperatives (type 5) have been initiated and promoted since the mid-1990s by various local social movements. They are cooperatives which provide medical and social services to local people. Medical cooperatives were first institutionalised as a specific sort of consumer cooperative, according to the 1998 Law on Consumer Cooperatives. Since the enactment of the 2012 Framework Act on Cooperatives, medical cooperatives have endeavoured to transform themselves into social cooperatives as defined by this law. As a social cooperative, a medical cooperative is a non-profit organisation that must pursue at least one of two main social aims defined by the 2012 Framework Act on Cooperatives: community development or job and/or service provision to a specific disadvantaged group.

There are also self-sufficiency initiatives that have been developed in relation to *specific categories of socially disadvantaged people* (type 6), for example homeless people, North Korean migrants or sex-trafficking victims. These three categories of disadvantaged people each have their own public schemes, namely—respectively—the Act on the Support for Welfare and Self-reliance of the Homeless, the North Korean Refugees Protection and Settlement Support Act, and the Act on the Prevention of Commercial Sex Acts and on the Protection of, Support to and Integration of Victims. According to their aims and main features, these initiatives can also be related to and supported by the schemes targeting social enterprise through the different targeted groups identified as potential recipients by the SEPA.

Emerging Models

The *third category* refers to “*emerging models*”. Emerging models do not have dedicated institutional settings in existing schemes yet, but they try to explore original and innovative paths. Given their only weakly institutionalised character, these models often allow for more innovative approaches towards the social enterprise concept. Therefore, and although they are not so important as other models in quantitative terms, they mean a lot for the social enterprise phenomenon. Quite logically, clearly identifying the features of these emerging models is more difficult than doing so for well-established ones. Nonetheless, some categorisations are frequently used to define and even promote these models. Although social enterprise models in this category do not have any formal frameworks and these initiatives do not necessarily self-proclaim themselves social enterprise, we consider, on the basis of our knowledge of foreign experiences and of reasonable inference, that they are part of our typology. Two models have been identified in this category: *social ventures for the youth* (type 7) and *social-innovation and ethical enterprises* (type 8).

Social ventures for the youth (type 7) are the groups participating in the “Young Social Entrepreneur Support Programme” run by the Korean Social Enterprise Promotion Agency (KOSEA) and launched in 2011. Selected groups are entitled to have economic and managerial support from the government for one year. The social aims of social ventures for the youth are relatively diverse in comparison to those of other types of social enterprise. According to the KOSEA programme guidelines, the business areas of social ventures for the youth can be related to education, childcare, social services, environment, culture/art/tourism/sports, health, forest management, care services or others. Although these initiatives are voluntarily created by a group of people and governed by them in the framework of the Young Social Entrepreneur Support Programme, their activities are monitored by and reported to intermediary support agencies, which are selected by the Ministry of Employment and Labour. These agencies organise and manage the whole project under the guidelines defined by the government. Social ventures for the youth must regularly report on their business progress and their use of funds to the intermediary support agencies. Moreover, they have to make use of regular consulting services provided by consultants selected by the government. Although these initiatives could gain a higher degree of autonomy after the one-year government support ends, it appears that their degree of autonomy can be said to be relatively weak, as most of them can hardly survive after the period of public support.

Social-innovation and ethical enterprises (type 8) are initiatives launched by various groups or by individual people mainly to implement

their social, ethical or ecological values. A good example of a social enterprise of this type is provided by “People’s Houses”; this initiative, which is strongly related to the left-wing political movement, has developed activities such as cafés, libraries, cultural activities and permanent education programmes. Other examples include initiatives launched by individuals who started and developed their business independently from existing public schemes or big companies’ financial support. Such initiatives can be detected and related to the social enterprise phenomenon through private social entrepreneur support programmes, such as the Ashoka Fellowship, the Beautiful Fellowship or other social investment programmes. They also can be detected through media, including social media.

Conclusion

In this chapter, we analysed the social enterprise phenomenon in the specific context of Korea. In Korea, the concept of social enterprise emerged and evolved as a combination of general features and local specificities produced by a particular historical trajectory and specific political background and cultural values. We assumed that the social enterprise phenomenon cannot be completely understood in Korea through the single reference to the 2006 SEPA, which only reflects the perspective of the Ministry of Labour. Therefore, we considered that social enterprise is not a fixed entity or organisational form, with precise and stable boundaries. Consequently, we provided an analysis based on multiple social enterprise meta- and single models, which helped us grasp the complexity and dynamics of the social enterprise phenomenon in Korea.

The “meta-models” of social enterprise allow to identify relevant landmarks in the development of social enterprise and constitute an appropriate conceptual tool for understanding and describing a complex and dynamic phenomenon, which is embedded in civil society, public policies and entrepreneurial spirit. Three successive meta-models were identified, namely the “self-sufficiency”, the “SEPA” and the “social economy” meta-models. They reflect a permanent evolution, with diverse and controversial concepts and realities, over a relatively short period. This dynamic generated several financial schemes and different kinds of institutionalisation processes of innovative organisational forms through the introduction of *ad-hoc* public policies, including new legal frameworks.

Although a meta-model represents a consensual view, which is in principle strong enough to generate a specific national legal framework, we found that in the Korean context, such a consensus was unstable and was constantly being re-discussed. As an expression of consensus, the meta-model may reflect a compromise and be exposed to tensions, distortion and isomorphism. As a matter of fact, stakeholders, especially the government, governmental agencies or corporations may attempt to

deflect some initial features, depending on their own interests, until the meta-model eventually no longer meets the fundamental requirements of some stakeholders that had taken part in the initial consensus. To sum up, a meta-model has the capacity to inspire different related institutional schemes, but it can also generate controversial views and a variety of initiatives and tensions that eventually contribute to the emergence of a new consensual view.

The Korean experience especially reveals interesting combinations and tensions between bottom-up initiatives from civil society and a top-down approach from public authorities, each with their own motives and values to promote this concept. Our analysis suggests that the social enterprise phenomenon in Korea should not be understood only by its expressed contents, but also be related to the motives and values which served to shape it, given that the content is only a temporally valid outcome of a dynamic that is still in process.

Note

- 1 Medical consumer cooperatives are an exception in this regard; they had joined the social enterprise movement since the beginning of the 2000s.

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6 Taiwanese Social Enterprises

A Context Marked by Strong Interactions Between the State and Civil Society

Yu-Yuan Kuan and Shu-Twu Wang

Introduction

The present chapter, which analyses discourse concerning social enterprise in Taiwan, zooms in on a period of about three decades, i.e. from the 1990s till now. This is a time when the Taiwanese society went through most rapid changes in the aspects of politics, economy and social needs. It is under such an environment that a wide variety of voluntary and non-profit organisations (NPOs) have gradually increased in number and developed. While competition between organisations for resources became increasingly stringent, a wide range of policy incentives have been introduced by the government, which is keen to include NPOs as partners in tackling serious unemployment issues and other social problems. The two factors combined have prompted a significant number of NPOs in Taiwan to continuously pursue a developmental path that features market orientation and industrialisation, while striving to fulfil their social welfare objectives. Consequently, “social enterprise” has found its applications in Taiwan, both as a notion and as a business model.

In Taiwan, the emergence of social enterprise is a still new phenomenon, and no broad consensus has been reached yet over a formal definition of the concept. However, in the current conception of the notion, social enterprise is defined by the adoption of an entrepreneurial and business approach with a view to achieving social missions rather than purely economic objectives. Particularly noteworthy are the facts that the notion of social enterprise usually refers in Taiwan to commercial entities or activities set up by NPOs, and that social enterprises are often not distinct legal entities, but “units”—or even simply activities—operated by their founding NPOs. More importantly, the development of social enterprises in Taiwan has been closely linked with the evolution of the political context, and especially with the institutional changes in the environment, which have profoundly affected the operational efficiency of social enterprise initiatives launched by NPOs.

This chapter consists of five parts. After the introduction, Section 1 gives an overview of the developmental course of social enterprises in

Taiwan, exploring what social enterprise refers to and what the major factors that have contributed to the rise of social enterprises in Taiwan are. Section 2 proposes a typology of Taiwan's social enterprises, elaborating on the features and functions of the five major types of social enterprise identified. In Section 3, based on the findings of our 2006–2013 surveys, Taiwanese social enterprises are analysed from the point of view of (1) their organisational characteristics, (2) their management, (3) their governance, (4) the role of the government, and (5) their social impact. Finally, the last section offers a summary and conclusion in accordance with the above analysis.

1. Concepts and Context of Social Enterprise in Taiwan

1.1. *Notion of Social Enterprise*

The notion of social enterprise has never had a “finalised” definition since social enterprises, be they in Europe or America, have existed, since their emergence, under many different organisational forms. The notion of social enterprise can refer to an NPO that has taken the initiative to obtain the resources that it needs to achieve its social mission through a commercial approach. It can also refer to businesses with a social mission that have been established by for-profit businesses driven by a sense of corporate social responsibility (Johnson 2000). Defined from an NPO or third-sector perspective, a social enterprise refers to a non-profit organisation that is dedicated to the provision of social goods and that, besides traditional sources of income, such as public donations and volunteering, also relies to a significant extent on profits derived from government subsidies or from sales of goods or services to the government as well as on income generated by its commercial activities (Kingma 1997; Borzaga and Solari 2001).

In Taiwan, NPOs with a commercial approach or with for-profit business units began to emerge as early as the beginning of the 1990s, with examples like the bakery-restaurant of Children Are Us Foundation, the wheelchair business of Eden Social Welfare Foundation, car wash centres and gas stations of the Sunshine Social Welfare Foundation, or the sale of books, cards and eco-tours by the Society of Wilderness. Also, from the end of the 1990s onward, Taiwan's public sector, in an effort to alleviate the social impacts of rising unemployment rates, has begun to roll out relevant policies like the Social Welfare Industrialisation Policy, the Multi-Employment Service Programme (launched by the Ministry of Labour) and the Industrialisation of Care Services (jointly launched by the Council for Economic Development and the Ministry of Health and Welfare). As a result, many NPOs have started to incorporate for-profit, commercial activities into their regular operating plans.

1.2. Development of Taiwan's Non-Profit Sector in the Past Two Decades

In Taiwan, charitable events organised by non-profit groups can be traced back to the beginning of the 19th century, but the development of the third sector and NPOs, such as they are defined by western society, has a relatively short history. If one considers the lift of martial law, in 1987, which involved lifting the ban on meetings and associations by the people, as the turning point in the developmental course of Taiwan's non-profit sector, then this sector's prosperous growth has covered a period of slightly over thirty years. During this period, however, the non-profit sector has not only grown drastically in terms of number and size of organisations, it has also mobilised more resources for social welfare, heightened the public awareness of and concern for social issues, developed a voice that speaks on behalf of people, and assisted and delivered services to numerous disadvantaged groups.

Taiwan's NPOs generally fall into two categories: (1) associations, which are based on membership, and (2) foundations, which have funds devoted to the pursuit of public interests or charitable purposes. Due to the unique historical background of Taiwanese society, notably a prolonged martial law period coupled with a highly controlling regime, the vitality for forming civil groups in society was suppressed for many years. It was not until martial law was lifted by the government, in 1987, that civic groups began to register significant growth. Statistics from the Ministry of the Interior indicate that the number of registered civic associations increased sharply in the last decades, from 15,309 in 1999 to 47,120 in 2016 (Ministry of the Interior, Taiwan 2017). Concerning the number of endorsement-based foundations, Hsiao and Kuan (2016) estimate that there are about 6,000 foundations of various types in Taiwan.

As just mentioned, the number of NPOs has increased rapidly in the last two decades. Social forces have emerged rapidly and then caused the growth of non-profit organisations that are founded on people's autonomy and voluntary commitment. To adapt to the changing needs of Taiwanese society, the services rendered by NPOs have become very diverse. Funding of both social organisations and foundations generally depends on donations, membership dues and government support. With regard to obtaining resources, competition among non-profit organisations is becoming more and more apparent. Under such a development context, it is understandable that some NPOs in Taiwan are embracing a social enterprise model (Kuan 2007). The next section will explore key factors of the rise of social enterprise in Taiwan.

1.3. Significant Factors Influencing the Rise of Social Enterprise in Taiwan

Major factors that have contributed to the rise of social enterprise in Taiwan in recent years can be summarised as follows: (1) response to

social needs; (2) pursuit of financial stability and autonomy; (3) influence of privatisation of social welfare and paid services; (4) government incentives and subsidies; and (5) increasing emphasis put by the business sector on corporate social responsibility practices (Kuan 2007).

Response to Social Needs

Social-welfare NPOs in Taiwan usually serve persons who belong to disadvantaged groups suffering social exclusion, such as people with disabilities, low-income housewives, unemployed middle-aged or senior people, or workers of indigenous ethnicity. Such persons often have difficulty finding a job, due to low levels of acceptance by the mainstream society, and some of them may need special treatments, like rehabilitation and therapies. Social-welfare NPOs have responded to such needs by adopting a business model of social enterprise. Establishing sheltered workshops that meet the clients' specific needs is one of such effective approaches.

Pursuit of Financial Stability and Autonomy

Donations from the general public are the major source of income for associations and foundations alike; government subsidies and government project funds are the second largest source. Due to the fact that the number of NPOs keeps increasing year on year, competition for funding and resources has been heating up. Donations from the general public are not always stable, and people's capacity and willingness to contribute financially also fluctuate with changes in the economic cycle. Government's support may be a significant financial source for NPOs; it has nevertheless also caused them a number of management troubles linked to instability in funding due to competition and compromise between different budget accounts and the order of priorities between policy-based programmes.

Influence of Privatisation of Social Welfare and of Paid Services

Since as early as the beginning of the 1980s, the Taiwanese government has been promoting the privatisation of social welfare with various privatisation measures. Buying contracted services from private social welfare organisations and constructing buildings/facilities for social welfare services to be commissioned to private organisations through calls for tenders are the two main approaches that the government has adopted for privatisation. NPOs that are commissioned by the government to provide paid services can rely on a continuous inflow of government funding and can take advantage of this opportunity to expand their paid services to other client groups than those designated by the government. Consequently, a social welfare industry is taking shape.

Government Incentives and Funding

Although the Taiwanese government did not enact specific laws regulating the setting up and operation of social enterprise, there indeed exist certain laws and decrees that encourage non-profits to engage in social enterprise activities. For example, the “Law for Protecting Disabled People” stipulates that “all levels of government agencies, public schools, public utility agencies receiving government grants, institutions and private schools are called on to prioritise all institutions or organisations for disabled people and sheltered workshops in making their purchases”. The Ministry of the Interior promulgated the “Method for Priority Purchase of the Goods and Services Provided by Institutions for the Disabled and Sheltered Factories”, which mandates that all levels of government agencies, public schools, public utility organisations and other institutions place NPOs providing services mainly to the disabled on top of their list of suppliers, and that the purchases acquired from them represent at least 5% of their total purchases. This particular decree encourages certain non-profits to establish their own social enterprises. Part of this policy helps to offer those NPOs many trading opportunities.

In the effort of taking urgent steps to solve the unemployment problem, the government promoted the “Multi-Employment Service Programme” in the early 2000s. NPOs were asked to carry out the planning of employment promotion and at the same time provide various short-term employment opportunities. Most expenses related to this programme, in particular the personnel’s salaries and benefits, were covered by the government. Under the policies and funds assistance programme of the Taiwanese government, the involvement of NPOs for the disabled and the disadvantaged groups in a wide range of SE fields of activity has become an important factor in the development of Taiwan’s social enterprises.

Increasing Emphasis by the Business Sector on Corporate Social Responsibility Practices

In Taiwan, a significant phenomenon has been observed in recent years: besides the increase, both in number and in dynamics, in third-sector initiatives, an increasing number of businesses in the for-profit sector have been embracing a systematic, long-term approach to participation in public-interest activities; these businesses are also willing to form partnerships with the other two sectors, instead of merely donating money or business products on a temporary basis. These businesses, which are actively involved in solving social problems, in improving community life, and in connecting for-profit activities with their social responsibility, can be referred to as practising “corporate social responsibility” or “corporate philanthropy”. When practising their social responsibility,

both transnational and domestic enterprises in Taiwan have emphasised leveraging their overall organisational strength to support public-interest activities. The support provided by business partners, which took the form of funding and of transfer of business knowledge and skills, has helped NPOs to stand on their own feet in the process of developing social enterprises.

2. Typology of Social Enterprise Models

In Taiwan, broadly speaking, social enterprises can be grouped into five categories, namely: (1) work integration or affirmative businesses; (2) local community-based social enterprises; (3) social enterprises selling/providing social services and products; (4) venture-capital businesses created for the benefit of NPOs; and (5) social cooperatives (Kuan 2007). These five types of social enterprise each have special characteristics and serve specific groups. For example, work integration social enterprises address the employment problems of disadvantaged groups; local community development organisations support the cultural and economic development of regional communities. However, the characteristics and structures of these five types of social enterprise are not mutually exclusive, and one type of social enterprise may also show traits attributable to other types of organisations.

2.1. *Work Integration or Affirmative Enterprises*

Work integration social enterprises (WISEs) are the most visible forms of social enterprise in Taiwan. This type of social enterprise is deeply concerned with socially disadvantaged minorities (especially the disabled) and it aims to integrate them in the labour market by providing them with proper training and employment assistance.

The findings of the comparative study of social enterprise in Taiwan and Hong Kong conducted by our research group (Kuan 2007; Chan *et al.* 2011; Kuan *et al.* 2012, 2014, 2017) reveal that the introduction of WISEs in Taiwan served all types of people with disabilities, but that the main target groups were people with cognitive disabilities, individuals with multiple disabilities, individuals with autism and people with physical disabilities. The main objective pursued by non-profits launching WISEs in the field of service provision for people with disabilities is to provide job training and employment opportunities that will allow them to connect with society and achieve self-empowerment in the long run. Some of these Taiwanese WISEs have achieved notable results in terms of vocational training, counselling and job placement for their beneficiaries; they have also contributed to changing the public's perception of people with disabilities.

Most Taiwanese WISEs are small in size. Although their operating techniques are commercially oriented, they still rely heavily on the government's direct or indirect support. Their funding mix combines government subsidies, operating profits and donations. Taiwanese WISEs have been found to be highly active in exploring all sorts of possible channels of distribution, in particular the web-based channel (Kuan *et al.* 2017).

2.2. Local Community-Based Social Enterprises

The second type of popular social enterprises in Taiwan is the community-based social enterprise (CBSE), which emerged from the community development movement. These enterprises have delivered bountiful social and economic outcomes at the local, community level in recent years. Since 1987, when martial law was lifted in Taiwan, the strength of communities and civil society in Taiwan has gradually increased, with voluntary and non-profit organisations in various forms being created in local communities. These initiatives have played a leading role in gradually raising and strengthening community awareness, and this in turn has had profound impacts on the future dynamics and development of Taiwanese society.

In their efforts to improve the local economy, some community-based NPOs have established their own enterprise units. Others have assumed a role of catalyst, facilitator, enabler and resource integrator, bringing together local residents and outside experts to help the local community develop their local industry, products and services, e.g. handicraft, cultural or tourism industries, as well as other services like creating marketing channels and offering local residents training programmes for jobs that feature local elements. The ultimate goal of this kind of social enterprise is to vitalise the local economy, improve living conditions, enhance residents' employability, raise residents' willingness for public participation, and strengthen residents' knowledge of local or cultural industries. In terms of community participation, as human resources of the CBSE still rely on the participation of community residents, it is of great significance for the enterprise to build up trust and a sense of identity during the interactions with residents, in order to promote the community economy (Kuan 2007; Kuan *et al.* 2012; Kuan and Wang 2016).

2.3. Social Enterprises Selling/Providing Social Services and Products

NPOs deliver paid services and sell products which are all closely related to their vision or mission. Services offered by NPOs are usually paid for by the users themselves or by a third party. In Taiwan, the number of

NPOs with a social enterprise offering services on a fee-for-service basis has been increasing. Examples include the TSUEI MA MA Foundation for Housing and Community Services, which offers information on renting and leasing houses and home-moving services; the First Children's Development Centre, which provides cleansing and temporary job services; and the Society of Wilderness, renowned for its work of promoting the protection of nature and ecological systems, which offers paid services in the field of nature tourism.

NPOs with social enterprises selling products insist that the products sold should, at least to a certain extent, relate to their work, and that they should also, at the same time, play a significant role in facilitating the realisation of their organisational objectives. These products have direct or indirect benefits for the recipients of the SE's services, and they can be designed in such ways as to help achieve the organisational mission as well as to promote the organisation's image.

2.4. Venture-Capital Businesses Created for the Benefit of NPOs

In Taiwan, independent philanthropy-venture social enterprises are far less numerous than the previous three kinds of social enterprise, but they have also gradually started catching the attention of the general population. Their public functions are also quite obviously different from those of the former three kinds of organisations. The so-called philanthropy-venture social enterprise is a fast-growing enterprise, with a development potential invested by one or several private business organisations or even by NPOs (e.g. sponsor foundations). In addition to investing in and helping to set up new enterprises, venture-capital organisations also provide the necessary management support and supervise the development of the new companies until they gain steady growth. The operating profits of this kind of social enterprise are given back to parent organisations, in money or in kind as agreed upon by the stakeholders. In other words, this kind of social enterprise is a for-profit company, which is created to generate profits for the parent philanthropy ventures (Pelchat 2004).

2.5. Social Cooperatives

Social enterprises in the form of cooperatives have a long history in Europe. In the middle of the 19th century, the notion and practice of cooperative social enterprise started to expand into other countries, and nowadays they can be found everywhere in the world under various forms, including *inter alia* farmer cooperatives, savings cooperatives, consumer cooperatives and housing cooperatives (Defourny 2001). In

Taiwan, social cooperatives already existed during the Japanese rule period (1895–1945). After World War II, western missionaries actively promoted the savings cooperative movement in mountainous and rural areas in Taiwan. In the last century, cooperatives based on concepts similar to those of the Italian social cooperative model have also come into being in Taiwan; the most notable example hereof is the Housewives' Union Consumption Cooperative (HUCC).

HUCC was founded by the Housewives' Union and Foundation in 2001, with the aims of convincing the producers—thanks to the power of collective-purchasing behaviour by HUCC's members—to produce products that were healthy and safe, and of instilling the notion of environmental protection among HUCC's members by informing them about the products' origin and ingredients. This cooperative is involved in the production and distribution of products and organises speeches to convey relevant notions like environmental protection and quality of life to producers and consumers participating in its cooperative network. As a long-time champion of the cooperative movement, HUCC has many pickup stations for the provision of products in urban areas throughout Taiwan and is relatively large in terms of both its organisational scale and membership. It currently has over 63,000 members and supplies over 800 types of products (Housewives' Union Consumption Cooperative [HUCC] webpage; Kuan *et al.* 2016).

2.6. Major Categories of SEs in Taiwan

Table 6.1 proposes a classification of social enterprises in Taiwan on the basis of their orientation. In this perspective, three broad categories of social enterprise can be identified, namely: employment-oriented initiatives; empowerment-oriented initiatives; and business-oriented initiatives. It can be observed that social entrepreneurship in Taiwan is fairly developed in all three categories.

Table 6.1 Social enterprise types and categories in Taiwan

<i>Major SE categories</i>	<i>Types of SE</i>
Employment-oriented initiatives (work integration)	Work integration/Affirmative enterprises
Empowerment-oriented initiatives (community/user empowerment)	Local community-based social enterprises; Social co-operatives
Business-oriented initiatives (business-like methods)	Social enterprises selling/providing social services and products; Venture-capital social enterprises

3. Features of Social Enterprise Development in Taiwan: Findings of 2006–2013 Surveys

In 2006, our research team, organised by Yu-Yuan Kuan, Kam-Tong Chan and Shu-Twu Wang, initiated a comparative study of social enterprise in Taiwan and Hong Kong. The first survey, carried out in 2006, focused on exploring the organisational characteristics and the operational differences between social enterprises in Taiwan and Hong Kong. The second survey carried out within this comparative study of social enterprises in both regions was conducted in 2010, while the third survey was conducted in April 2013¹ (Chan *et al.* 2011; Kuan *et al.* 2012; Kuan and Wang 2013). This section, which is based on the panel study research approach, will provide a description of Taiwanese social enterprises' defining features since the mid-2000s.

3.1. Organisational Characteristics

Incorporation and Mission

In the 2013 survey, a total of 110 questionnaires were collected, out of the 430 questionnaires distributed to the five types of social enterprises, which corresponds to a return rate of 25.6%. Among the respondent organisations, the majority (59.1%) were associations, followed by foundations (31.8%). Regarding the mission of parent organisations of social enterprises in Taiwan, the majority were social welfare services organisations (78.4%), followed by community building (26.2%), education (24.1%) and culture and arts organisations (20.7%). These data imply that in Taiwan most social enterprises have embraced a mission of social welfare services. Community-based, grassroots NPOs dedicated to serving community residents and developing community industry and economy have been flourishing over recent years.

Major Type(s) of Service Users and Nature of Services

When asked about their main target service users,² 60% of the respondent organisations operating social enterprises indicated that they were serving people with disabilities, and 40% of organisations said that they were serving community residents. Comparatively, the percentages of organisations targeting other categories, such as people with low-to-moderate incomes (27.3%), the elderly (26.4%), children and adolescents (23.6%) and women (22.7%), were significantly lower. The substantial share of service users in the target group is consistent with the fact that most social enterprises in Taiwan are work integration sheltered workshops or stores. This is highly related to the characteristics of

government support, which includes a number of measures for the creation of employment opportunities by NPOs serving people with disabilities (Kuan and Wang 2016). In Taiwan, “production and sales” (67.3% of enterprises), “food and catering services” (49.1%), and “eco-tourism guide services” (28.2%) were the three most popular services provided by social enterprises.

3.2. Management

Target Clients for the Products and Services

The main target clients for the products and services provided by social enterprises were the “general public” (93.5% of enterprises), followed by “government units” (60.2%) and “corporations” (51.9%). These results reveal that the general public is still the main customer of social enterprises, and that government agencies have become a major customer; this is mainly due to the mandatory requirement that at least 5% of government agencies’ annual procurements be from NPOs devoted to promoting the welfare of the mentally or physically disabled under the “Law for Protecting the Rights and Interests of Mentally and Physically Disabled People”. In addition, the findings reveal that social enterprises in Taiwan give high priority to involving “corporations” as target clients for their products and services.

Channels for Selling Services or Products

The top three distribution channels for social enterprises in Taiwan are “online sales through dedicated website” (52.8%), “sales assisted by the government” (46.3%) and “sales by own internal unit” (45.4%). Other channels like “sales at sheltered workshops or stores”, “fairs and carnivals” and “sales through social, community networks” have each been identified as a distribution channels by at least 30% of social enterprises. On the whole, “online sales through dedicated website” has risen as the most important channel along with the popularisation of the Internet in Taiwanese society. Furthermore, the diversity of the channels of distribution currently in use shows that social enterprises in Taiwan have been able to make use of diverse channels for the sale of their products and services.

Management Challenges

Regarding challenges for the management of social enterprises in Taiwan, respondents in the 2013 survey were proposed a total of fourteen items among which to choose. The results underscore that the “lack of business knowledge, skills and experiences in the leadership of social enterprise”

was considered as the biggest challenge by 51.4% of respondents; it was followed by the “difficulty of getting timely funding, sufficient for the development” (48.6%) and the “difficulty of attracting professionals with both social mind-sets and management knowledge” (38.7%). The “difficulty of developing marketing channels for products and services” and the “lack of public understanding and recognition of NGOs operating social enterprises” were each cited by 37.4% of respondents. The results indicate that challenges for the management of social enterprises in Taiwan concern four aspects: human resources (especially finding qualified professionals for leadership and business management), financial resources, marketing channels and public identity.

3.3. Governance

The governance of social enterprise plays a crucial role in ensuring that management and strategic guidance maximise the organisation’s capacity to realise its defined mission (Schmidt and Brauer 2006). The governance structure of a social enterprise can also be seen as a set of organisational devices that ensures that the organisation’s mission is pursued (Defourny and Nyssens 2010).

Governance: Changes in Organisational Structure

In Taiwan, social enterprises having internally set up a designated unit to run the business and sales aspects were the most common among the respondent organisations: the percentage was 58.0% in 2013. Other respondent organisations either asked the administrative department to oversee the overall planning and management directly (36.2%) or to set up a steering committee such as “a business and sales advisory and steering committee” under the board of directors (5.8%). In addition, it is interesting to note that the percentage of “organisations having established a profit-making company which is solely responsible for the operation of social enterprise(s), the profits of which shall be contributed to the host organisation or used to sponsor other non-profit organisations in the community” was 15.9%. When looking at the entire picture, the changes in organisational structure in Taiwan show that organisations tend to increase their specialisation in response to the development of social enterprises.

Governance: Board and CEO

Respondents in the survey were asked to indicate whether there had been any institutional adjustment in the functions of the board members and CEO resulting from the setting up of social enterprises. Most respondent organisations (75.5%) indicated that no adjustment had been made

in the board of directors when establishing a social enterprise. A much lower percentage of the organisations (7.8%) indicated that they had “raised the proportion of board members with relevant background in business administration and financial taxation”, and a similarly low percentage of organisations (5.9%) indicated to have “raised the proportion of board members with relevant background in legal and public administration”. However, over one fifth of the respondents (23.5%) indicated that they would “designate one or a few board members to supervise the affairs of the social enterprise units”. These figures show that social enterprises in Taiwan did not feel an urgent necessity to recruit people with background knowledge about running business onto their board.

Concerning the adjustments in the functions of the CEO, a high percentage of organisations responded that “the current CEO does not have any background in business administration nor any relevant expertise in the products and services” (38.1%). However, a substantial proportion of organisations indicated that “although the current CEO did not have any background in business administration, or any relevant expertise in the products and services, s/he has spent spare time to pursue further studies on relevant management knowledge” (51.4%).

The above research findings, which resulted from the 2013 survey, indicate that organisations which had set up designated units to run the business and sales aspects have gradually become the most common among responding organisations. Moreover, as for social enterprise’s governance in Taiwan, the survey revealed an increasing tendency for the CEOs and managers of the organisations to spend spare time pursuing further studies to acquire relevant management knowledge. On the whole, social enterprises boards in Taiwan are more likely to exhibit the philanthropic and democratic model of governance than the stewardship governance model assumed by Low (2006).

Apparently, CEOs are currently a major driving force influencing the governance development of social enterprises in Taiwan. However, a case study of SE governance in Taiwan that we conducted in 2011 indicated that boards work effectively to make sure that the SE governance can become a crucial device for connecting social values with social needs. Surveyed enterprises firmly expressed that the main concern of their boards of directors when dealing with affairs regarding social enterprise was to place the fulfilment of social goals as the first priority and that of economic goals as the second one (Kuan *et al.* 2014). In other words, the findings of this case study confirm the significant legitimising role of SE boards in the protection and achievement of the social mission for disadvantaged groups. This study also obviously provides empirical support to the EMES model (Defourny and Nyssens 2010), emphasising collective forms of governance to achieve the realisation of the social mission.

3.4. Government's Role

This section intends to address the role of the Taiwanese government in promoting the development of social enterprises and to analyse the way in which recent public policy measures prompted by the Taiwanese government have impacted the development of these enterprises.

Financial Resources

The result of the 2006 survey revealed that the most frequently cited sources of funding of social enterprises in Taiwan were “grants and commission fees from the government” (cited by 100% of surveyed enterprises), followed by “public donations” (88.1%), “sale of products and services” (76.2%), and “membership fees” (57.7%). In 2010, 77.2% of SEs in Taiwan indicated that their income came from the “grants and commission fees from the government”, followed by “sale of products and services” (70.2%), “public donations” (30.7%) and “membership fees” (22.8%). In 2013, the “grants and commission fees from the government” were cited as a source of funding by 80% of SEs, followed by “sale of products and services” (70.9%), “public donations” (40%) and “membership fees” (20.9%) (see Figure 6.1).

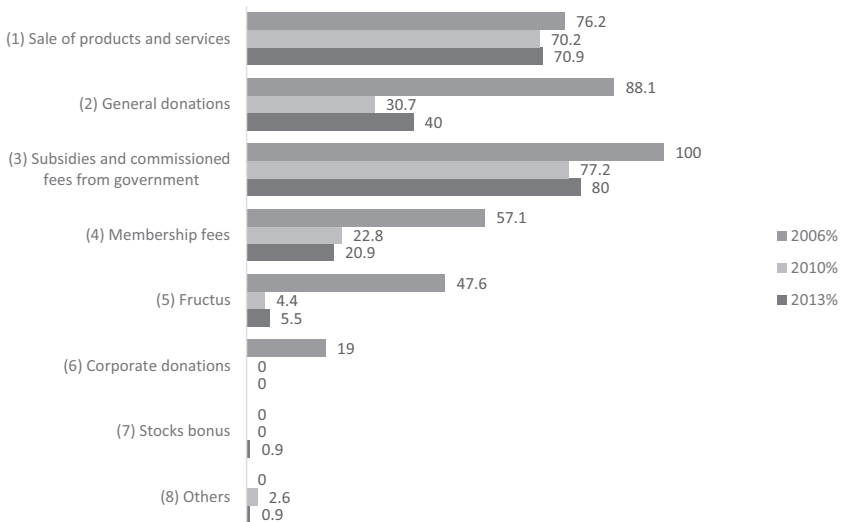


Figure 6.1 Sources of funding of Taiwanese SEs in 2006, 2010 and 2013 (percentage of enterprises citing each source)

Note: the question was a multiple-choice question, and multiple answers were possible.

Source: Data from the 2006, 2010 and 2013 surveys; Kuan and Wang (2016)

As far as financial resources are concerned, the three surveys revealed that the “grants and commission fees from the government” and (except in 2006, when public donations ranked second) the “sale of products and services” were the two major sources of funding for Taiwanese social enterprises. The relative importance of the “sale of products and services” demonstrates the ambitions of Taiwanese social enterprises to seek financial independence and continuous development. Such results also show that the public sector has played a rather important role in the organisational expansion and management of SEs.

Support Measures

The most recent survey (2013) re-emphasised the importance—already highlighted in the previous surveys—of all types of grants, including “providing grants for hiring employees” (cited by 74.5% of surveyed organisations in 2013), followed by “providing grants for business operation and training” (37.3%) and “support from the government for hardware such as premises and equipment” (36.4%), “providing consulting services through onsite visits” (32.7%), “setting up of relevant websites by the government for integrating marketing information” (31.8%) and “direct purchase of goods and services by the government” (30.0%). As a matter of fact, these governmental support measures were quite similar to those cited in the 2006 and 2010 surveys, which were mostly related to grants, software/hardware facilities, usage of the equipment and premises, consulting services through on-site visits and vocational trainings, support in marketing through local authorities and setting up of websites to integrate the marketing information on products and services.

Obviously, the most effective measures implemented by the Taiwanese government to support the operation of social enterprises would be financial measures, followed by capacity building in the field of business operation through consulting services or trainings and developing marketability. By contrast, governments dedicated less attention to shaping a legal framework for social enterprises and to fostering cross-organisational and cross-sectoral cooperation (Kuan and Wang 2016).

Social enterprises in Taiwan still need to be attentive to two major traps. One is the possibility that they be confined to a residual, complementary role, helping the government to make up for insufficient public employment services. The other is the risk for social enterprises to become excessively dependent upon government grants, resulting in the “institutional isomorphism” phenomenon. Indeed, from the point of view of institutional theory, governmental financial support and relevant legal norms sometimes benefit social enterprises’ business and development, but the occurrence of “institutional isomorphism” may also inhibit social enterprises’ possibilities for diversified development.

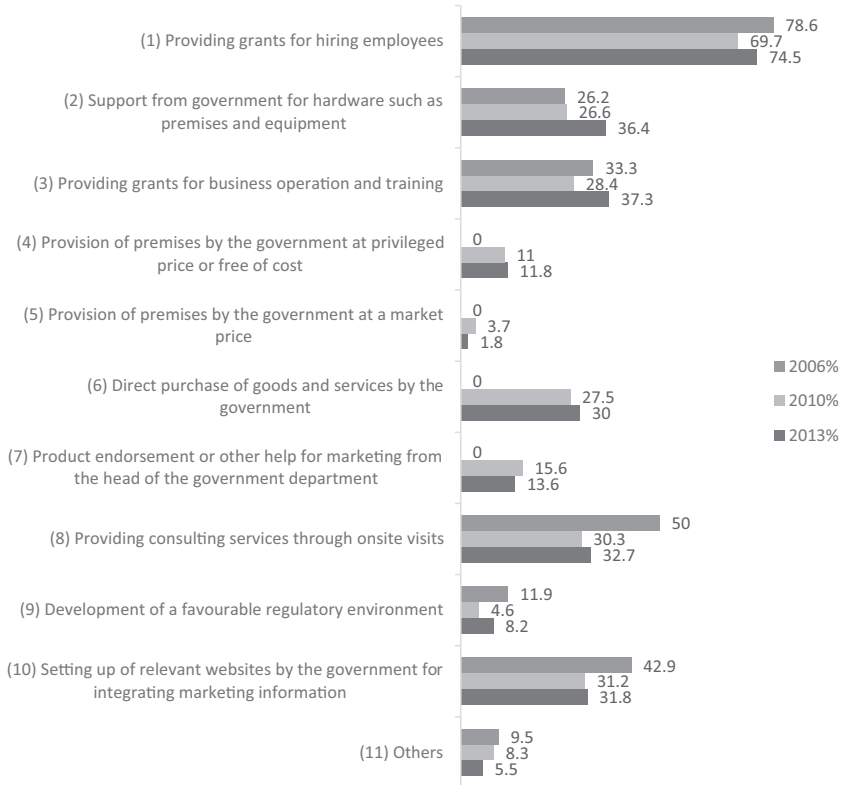


Figure 6.2 Support measures implemented by the Taiwanese government

Note: the question was a multiple-choice question, and multiple answers were possible.

Source: Data from the 2006, 2010 and 2013 surveys; Kuan and Wang (2016)

3.5. Social Impact

Social and Economic Impact

Within the range of impacts of social enterprise such as they emerged from our 2013 survey, two aspects could be distinguished: a “social” aspect and an “economic” one. When asked about the positive social impacts of running a social enterprise, most respondent organisations in Taiwan cited “employment creation and on-the-job training opportunities” (71.8%); this was followed by “being able to provide services which better meet the needs of service users” (59.1%), “increasing the confidence and capabilities of the target groups to return to the competitive market” (57.3%), and “facilitating the pursuit of the welfare missions” (52.7%). As for the economic dimension, a large majority

of the respondent organisations (71.8%) in Taiwan in 2013 expressed that social enterprise could “increase the income of the disadvantaged”, while 66.4% of the respondents pointed out that social enterprise could “enhance the capacity of the organisation to become self-reliant”. Finally, over half of the respondents (54.4%) indicated that social enterprise could “improve the image of the organisation”.

On the basis of all these empirical results, it seems relevant to provide a synthesis (see Table 6.2) highlighting the main features of the “social enterprise phenomenon” as it has developed in Taiwan, beyond the diversity of models identified in Section 3.

Table 6.2 Models of social enterprise in Taiwan: Defining features

I. Organisational characteristics	Defining features
<i>Incorporation and mission</i>	<ul style="list-style-type: none"> • The majority of SEs are associations, followed by foundations, which account for nearly one-third of the respondents. • The most frequently cited mission is providing social welfare services, followed by community building.
<i>Type(s) of service users and nature of services</i>	<ul style="list-style-type: none"> • A substantial share of people in the target group are people with disabilities. • Work integration sheltered workshops or stores are popular. • The services most frequently provided by SEs are: (1) production and sales, (2) food and catering services, (3) eco-tourism guide services.
II. Management	Defining features
<i>Management capability</i>	<ul style="list-style-type: none"> • In general, there is a lack of business management capabilities.
<i>Mode of operation</i>	<ul style="list-style-type: none"> • SEs adopt a variety of operation modes. • They are highly active in exploring all sorts of possible channels of distribution, in particular the web-based channel.
<i>Marketing</i>	<ul style="list-style-type: none"> • SEs attach great importance to marketing management. • The government supports marketing. • SEs’ marketing includes both direct sales in shops and Internet sales and purchases.
<i>Major challenges</i>	<ul style="list-style-type: none"> • SEs suffer from a lack of (1) SE business knowledge, skills and experiences in the leadership; (2) financial resources; and (3) public identity.
III. Governance	Defining features
<i>Changes in organisational structure</i>	<ul style="list-style-type: none"> • SEs having set up designated units to run the business and sales aspects are the most common form. • There is a tendency, among SEs, to increase specialisation inside the organisation.

III. Governance	Defining features
<i>Boards of directors</i>	<ul style="list-style-type: none"> • Most organisations make no adjustment in the board of directors when establishing the SE. • The main concern of the boards of directors when dealing with issues linked to social enterprises is to make the fulfilment of social goals the first priority.
<i>CEO and manager</i>	<ul style="list-style-type: none"> • CEOs are currently a major driving force influencing the governance development of SEs. • There is an increasing tendency, among CEOs and managers of SEs, to spend spare time pursuing further studies to acquire relevant management knowledge.
<i>Governance model</i>	<ul style="list-style-type: none"> • SE boards in Taiwan are more likely to exhibit the philanthropic and democratic model of governance than the stewardship governance model. • Collected data show empirical support for the EMES governance model.
IV. Role of the government	Defining features
<i>Legal framework</i>	<ul style="list-style-type: none"> • No specific law has been enacted yet. • The “Law for Protecting Disabled People” requires that 5% of purchases be made from NPOs providing services to the disabled, which can effectively encourage these organisations to engage in social enterprise activities.
<i>Purchasing policy</i>	<ul style="list-style-type: none"> • The government has adopted a method to give priority to the purchase of goods and services provided by institutions for the disabled and sheltered factories.
<i>Grants/subsidies from the government</i>	<ul style="list-style-type: none"> • The level of government grants/subsidies to SEs is medium ~ strong.
<i>Direct purchase of products and services by the government</i>	<ul style="list-style-type: none"> • The importance of direct purchase of products and services by the government from SEs is of medium level.
<i>Counselling visits</i>	<ul style="list-style-type: none"> • The frequency of counselling visits by the government is low ~ medium.
V. Social impact	Defining features
<i>Social and economic impacts</i>	<p>SEs’ social and economic impacts include:</p> <ul style="list-style-type: none"> • employment creation and on-the-job training opportunities; • provision of services that better meet the needs of service users; • increase in confidence and improvement of capabilities of the target groups; • increase in income of the disadvantaged people; • improved capacity of the organisation to become self-reliant.

Source: Compiled by the authors on the basis of Section 3 (“Features of social enterprise development in Taiwan: Findings of 2006–2013 surveys”).

Conclusion

The past two decades have witnessed a more systematic development of social enterprises in Taiwan, which has in turn increased our understanding of this phenomenon in the country. Social enterprises were in their initial stage in the late 1990s. Until then, they had not been duly recognised by society, even though some already existed. Since the mid-2000s, social enterprises have been developing in diverse forms, their visibility has increased and they have started attracting more and more attention, to such an extent that the importance of issues related to social enterprise has been increasing. According to the survey conducted by United Daily of Taiwan in March 2015, 78% of the Taiwanese respondents already indicated that they identified with the social and economic goals of social enterprise. Moreover, 62% of the respondents expressed their willingness to buy the products and services provided by social enterprises in Taiwan (*United Daily*, March 22, 2015).

In this developmental context, two important driving forces have been identified by the present study. One is the fact that NPOs have begun to embrace the notion of social enterprise—they have been using it as a means to offer employment for their target clients, on the one hand, and to enhance their financial self-sufficiency, through the commercial operation of social enterprise, on the other hand. The other driving force is the government's support and the relevant laws and regulations that it has adopted. The government of Taiwan has indeed played an important role in the creation of social enterprises and in supporting their operation through various measures, including subsidies for the personnel and special rights to land and building, which have helped NPOs avoid the competition with for-profit businesses (Kuan and Wang 2010, 2016).

In terms of typology of social enterprise, work integration social enterprises (WISEs) providing social services and products are the most visible forms of social enterprise in Taiwan. This type of social enterprise is deeply concerned with socially disadvantaged minorities (in particular, the disabled); it aims to integrate them into the labour market by providing them with proper training and employment assistance. Beside WISEs, community development social enterprises are also very popular in Taiwan; this can be accounted for by the development of civil society. Finally, referring to the attempt by Defourny and Kim (2011) to represent graphically social enterprise models as resulting from interactions between the market, the state and civil society, we would locate Taiwanese social enterprises in the area where the state interacts deeply with civil society; the vibrant dynamics of the third sector in Taiwan will probably make the approaches adopted more “civic-oriented”.

Notes

- 1 The total number of enterprises in the samples and the response rate of these three surveys in Taiwan can be detailed as follows: the research team sent out surveys to 124 social enterprises (including 91 social enterprises offering

sheltered employment to the disabled, 24 social enterprises working on community development and 9 social cooperatives) in May 2006; 43 social enterprises responded via phone calls and emails, which corresponds to a response rate of 34.7%. In 2010, the sample included 426 social enterprises and the response rate was 27.2% (116 social enterprises responded). In the survey conducted in April 2013, the sample included 430 social enterprises and the response rate was 25.6% (110 social enterprises responded).

2 Multiple answers possible.

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7 Social Enterprise Landscape in Thailand

*Prapin Nuchpiam and Chanya
Punyakumpol*

Introduction

During the past decade or so, Thailand has witnessed a growing interest in social enterprise, and a social enterprise sector may indeed be said to have developed. However, the shape of this sector is still not clear. We therefore propose to map out its overall landscape in the form of an analytical model of Thai social enterprise development. In charting this development trajectory, an attempt is made to identify the historical roots of social enterprise, in the form of early philanthropic and charitable activities, and to show how Thailand's traditional third sector has emerged from these historical roots and the evolving public policy setup (Section 1). It is then pointed out how, through a process of transition and adaptation, Thai social enterprise has emerged from the traditional third sector (Section 2). Finally, the social enterprise sector's typology (Section 3) and its legal and regulatory regime (Section 4) are presented.

1. Concept and Context for the Development of Thai Social Enterprise

Social enterprise as a *concept* was only recently introduced in Thailand. However, the development of social enterprise in this country did not start from scratch. Many factors are relevant for understanding the development of the Thai social enterprise landscape. Together, these factors provide a *context* for this development. We examine this context in Section 1.1, before presenting the concept of social enterprise as it has been formalised in Thailand in Section 1.2. To offer a clearer picture of this development, we graphically present it in Figure 7.1.

1.1. *Factors Shaping the Context of Social Enterprise in Thailand*

A number of factors shape the context in which social enterprises are developing and operating in Thailand. Some of these factors relate to

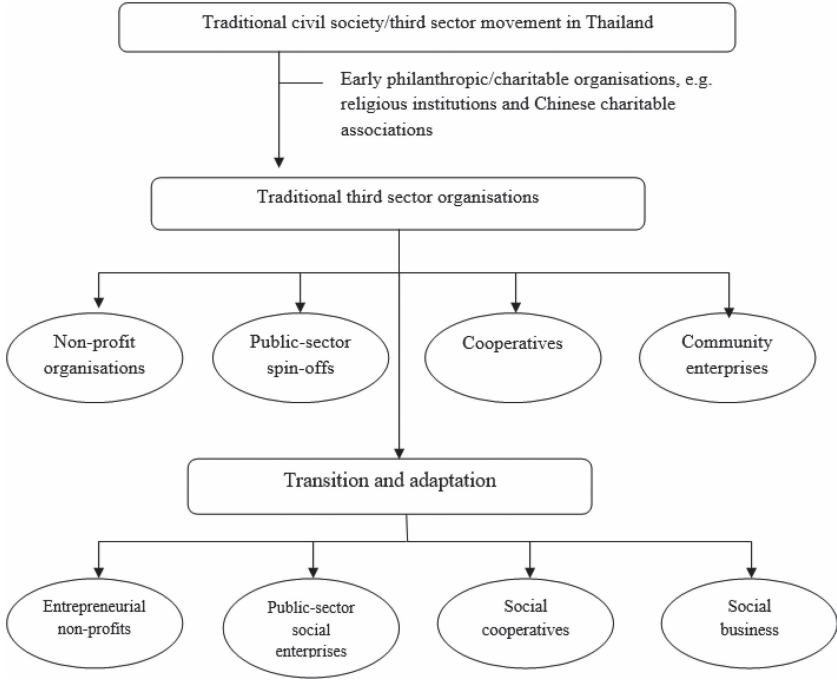


Figure 7.1 An analytical model of Thai social enterprise development

the sector’s historical roots, and in particular to the early civil society organisations, including religious institutions and voluntary associations. Religious institutions, both Buddhist and Christian, have played a crucial role in providing both traditional and modern education in Thailand. The early voluntary associations, with a clearly philanthropic orientation, were set up by the Chinese (Formoso 1996). The best-known philanthropic mission of the Chinese in Thailand was that of Poh Teck Tung Foundation, now Thailand’s biggest non-governmental charitable organisation. Another factor that significantly influenced the SE context in Thailand (and which will be examined in greater details later on), is the state sector’s role in providing a public policy infrastructure for the traditional civil society movements.

The proliferation of voluntary associations and philanthropic organisations from the early 20th century onward naturally gave rise to a need for regulation of these entities. From about the mid-1920s, legal frameworks were put in place to govern various types of organisations, beginning with the Civil and Commercial Code of 1925, which defined associations and foundations as non-profits within its regulatory framework. Three years later, a law on cooperatives was issued and, more recently, many

Acts have been passed to regulate other types of organisations, including the Community Enterprise Promotion Act of 2005.

The purpose with issuing all these laws was to regulate associational activities of various types. However, the laws also aimed to promote such activities. For example, the Cooperative Act has significantly contributed to the development of these types of enterprises and the Community Enterprise Promotion Act aimed to promote associational activities at the grassroots level with a view to enabling local communities to stand on their own feet.

The government policy on the civil society or third sector has also evolved, especially since the early 1960s, following the initiation of Thailand's "national development plans". Though roughly the whole decade after the introduction of the first plan (in 1961) can be characterised as a "state-led development" period, it also witnessed the setting up (in 1967) of the first indigenous NGO in the country, the "Foundation for Thailand Rural Reconstruction Movement under Royal Patronage". Indeed, during this decade, international and domestic NGOs shifted their focus to furthering national development and changed their orientation from being "social welfare workers" to being "social development workers" (Unsuchaval 2015).

The role of civil society organisations, including NGOs, significantly expanded with the rise of democracy, following the student uprising in October 1973, which toppled the military dictatorship. Though NGOs experienced a decline with the return of military rule in the latter half of the 1970s, the following decade was one in which their role in promoting national development was recognised. Most significantly, the Sixth National Economic and Social Development Plan (1986–1990) formally recognised the contribution of NGOs to national development (Furuganan and Lopez 2002: 4). NGOs' role continued to expand in the following decade and beyond, especially after the 1997 economic crisis, when there was a need for empowered local communities and grassroots organisations (*ibid.*).

At the time when the Asian financial crisis broke out, Thailand adopted a new constitution, which was dubbed the "People's Constitution". The Constitution enshrined the people's rights to unite and form associations, farmers' groups, NGOs, cooperatives or unions—not to mention the right to unite and form a political party (Constitution of the Kingdom of Thailand 1997; Klein 1998).

Clearly, since the 1980s, the policy environment, despite occasional setbacks brought about by adverse political events, has become increasingly favourable to the expansion of the civil society's or third sector's role. This development provided a crucial public policy infrastructure for the emergence of social enterprises in their modern form in the first decade of the 2000s. However, other factors—such as external networks—have also contributed to the development of Thai social enterprise (Nuchpiam 2016: 214–21).

1.2. Attempts to Define Social Enterprise

Though Thai social enterprises in their early form may be said to have been in existence since at least the 1970s, as pointed out at the beginning of this section, the concept of “social enterprise” has only recently been introduced in Thai society. The novelty of the concept has given rise to the need to formalise its meaning (Nuchpiam 2016: 43–50).

The idea of social enterprise began to gain currency in the 2000s. During this period, there were also serious attempts to define the concept. An important one started with the effort to identify “50 good social enterprises” in Thailand (Achavanuntakul 2010). Within this context, social enterprise was defined as “an enterprise that clearly has the main goals of solving the problems of, as well as developing, the community, society and the environment, and that has, as its main source of revenue, profits from the sales of goods and/or services in accordance with its goals” (*ibid.*: 23). This definition was clearly based on the triple bottom line, an idea originally developed by Elkington (1999).

At roughly the same time, two more formal definitions were introduced—one in the *Master Plan for the Promotion of Social Enterprise 2010–2014* (Thailand Social Enterprise Office [TSEO] 2010), and the other in the 2011 Regulations of the Office of the Prime Minister on Social Enterprise Promotion. Most recently, with the initiation of the Social Enterprise Promotion Bill (National Reform Council 2015), the meaning of social enterprise has become formalised. The Bill is still in the legislative process; therefore, certain modifications can be expected before it eventually becomes law.¹ However, at least, the concept of social enterprise now seems to be well established, as embodied in the definition provided in section 4 of the Bill:

“Social enterprise” refers to a legal person that produces goods, provides services, or engages in other activities in the private sector, with a clear objective, from the outset, of solving the problems of, and developing, the community, society and the environment; which does not principally maximise profits for the shareholders or owners; and which has the following special characteristics:

- (1) *it sets social objectives as the main purpose of the venture;*
- (2) *it has a potential to become financially sustainable;*
- (3) *it relies on providing goods and services that do not cause any continuing or long-term damage to society, popular well-being, and the environment; and*
- (4) *it reinvests most of its profits in expanding the business to achieve its stated objectives, or it returns those profits to society or its consumers.*

National Reform Council (2015: 62–3)

The two definitions quoted above clearly reflect the development of the concept of social enterprise in Thailand. The one provided by *Thailand Social Enterprise 50* (Achavanuntakul 2010) focuses on the mainstream idea of social enterprise. The Social Enterprise Promotion Bill gives a formalised definition adapted for Thai society, while still adhering to the mainstream idea. With these two definitions, we may conclude that the Thai social enterprise has been conceptualised as a profit-oriented venture with a social mission, environmental concerns and “special characteristics” such as those identified in the Bill.

2. Transition and Adaptation

Organisations that were clearly of the third-sector type emerged from the historical roots and the evolution of public-policy infrastructure explored above; the most notable examples hereof are non-profits registered under the Civil and Commercial Code, cooperatives and community enterprises. There were also organisations that may be considered as public-sector spin-offs, such as the Thai Red Cross and other enterprises set up on royal initiative or granted royal patronage. Though these public-sector spin-offs were mostly established as non-profits under the Civil and Commercial Code, they should be regarded as making up a particular category within what we call the traditional third sector.

To understand how Thai social enterprise has emerged, we need to take account of another important development—namely the *transition and adaptation* that took place within this traditional third sector. We can indeed say that Thai social enterprise has emerged as a result of this process of transition and adaptation. Looking at its emergence in this way, we can also argue that *social enterprise in Thailand has emerged as a new form of entrepreneurship from within the third sector*, in much the same vein as the emergence of social enterprise in the Western world (Defourny *et al.* 2014). Hence, in order to gain a clear picture of this development, we shall take a brief look at some traditional third-sector organisations to see how they differ from social enterprise, before exploring the process of transition and adaptation from which Thai social enterprise has emerged.

2.1. Traditional Third-Sector Organisations

Traditional third-sector organisations, under various legal forms, have existed in Thailand since the 1920s. It is important that we make a distinction between traditional third-sector organisations and social enterprise; the main types of these organisations will thus be examined briefly in this section.

Non-Profit Organisations

First issued in 1925 and from then on amended many times, the Civil and Commercial Code identifies two types of non-profit

organisations—namely associations and foundations. These are the main forms of non-profit organisations in Thailand, and the mainstay of the country's third sector: most present-day NGOs operate under one of these two legal forms.

Associations Under Thai law, an association can be created for any purpose other than sharing profits or income. In other words, it may adopt any purpose that does not involve profit-making and distribution of income among members, and it can engage in any activity that does not infringe the law and is not contrary to public order or morality. It must be registered as a juristic person under the Civil and Commercial Code and it is also subject to other laws.

In fact, many associations in Thailand are oriented towards promoting social welfare and other public services, particularly by sharing the state's responsibilities and burdens in these areas. The best known example hereof is the Population and Community Development Association (PDA). Founded in 1974 as an NGO to assist the government's family planning promotion effort, it has since expanded its interests to cover many activities. At the time of its establishment, it was considered to be an unconventional form of association, due to its commercial features—generating revenues to support its social goals. It is regarded as one of the earlier prototypes of social enterprise in Thailand.

Foundations Even more social or community-oriented are foundations, which must be set up for public purposes, not for profit sharing, and must be registered as juristic persons under the Civil and Commercial Code. A foundation may be established by the state or the private sector. Many social enterprises have adopted this legal form, but most foundations are not social enterprises. Indeed, most foundations—like most associations—are not financially self-sustainable. Only some of them have adapted their orientation to become financially viable. A most notable example of such evolution is the Abhaibhubejhr Hospital Foundation, which specialises in producing medicine from medicinal herbs.

Cooperatives

Since the late 1920s, the cooperative movement has grown substantially in Thailand. Today cooperatives operate under the 1999 Cooperatives Act and its amendment, the Cooperatives Act (No. 2) of 2010. The central goal of a cooperative is to help its members stand on their own feet and protect their socio-economic benefits, rather than focusing on maximising the cooperative's profit. Once registered, a cooperative becomes a juristic person.

A cooperative can engage in a wide range of business and welfare activities. Apart from various types of welfare services, the members of a cooperative also directly benefit from its annual net profit up to certain limits. As non-profit-maximising entities, cooperatives benefit from government support in various forms, including exemption from income taxes on juristic persons (Kornyuenyong 2011).

Cooperatives in Thailand operate like social enterprises in many ways, and many Thai social enterprises have adopted the cooperative legal form. In particular, cooperatives are “not-for-profit” in their orientation; that is, their profit can be distributed to their members up to certain limits only. Moreover, as juristic persons and non-governmental organisations, operating as business organisations with a social mission, cooperatives display many characteristics of social enterprises.

Community Enterprises

Community enterprises in Thailand had been in existence long before the Community Enterprise Promotion Act was passed in 2005. They operate under various forms; most notable among them are savings groups. The Act does not require a community enterprise to operate as any legal entity; it can be a juristic person of any type or not a juristic person at all.

Community enterprises display many of the characteristics of social enterprises, particularly in so far as their central goals are concerned. Like a social enterprise, community enterprises are expected to provide social benefits, generate profits or a surplus from trading, be financially self-sustaining, make use of local resources and support stakeholder involvement. But a community enterprise is more specific in that it is based in and provides benefits to a particular local community. It is also owned and managed by members of this community. However, contrary to the goals and orientation for which they are set up, Thai community enterprises are mainly micro-enterprises, not even having the same potential as that of SMEs. They are not entrepreneurial in orientation and, most importantly, they remain mostly dependent on state funding. Many come and go in a short cycle (Valeepitakdej and Wongsurawat 2015).

2.2. From Traditional Third Sector to Social Enterprise

Our exploration of the concept and context of social enterprise in Thailand has not explained yet how social enterprise in this country actually emerged. We are especially interested in how it has emerged as a new form of entrepreneurship from within the traditional third sector. A number of trends and developments, external as well as internal, can be considered as relevant in this regard.

Social Enterprise as Related to a Global Trend

We shall begin with one important global trend—namely the worldwide expansion of interest in social responsibility and social innovations. Social innovations are urgently needed to solve a variety of social problems in Thailand, and social enterprise is clearly one such innovation. Moreover, in this country as elsewhere in the world, the demand for social responsibility, especially on the part of big businesses, has been growing, resulting in increasing pressure for private businesses to develop CSR programmes. Though CSR is not the same as social enterprise, both of them embody the new social value of corporate responsibility, which includes accountability to stakeholders. This new value is reflected in the orientation of social enterprises which focus on social and environmental concerns rather than profits—an orientation that is gaining wider recognition in Thai society.

However, given its newness, the idea of social enterprise could not be expected to be readily translated into practice. Some aspects of Thai society might even not be favourable to the development of social enterprise. Though the situation has changed much during the past few years, as late as 2011, a Financiers Without Borders research team reported that “the concept of social entrepreneurship is mostly foreign to the Thai business community” (Berenzon *et al.* 2011: 1). The report also underlined that “[there] are few professors in entrepreneurship in Thailand, and there is very little published academic literature and local expertise in social entrepreneurship” (*ibid.*: 14).

Despite this seemingly unfavourable state of affairs, much progress has been made in the development of Thai social enterprise. Indeed, as we will see in Section 3, a large number of social enterprises, representing a new social entrepreneurship, have come into being in the country. In addition, fundamental public policy infrastructure for social enterprise has been put in place, which will presumably serve as a crucial mechanism to stimulate further growth of the social enterprise sector. We now consider the factors contributing to this progress.

Domestic Developments Relevant to the Emergence of Thai Social Enterprise

Three important developments are considered here as factors accounting for the progress made in terms of social enterprise development in Thailand. The first development relates to the *funding challenge* facing traditional third-sector organisations. This challenge is probably shared by most non-profit and philanthropic organisations all over the world, which still usually rely on grants and donations. To understand the situation in Thailand, let us briefly analyse the sources of support available to traditional third-sector organisations.

There are different sources of revenue for the different types of third-sector organisations in the country. For example, Buddhist institutions have traditionally mostly relied on donations made “on the basis of merit-making and alms-giving” (Lowry 2008: 79). Huge amounts of money have flowed into Buddhist institutions in this way, but it is not quite clear how much has been spent for truly social purposes. There have often been scandals involving embezzlements of temple funds, and much money has been invested in religious construction and other similar projects.

Most other non-profit and philanthropic organisations, especially those functioning as NGOs, have mainly sought support from foreign donors. We have seen that, in Thailand, following the advent of democratic rule in the mid-1970s, the NGO movement rapidly expanded, with strong financial support from foreign donors. Even though NGOs have increasingly sought domestic sources of funding, the drying up of external support from about the 1990s onward has had crucial impacts. The NGO movement was in such a situation that it had to adapt, and methods for survival began to be seriously explored. One such method was a *shift to earned income*—that is, the adoption of a new form of entrepreneurship, which was to become the basis of social enterprise (*ibid.*).

We cannot say precisely when this “shift to earned revenue” started to be adopted on a large scale, but this method was not altogether unfamiliar: a practical model already existed, as demonstrated by the example of PDA, and this is another factor that contributed to the emergence of Thai social enterprise. Indeed, with the case of PDA, which is completely self-sustaining through its own business activities (Nuchpiam 2016: 210–11), it can be considered that the method had been well established in Thailand since the 1970s.

The story of PDA represents the early development of social enterprise in Thailand, well before the introduction of this concept in the country, and it is thus particularly relevant to our understanding of the emergence of Thai social enterprise. PDA’s “history and diverse programmes offer lessons from its tried and tested practices, [especially in] building sustainable social enterprises by recovering costs and generating revenues” (INSEAD Knowledge, cited in Nuchpiam 2016: 211). These lessons from PDA’s “tried and tested practices” are certainly not the only source of support for the development of Thai social enterprise: as has been suggested, Thai social entrepreneurs have also substantially benefited from the British and other external sources of expertise in this area. However, the importance of PDA in practically implementing what Defourny and Nyssens (2017) call an “entrepreneurial non-profit” model and in testifying to the practical feasibility of operating such a model of social enterprise in Thailand can hardly be over-emphasised.

Still another important development has already been touched upon—namely the *development of public-policy support*. It was during the

Abhisit government (2008–2011) that formal public policy infrastructure began to clearly take shape. One of those who were highly instrumental in developing this public policy support was Apirak Kosayodhin, former governor of Bangkok and now a deputy head of the Democrat Party and an advisor to Abhisit Vejjajiva, the Party's current head and Thailand's former prime minister.

During an interview,² Apirak recognised that the social enterprise sector had been in place well before the Democrat Party came to power, but after the Democrat-led government was formed, in the late 2000s, local network groups consisting of organisations such as the Thai Health Promotion Foundation, Change Fusion and PDA, among others, and external actors, like the British Council, took the initiative in contacting the government and soliciting its support for the development of social enterprise. According to Apirak, the government was at that time fully aware of the potential contribution of social enterprise to social development, especially in so far as it could reduce people's dependence on state support. More or less like the UK Labour Government of the late 1990s, the Thai government in the late 2000s and early 2010s then closely collaborated with local and international network groups in mapping out a public policy infrastructure consisting essentially in providing a legal and regulatory framework and support mechanisms for social enterprise. From then on, the configuration of the Thai social enterprise sector has become much clearer.

It must be stressed that not all traditional third-sector organisations have undergone this process. Perhaps most of them continue to operate as traditional third-sector entities. For instance, cooperatives mostly continue to function as cooperatives, serving the traditional purposes for which they have been registered. Only those shifting their orientation to serving the wider society have become what we call "social cooperatives" (Defourny and Nyssens 2013).

3. Typology of Social Enterprise Models in Thailand

In this section, we look at the current typology of social enterprise in Thailand through the lens of the three principles of interest, the foundation of social enterprise models developed by Defourny and Nyssens (2017). The three principles of interest, such as they are represented under the form of a triangle in Figure 7.2, are general interest (GI), mutual interest (MI) and capital interest (CI). Traditional organisations can easily be described in terms of these three principles as follows. Organisations driven by public benefit, such as non-profits, charities and voluntary organisations, are placed near the vertex of the triangle corresponding to the general interest principle ("GI-Assoc" in Figure 7.2). Mutual benefit organisations, namely "MI-Assoc" and "Coops" in Figure 7.2, are those whose beneficiaries are the same as the "dominant category". According

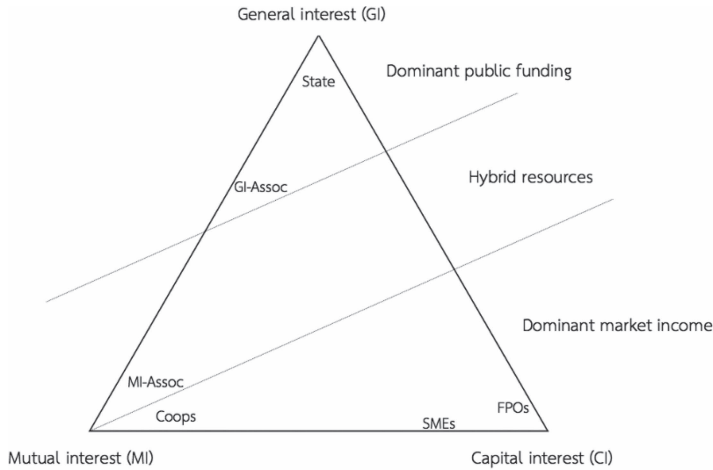


Figure 7.2 Interest principles and traditional forms of organisation

Source: Defourny and Nyssens (2017).

to Gui (1991), the “dominant category” refers to the group with residual decision-making power in the organisation, e.g. the decision to allocate profits. A classic example of mutual benefit organisations are consumer cooperatives or employee cooperatives. Lastly, capital interest organisations are those in the private sector with profit-maximising goals. Figures 7.2 and 7.3 show the framework put forward by Defourny and Nyssens, who distinguish different social enterprise models on the basis of principles of interest and resources.

According to Defourny and Nyssens, social enterprises are hybrid models that move from certain forms of traditional organisations—such as general interest associations, cooperatives or for-profit organisations—to the middle of the triangle. In the following paragraphs, we apply the typology these authors have developed (Defourny and Nyssens 2017) to the current Thai context and social enterprise landscape. We review the four social enterprise models they have identified and we present examples of Thai hybrid organisations that have experienced or are currently experiencing moves similar to those described in Figure 7.3.

According to Defourny and Nyssens (2017), the four major types of social enterprise are the entrepreneurial non-profit (ENP), the social cooperative (SC), the social business (SB) and the public-sector social enterprise (PSE), as shown in Figure 7.3. All four models of social enterprise as put forward by Defourny and Nyssens—including, thus, public-sector social enterprises—can be observed in the current landscape of social enterprises in the country. The remaining of this section involves

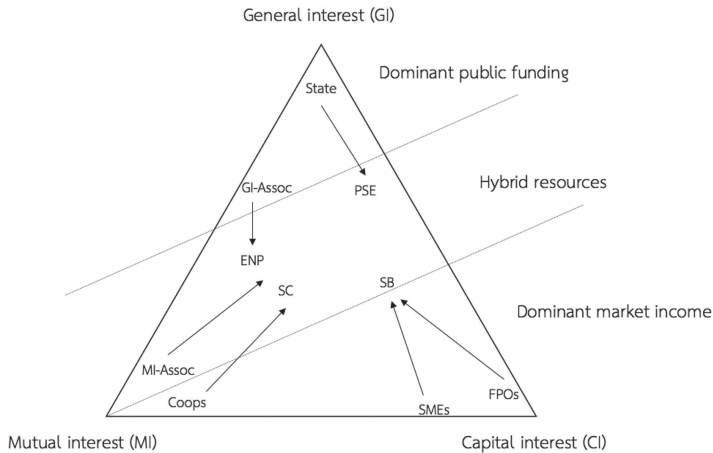


Figure 7.3 Four SE models transitioning from traditional organisations
Source: Defourny and Nyssens (2017).

a discussion of various social enterprises and their developments that fit Defourny and Nyssens' social enterprise models.

3.1. *The Entrepreneurial Non-Profit (ENP) Model*

The ENP model refers to non-profit organisations that have developed some form of trading to support their social missions, or to traditional mutual interest associations that have evolved toward serving more general interests. Defourny and Nyssens argue that general interest associations tend to move from the general interest corner towards the middle of the triangle in the process of seeking new sources of funding, other than donations and grants; mutual interest associations, on the other hand, move from member-based interests toward broader public interest.

A good example of a non-profit organisation with a trading arm in Thailand is Doi Tung, which operates as an affiliated organisation of the Mae Fah Luang Foundation. Named after a hill in northern Thailand where the Foundation was first founded, Doi Tung is a trading arm spin-off from the Doi Tung Development Project of the Foundation. The project started in 1988 to tackle sanitation, health and well-being issues among hill-tribe people in Doi Tung. After five years' effort to educate people on sanitation and health care, the project moved into a second phase: the Foundation started trying to commercialise local agricultural products and crafts. This second phase took eight years to materialise into a commercial unit, called Doi Tung, in the early 2000s. Doi Tung has now set up shops and cafés to sell the local products from hill-tribe people in various places in Thailand.

Try Arm is an example of Thai social enterprise that has evolved from a mutual interest association into a hybrid organisation, between the ENP and the SC models. Try Arm was established in 2009 by Triumph International Thailand Labour Union, after the union's members protested against unlawful dismissals by Triumph (Chuachang and Yingyongpatana 2009). The organisation is thus a spin-off of a mutual interest association (the labour union), and it aims to address the issue of labour exploitation, using its members' specialised skills in undergarment production to produce and sell undergarments to consumers for revenues.

3.2. The Social Cooperative (SC) Model

The social cooperative model refers to entities rooted in the cooperative tradition or having evolved from mutual interest associations, and which have moved beyond a focus on their sole members' interests to enlarge their scope to the whole community or to a more general interest; such general-interest focus has become part of their core mission, and is not just incidental to it. Alternatively, such organisations could be single-stakeholder cooperatives, but with social values provided for their own members—in other words, the social mission should then be appropriately embedded in the mutual interest.

FisherFolk is a good example of a mutual interest organisation that has evolved into a social cooperative. It started from a joint investment made by 60 fishermen in the Prachuap Khiri Khan Province, the Thai Sea Watch Association, the Federation of Thai Fisherfolk Associations and consumers (Karnjanatawe 2015). Its goals are to promote environmentally friendly fishing habits and to provide safe seafood options for consumers, so even though the organisation started as a mutual interest organisation, its mission goes beyond catering to its members to include promoting safe and environmentally friendly seafood consumption as well.

Another type of social cooperative model can be found in Wanita Social Enterprise, which is a single-stakeholder cooperative that has a social mission to provide benefits for its own members (SET Social Impact n.d.). The organisation was founded to support women in Thailand's Deep South area, who have long suffered from conflicts and unrests, to help them become self-reliant and be able to support their families. The organisation sells local foods and products produced by the women to the larger Thai market; it also runs a capacity-building support group, and it provides network and market access to these women.

3.3. The Social Business (SB) Model

The social business is described as a “mission-driven business”. The SB model is largely based on the belief that business acumen is the “efficient path to address social problems” (Defourny and Nyssens

2017: 2483). It usually operates under the legal form of a company or a similar form, such as a limited partnership or partnership. However, a social business differs from a profit-maximising company in that it pursues a so-called “double” or “triple-bottom-line” approach, balancing economic, social and environmental benefits. As discussed in Section 1.2, the Thai government is supportive of social business and is in the process of drafting the Social Enterprise Promotion Act, which will legally recognise this form of business. In addition, certain for-profit organisations in the Stock Exchange of Thailand (SET) have created subsidiaries that are social enterprises or CSR projects, which echoes Defourny and Nyssens’ discussion of the possibility of for-profit organisations using CSR programmes as parts of the social enterprise movement, provided CSR initiatives go much further than traditional CSR discourses and practices just designed as instrumental marketing strategies. In the future, both social businesses and CSR-type social enterprises should constitute an interesting development in Thailand. However, what remains unclear is whether the social enterprises created by big businesses are in fact only “CSR by another name”. Will such CSR-based spin-offs remain reliant upon their parent businesses? If so, this would distort and eventually undermine the original principle of social enterprise.

3.4. The Public-Sector Social Enterprise (PSE) Model

Lastly, the public-sector social enterprise (PSE) model refers to social enterprises that emerge from “public-sector spin-offs” (Defourny and Nyssens 2017: 2485), as a result of the government seeking to reduce public-service provision and to gain higher efficiency at the same time. Public services are thus being transferred to the private sector under some forms of partnership or to entirely private entities under special regulations.

Thailand currently witnesses the development of a PSE-like sector; such development is linked to a national strategic plan, namely the “Public-Private Collaboration Project”, or “Pracharat”, initiated by the government to promote collaboration between the public sector, the private sector and civil society (The Government Public Relations Department [PRD] 2016). This collaboration takes the form of social enterprises, registered as limited companies, which are equally owned by five “sectors”, namely the government, private companies, academics, civil society organisations and community members (Pracharat n.d.). Pracharat Social Enterprises can take part in 12 working groups: (1) innovation and productivity; (2) supporting SMEs; (3) tourism; (4) exports and foreign investment; (5) future industry development; (6) agriculture technology; (7) economic development; (8) infrastructure development; (9) profession development; (10) local economy development; (11) legal

and public mechanism development; and (12) education and leadership development.

4. Regulating Social Enterprises in Thailand

This section discusses the actions taken by the Thai government to legitimise and regulate social enterprises. We review the Social Enterprise Promotion Bill, as well as the enacted tax incentives that aim to support social enterprise. In this regard, it should be noted that, at the time of writing of the present chapter (in early 2018), the Bill was being negotiated among different interest groups and still subject to changes.

The draft Social Enterprise Promotion Bill has been publicly circulated since July 2015, with the aim of legitimising social enterprise as a specific legal form. According to the Bill, a legal entity wishing to be legally recognised as a social enterprise will have, first and foremost, to be registered under a “traditional” legal form, and its social missions will have to be clearly stated in its governing documents. However, the question of which legal forms enterprises willing to register as social enterprises will be allowed to take remains unsettled. Entities registered under one of the legal forms entitled to apply will then have to submit their application for the social enterprise status with the National Office of Social Enterprise Promotion, a government agency to be founded under this law. The term *Visahagit Puea Sungkom* (which can be literally translated as “social enterprise”) will be legally reserved for social enterprises having been approved by the National Office of Social Enterprise Promotion.³ The Bill also provides that a supporting infrastructure will be established, including various measures: setting up of a social enterprise supporting fund for social enterprise research and development; introduction of low-interest-rate loans and tax incentives for duly registered social enterprises; creation of a steering committee for policies facilitating the growth of social enterprises; and implementation of a favourable treatment for social enterprises in government procurement.

The legitimacy and support that come with the legal status of social enterprise will also entail requirements and restrictions. There are two main requirements under the Bill, namely a reporting requirement and a dividend restriction. First, a social enterprise registered with the National Office of Social Enterprise Promotion will have to declare its intention to continue operating as such every year and will have to submit an annual report to the Office, explaining its financial status and social impact. Secondly, section 9 of the Bill restricts dividend payment to social enterprises’ shareholders. However, the exact percentage of this dividend restriction still remains to be announced by the committee of the National Office of Social Enterprise Promotion.

Interestingly, even though the Social Enterprise Promotion Bill has not yet become law, the Revenue Department has already enacted a tax

exemption for social enterprises, under Royal Decree No. 621, dated August 24, 2016. The Decree provides tax exemption for duly registered social enterprises, their shareholders and donors. A social enterprise is exempted from corporate income tax if—and only if—it does not distribute any dividend to its shareholders. The law further provides that all profits shall be reinvested within the enterprise or donated for the benefits of “farmers, the poor, persons with disabilities or underprivileged groups or for any public benefits” (Royal Decree on Tax Exemption [No. 621] BE2559 2016).

The Decree specifies that shareholders can claim tax deduction based on the amount of money directly invested in a social enterprise. Donors can also claim tax deduction based on the amount of money or the value of assets donated to a social enterprise. These tax deductions are subject to four key conditions. First, the social enterprise whose shareholders and donors are claiming tax deductions must not pay out dividends that represent more than 30% of its profits. Secondly, the social enterprise wishing its shareholders to enjoy tax benefits must continue to operate as a social enterprise for at least 10 fiscal years without changing its legal form. Any shift in the legal format of the organisation will render shareholders’ tax deduction void, implying that they could be taxed retroactively. Thirdly, there is a restriction on asset transfers. Particularly, the social enterprise’s assets are locked, with a few exceptions concerning special transfer cases, such as transfer to other social enterprises or donations to other non-profit organisations. Lastly, there is a restriction on “contractual relationship or any kind of benefit payment to shareholders and their connected parties” (*ibid.*).

Finally, it should be noted that although the Bill is still at the draft stage, it allows us to get a clearer picture of what social enterprise in Thailand will look like in terms of legal definition. Eagerly waiting for the Bill to pass, many social entrepreneurs are preparing themselves by starting to register their enterprises as limited companies with the terms “social enterprise” at the end of their company’s name; this is indicative of the trend toward the development of social enterprise under the social business form in Thailand. However, it still remains unclear how and to what extent the enactment of the Social Enterprise Promotion Bill will truly affect the social enterprise ecosystem in the country. How attractive the support infrastructure provided for in the Bill will appear to potential social entrepreneurs will be key to answering this question. In the conclusion, we shall discuss points of concern related to the Bill and the newly enacted Royal Decree on tax benefits for social enterprises.

Conclusion

Based on the discussion above, there are three points of concern for the development of the social enterprise landscape in Thailand that should be highlighted here.

First, Thailand has long been plagued with the problem of government policy inconsistency. Each government has its own policy agenda, and this often results in the policy initiated by one government not being further pursued by its successor. Social enterprise experienced a remarkable progress in terms of public-policy support in the early 2010s. The years 2010–2011, in particular, witnessed several policy initiatives, especially the creation of Thailand Social Enterprise Office (TSEO) in 2010, that may be said to have laid the vital public-policy groundwork for social enterprise (Nuchpiam 2016: 225). But although a Social Enterprise Promotion Bill has been proposed since 2015, so far (in early 2018), it has not yet been promulgated. Most significantly, TSEO has ceased to function, and it remains unclear whether its work will be resumed, or a new agency will be set up in its place, following the passage of the Bill into law.

Secondly, the Bill seems to focus on business-oriented ventures with social or environmental missions by specifying that financial sustainability is one of the core characteristics of social enterprise. Moreover, section 3 of the Royal Decree from the Revenue Department clearly specifies that, for the purpose of tax deductions, only social enterprises registered as limited companies or partnerships are eligible (Royal Decree on Tax Exemption [No. 621] BE2559 2016). Moreover, the Bill, as it is, is unclear as to the legal forms that will qualify to register as social enterprise. This will certainly affect the way in which society at large understands the concept of social enterprise. The risk linked to a legal definition of social enterprise is that such definition could both exclude some organisations that would be considered as social enterprises by international standards and, conversely, include some organisations that would not be considered as social enterprises. The name *Visahagit Puea Sungkom*, as mentioned above, translates literally into “social enterprise”; we believe that this term is too broad to cover the rather narrow definition provided by the law itself.

Lastly, as discussed in Section 4, in order to enjoy tax benefits, a social enterprise must satisfy four key conditions; it must *inter alia* comply with the rule prohibiting contractual relationships between shareholders and their connected parties, on the one hand, and the social enterprise, on the other hand. This raises an operational concern. In the SME community, to which most social enterprises in Thailand belong (with a few exceptions, such as PSE-like Pracharat), shareholders and founders are often those who have to run the company. The prohibition on contractual relationship will make it impossible for them to be employees of their own social enterprise and that, in itself, is an operational hurdle for start-up companies. To avoid this problem, the Revenue Department can issue qualifications for and exceptions to the conditions set forth in the Decree.

It is important to keep track of the development of the law on social enterprise—in particular, whether the law supports or hinders the growth of social enterprise—as this development will determine what the social

enterprise ecosystem will be in the future. As mentioned above, while the Bill is still in the drafting stage, the tax policy has already been enforced. This raises public awareness of the concept of social enterprise and of the kind of benefits the government is willing to provide for them. However, in an attempt to support and, at the same time, regulate social enterprise, there might be areas to improve, so further studies are and will be needed, both during the drafting stage and thereafter.

Notes

- 1 According to Dr. Kobsak Pootrakool, Minister attached to the Prime Minister's Office, interviewed at Thailand Social Expo 2018 on August 4, 2018 in Bangkok, the Bill has been scheduled for debate in early 2019.
- 2 The interview took place on June 15, 2017.
- 3 Whether the name or only a special logo applied to registered social enterprises should be legally reserved is still subject to debate.

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Part II

Social Enterprise in Specific Fields

*Social Enterprise and Rural
Community Development*



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8 The Emergence of Community-Oriented Rural Social Enterprises in Japan

Matsuyo Makino and Ken'ichi Kitajima

Introduction

There is a long history of cooperatives and cooperative movements in Japan. Cooperatives gained a lot of popularity in the 1960s and 1970s, and they have remained widely accepted in society ever since. The notion of “social economy”, introduced from Europe in the early 1990s, has become known among both academics and cooperative sector practitioners since the early 2000s. Increasingly, socially and environmentally oriented cooperatives (such as worker cooperatives, “workers’ collectives”, and “green” consumer cooperatives) have begun to develop a common sense of belonging to the “social and solidarity economy”.¹ Some of these initiatives identify themselves as “social enterprises”,² but more often, they use the term “non-profit cooperative” to emphasise the not-for-profit and public-interest-oriented characteristics of their organisation. These are novel aspects that distinguish them from traditional social economy organisations, such as agricultural cooperatives and consumer cooperatives. However, the new type of social economy organisations has been recognised as a predominantly urban phenomenon.

The objective of our study is to identify the emergence of community-oriented social enterprises in rural areas of Japan and characterise them in the light of the EMES analytical framework on social enterprise. This paper reviews the historical origin and emergence of rural social enterprises in Japan, relying on an extensive review of the literature, including academic papers, reports and case studies published by ministries and prefectural governments, publications by research institutes of the cooperative sector, and other, informal sources. We also conducted field visits and on-site interviews of our own in Hyogo, Kyoto and Saitama Prefectures.³

We classify rural social enterprises into three broad categories, according to their historical origin and driving force. The first category corresponds to those enterprises that originated from organic farmer groups and producer cooperatives in the 1970s and later strengthened their community orientation. The second developed from “community farming”

(*Shuraku-einou*) of the late 1980s and 1990s, a collective action by local farmers to prevent farmland from diversion and abandonment. The third and latest category includes organisations that appeared in the 2000s in response to the nationwide, large-scale municipal mergers. Initiatives in this third category are created by concerned citizens in the local community, mostly in partnership with local authorities (municipal governments), and are centred around “autonomous community associations” (*Chiiki jichi soshiki*).

Our primary hypothesis is that these types of rural enterprises, deeply rooted in the community and cooperative tradition of Japan, are forming a model of social enterprise that we may call a “community cooperative”. These organisations are created and maintained by the initiative of citizens in the community, and they are sharing a common goal of local revitalisation. They respond to community needs left unmet by the government, private for-profits and traditional cooperatives. Mobilising community resources and assets in innovative ways, they provide a variety of quasi-public “community goods” and demonstrate an evolving model of self-governance from inside the community.

1. The Background: New Cooperative Movement in Agriculture and Consumer-Producer Relationships in the 1970s and Early 1980s

We can trace the origin of rural social enterprises back to the 1970s. It was the time when post-war agriculture began to face serious structural problems: stagnating productivity growth, increasing income disparities between urban and rural areas, outmigration of youth and labour shortage in farming and changing composition of farm households.⁴ Both the government and agricultural cooperatives were unable to address these problems properly.⁵ The 1970s was also the time when Japanese people became aware of the adverse effects of high economic growth on the natural and social environment. A new wave of cooperatives arose, along with the massive civic movement against industrial pollution. New types of cooperative—such as *Teikei* in organic farming, natural food cooperatives and worker cooperatives—were born. The “endogenous development” approach, which emerged in Europe, North America and Japan in the mid-1970s and later enriched itself with the concept of sustainable development, has significantly influenced research and practice in rural development in Japan after that.

1.1. Farmer Entrepreneurs in Organic and Natural Farming

By the early 1970s, “compound pollution”,⁶ the potential adverse effects arising from “industrial agriculture”, had drawn considerable attention of concerned farmers and consumers. Groups of farmer entrepreneurs

emerged from early practices of organic and natural farming. They were former activists of student movements or educated farm successors who returned to their home villages after spending some time in large cities. These farmers devoted themselves to a new type of technical progress in agriculture. More important was their organisational innovation called *Teikei*, a unique method of uniting farmers with conscious consumer groups, which has continued to exist to date.

Teikei is a voluntary partnership formed between local farmers and nearby consumers who become subscribers to support the farms. In exchange for paying in advance—at the beginning of the growing season, when the farm needs financing—*Teikei* members receive weekly instalments of fresh and healthy produce throughout the season. This arrangement helps farmers by providing an infusion of cash early in the year and by allowing them to spend less time on marketing, once the growing season begins.⁷ From the economic point of view, this direct marketing method enables producers to circumvent the wholesale and retail markets and internalise the value added created through the forward linkages. In addition, it helps consumers overcome asymmetric information on the food supplied and pay their premium for high-quality food. For consumers, the system also represents an opportunity to support and interact with local farmers. From the social point of view, therefore, the system facilitates the creation of “bridging” social capital through rural-urban exchanges.

To some extent, this system appeared as a necessity for organic farmers. They were forced to find a way to sell their product without depending on the *Nokyo* (JA) agricultural cooperative, which had become an active promoter of chemical-intensive agriculture and single-crop production and had a virtual monopoly on agricultural distribution. The *Teikei* movement further influenced concerned consumers who had become unsatisfied with their cooperatives, and some of them started their “green” food cooperative. Seikatsu Club (a consumer cooperative in Metropolitan Tokyo area), one of the earliest of these initiatives, is a prominent example of such development.⁸ Most of the entrepreneurs involved in the *Teikei* movement kept their status of individual farm owners, but even so, they typically formed a strongly tied group, and they usually belonged to an associative non-profit organisation, such as Japan Organic Agriculture Association (JOAA).⁹

1.2. Rural-Version Worker (Producer) Cooperatives

The 1970s also witnessed the emergence of groups of young farmers, mostly farming successors, who had become concerned with the future of agriculture and had grown unsatisfied with traditional *Nokyo* agricultural cooperatives. Most of them later adopted the then newly established legal form of agricultural producers’ cooperative corporation

(*Noji kumiai-hojin*, hereafter referred to as APC),¹⁰ which enabled them to organise themselves and overcome the limitations of family farming. *Nokyo* cooperatives were organisations providing services to their member farm households, and they had not taken any initiative for cooperative production. Iwami (2007) was the first author, in literature about rural enterprise, who identified APCs as rural-version worker cooperatives.¹¹

APCs often engaged in environmentally conscious farming and established strong relationships with other new types of cooperatives in urban areas, such as “green” consumer cooperatives and worker cooperatives. As they expanded their exchanges with urban consumers and diversified their business activities into processing and distribution, APCs broke their dependence on *Nokyo*.

Although the concept of “social enterprise” was not yet born, farmer entrepreneurs and producer cooperatives in this period exhibited some characteristics of today’s social enterprises. As rural “social entrepreneurs” or reformists in the cooperative sector, they created an innovative approach to connecting with consumers, through trust and mutual support relationships, including: “co-production” of safe and healthy food delivery by producers and consumers, and rural-urban “fair trade”. They provided society with essential merit goods and services, the demand for which was met neither by for-profit companies nor by traditional agricultural and consumer cooperatives. The attempts at cooperative production made by the new APCs later became a predecessor of community farming.

2. The Emergence of Community-Oriented Rural Social Enterprises in the 2000s

The new cooperative movements became sluggish in the second half of the 1980s and early 1990s, during the time of the Japanese “asset price bubble”. The aftermath of this bubble’s collapse plunged the Japanese economy into a long-persisting recession. Globalisation, falling prices of agricultural goods and declining rural manufacturing also led to a severe decline in both farming and non-farming incomes. Under these circumstances, individual farm households could no longer maintain their traditional livelihood strategy. Besides, once outmigration stabilised, ageing and natural population decrease became acute in rural communities, leading to the so-called problem of “shrinking communities”.¹² Globalisation and the stagnant economy, on the other hand, facilitated a social movement, especially in rural areas, to rediscover the value of local tradition and culture and to re-evaluate the endogenous, sustainable development thinking of the 1970s. Against this background, the new millennium witnessed the resurgence of community and cooperation.

In 1999, the government enacted the Basic Law on Food, Agriculture and Rural Areas. The law announced a new national vision of agriculture

and rural communities, aiming at the fulfilment of food security, entrusting agriculture with multi-functional roles and pursuing sustainable agricultural development and revitalisation of rural areas. The government eventually shifted the direction of farmer support measures, from across-the-board production subsidies to direct payments targeted at three fields: multi-functionality, disadvantaged hilly and mountainous areas, and environmentally sustainable agriculture.¹³ In practice, however, the government still placed a higher priority on the restructuring of agriculture through consolidation of farmland and scaling-up of production, rather than on the creation of sound, resilient and sustainable rural communities. A variety of community-oriented or community-based enterprises were born as a bottom-up response to fill this gap.

2.1. From Organic Farming to Community-Supported Agriculture

When the first generation of organic farmers became successful, their practice, lifestyle and thoughts started exerting a strong influence on their community. Neighbouring farmers started to learn the methods of organic farming, and they sometimes took a further step in the transition away from conventional to organic farming. The pioneers' expertise helped local farmers upgrade their technical skills and productivity. Thus, organic farmers, who had once been isolated, became indispensable human resources in their local community. These collaborative experiences led to the emergence of local initiatives to support organic agriculture, which, in turn, enhanced the opportunities to revitalise the local economy.

By the early 2000s, the bottom-up movement of organic farmers had gained substantial influence on legislators, and the Organic Agriculture Act was enacted in 2006. An integrated policy for supporting organic agriculture was launched subsequently. Further local initiatives were launched along with the new legislation and government policy measures, as evidenced by the formation of "Organic Towns". As of 2011, there were a total of 47 Organic Town initiatives nationwide. In each of these, an "Organic Agriculture Promotion Council" was established, under the leadership of a group of organic farmers. The national network of Organic Agriculture Promotion Councils was created; Yoshinori Kaneko, the leader of Shimosato District organic farming group and a councilperson of Ogawa Township, Saitama Prefecture, was the network's first council chair. Moreover, many of these Organic Towns created an umbrella organisation to promote sustainable agriculture and address the challenges of the community in collaboration with community farming and local non-profit organisations. Figure 8.1 describes the governance structure of Shimosato Council of Farmland, Water and Environmental Preservation, an example of such an umbrella organisation.

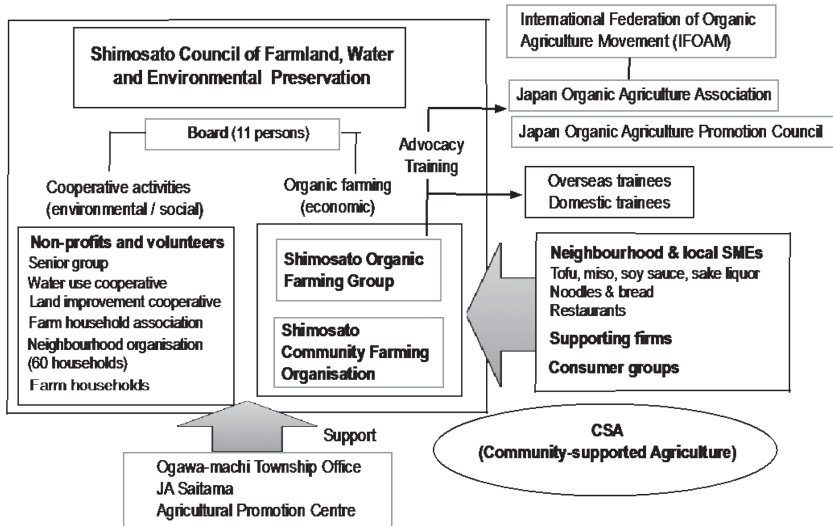


Figure 8.1 The governance structure of Shimosato Council of Farmland, Water and Environmental Preservation

Source: Composed by the authors based on Seki and Matsunaga (2012: 171).

The more advanced of the rural producer cooperatives born in the 1970s have also undergone a similar change, developing community-supported agriculture over time. Their activities often went beyond the economic dimension to address environmental and social issues in the community. This move was facilitated by the new ICA principles,¹⁴ issued in 1995. Japan Workers' Co-operative Union (JWCU) made “linking food, agriculture and environment, and creating a partnership with concerned producers in agriculture and food business” one of its core missions in the early 2000s.

Yonezawa-Kyo Livestock Farm, in Akita Prefecture, which had grown into a large group organisation by the end of the 1990s incorporating smaller cooperatives (other APCs and LLCs), reorganised itself as a stock company in 2006. The farm concurrently succeeded in achieving an integrated recycling system of fodder and manure within the group as a whole. One of its group organisations, Farmers' Club *Akatombo*, now exists in four small cities and three towns. It is actively in search of a systematic solution to the problems that the community is facing through support to and training of prospective entrants and rural-urban exchanges such as farm visits, farming experience, and educational and sporting activities. In 2004, *Muchacha-en*, in Ehime Prefecture, established “Community Cooperative Muchacha-en” (a stock company), integrating its three

group cooperatives. The group's vision includes creating "farmers' Utopia". It engages new entrants into organic agricultural training, both in the community and overseas (two training facilities in Vietnam). It is also active in work integration of youth and people with disabilities, while maintaining its memberships of JWCU and Japan Organic Agriculture Association (JOAA). Its women's section started providing community services (food delivery) in 2009.

2.2. The Development of Community Farming

The Formation and Characteristics of Community Farming

Community farming (*Shuraku einou*) first appeared as early as in the 1970s, but it did not become really visible until the 1990s and proliferated after 2000 only. It emerged under the leadership of forward-looking farmers within *Nokyo* (JA) agricultural cooperatives. Local governments at the prefectural level, which were aware of the problem of small-scale farm operation, positively assessed the potential of community farming and formulated policy and measures to support the farmers' initiatives. The extent of the promotion and diffusion of community farming depended on the geographical location and socio-economic conditions of the farming communities. It was more strongly supported and thus developed more in hilly and mountainous areas, mainly in the Western regions of Japan, that are at a disadvantage in terms of land-intensive rice farming and marketing to urban areas.¹⁵

Shimane Prefecture (2002) defines community farming as "[an] agricultural practice where the majority of the farm households in the community¹⁶ agree upon the common goal of the sustenance of agriculture and engage in the organisation of labour force and the collective use of machinery and production facilities in the partial or whole processes of agricultural production, including processing, storage, and sales". Organisationally, each resident willing to form a community farming group has to become a signatory of the "community farming agreement", after intensive meetings and discussions. Upon this agreement entering into force, the group can be recognised as a community farming organisation.

The essence of community farming lies in the conservation of farmland and restructuring of rice farming through innovative ways of mobilising and organising productive resources. While leaving the ownership of farmland in the hands of each member, the community obtains the right to use the plots that are necessary or desirable for consolidation, so as to achieve an efficient use of the land as a whole. It enables the community to exploit economies of scale, at least to some extent. The cooperative use of machinery and labour helps to further enhance productivity. Agricultural labour is more concentrated in the hands of those farmer-operators who are skilled and experienced in agricultural work, as well

as in the hands of young prospective successors. They are paid reasonable compensations in return. Part-time farmers and those who abandon commercial agriculture may remain as members. While receiving rents for their plots, the latter may take up other jobs, such as management, administrative and clerical work, or they may serve as volunteers during planting and harvesting, or for weeding and other lighter on-farm work. All members—whether full-time farmers, part-time farmers or members having abandoned commercial agriculture—are to work collectively to maintain and improve their common-pool resources, such as farming roads, waterways, reservoirs and *Satoyama* (the traditional landscape of a hilly and mountainous area). Preserving local natural resources and preventing environmental destruction has thus become another important feature of community farming.¹⁷

The Institutionalisation of Community Farming

The national government acknowledged community farming for the first time in 1999.¹⁸ The Ministry of Agriculture, Forestry and Fisheries (MAFF) initiated an annual nationwide survey of community farming in 2005 and, in 2007, it began to support the movement's organisations that met certain criteria.¹⁹ This formal recognition was a mixed blessing, however, because it gave rise to many attempts to form community farming merely to gain access to the new subsidies. Moreover, the government policy to foster community farming placed exclusive emphasis on the consolidation of farmland to scale up the farming operation and make it more "competitive".²⁰ While the government encouraged the incorporation of community farming organisations, it did not grant them any specific corporate status. In order to be incorporated, the organisation must adopt one of the legal forms available to corporate entities (such as the agricultural producers' cooperative corporation, or APC) and companies (stock company, limited liability company or limited liability partnership).

The number of community farming organisations, and particularly those with legal personality, has been increasing. According to the latest survey by the Ministry of Agriculture, Forestry and Fisheries (MAFF), in February 2014, there were 14,717 community farming organisations nationwide. Among these, 3,255 (22.1%) had legal personality. An analysis in terms of corporate status reveals that the majority (2,803 organisations, i.e. 76.7% of organisations with legal personality) were APCs. The rest were companies (452 organisations, 22.3%): there were 424 stock companies (13.0%), 16 organisations with another form of company (general partnership company, limited partnership company, limited liability company and general partnership company) and a few others.²¹ In total, by the time of the survey, community farming had consolidated 49.2 million hectares of farming land (33.8 ha per organisation).

The Evolution of Community Farming in Terms of Business Activities and Organisational Structure

As community farming practices developed, the movement's organisations came to involve multiple farming villages or to form alliances of smaller community farming organisations.²² Moreover, both the economic and non-economic functions and governance structure of community farming have evolved over time.

Diversification of Agro-Based Activities and Creation of Community Businesses The economic activities of advanced community farming organisations have diversified rapidly, extending beyond farming into neighbouring activities of sales and processing, and creating forward linkages. Another step toward diversification, exploiting economies of scope, took place under the form of joint production of other products and activities: previously, farmers relied almost solely on the local wholesale market or *Nokyo* (JA) for the sales and processing of their products, but they started to undertake these activities by themselves. By doing so, they were able to internalise a much larger portion of the value added for themselves. Direct sales in the form of local food stands (*Chokubai-Sho*) or roadside markets (*Michi-no-Eki*) spread quickly; they soon became popular among consumers and flourished in many rural areas nationwide. Then, community farming organisations further diversified their activities into the service sector, launching initiatives such as restaurants, cooking schools, food delivery services and green tourism, by directly connecting with consumers or creating local economic linkages through transactions with small and medium local firms.

One prominent feature of community farming at this stage is the increasingly significant role played by women. Some women engaged in the production of non-rice produce (vegetables, fruits, mushrooms, flowers, etc.), forming their own producers' cooperative, but many others also took up agriculture-related sales and processing activities. Food processing, direct sales of farm produce and processed food, and rural restaurants are the three major economic activities undertaken by rural women (Seki and Matsunaga 2012). More recently, female entrepreneurship has been increasing in the field, through e.g. rural-urban exchanges (farm restaurants, tourist farms, lodging, etc.). Such activities constitute "community businesses", which provide rural women with precious opportunities to generate income and be self-reliant. In fact, women have become major players in these activities.²³

While the community-based, endogenous development approach emphasises the formation of social capital in various forms as the essence of capacity building, "a key concern is whether such 'collective' capacity

building is compatible with participation and social inclusion of excluded individuals” (Shucksmith 2003). The creation of female entrepreneurship in rural areas is crucial for addressing this issue.

Community Services and Other Activities During the 2000s, the rapid ageing of the Japanese population increased the demand for health care, elderly care and other social services, while the traditional role of the family and neighbourhood associations became considerably weaker. Local governments, often burdened by debt and under stringent budget constraints, reduced the supply of essential public services. Moreover, the declining resident population and customer base in rural areas forced local clinics, shops, restaurants, cleaning, bus, taxi and other privately provided services out of business. In particular, the *Heisei* municipal mergers of the 1999–2009 period and the closure of JA (*Nokyo*) branches due to their broad-area mergers had a severe impact on rural life. Major public facilities, such as elementary schools, hospitals and community centres, were either closed or merged. As retail shops of JA, which had become the only remaining ones of their kind, terminated their services, residents started suffering from a lack of shopping places to purchase food, clothing and other daily necessities.

Individuals and citizen groups, mostly women, responded to these challenges by creating their own community services. Small retail “community shops” for food and daily necessities were famous among such initiatives. In Shimane Prefecture, community farming organisations have engaged in a variety of services, such as food delivery, funeral service, gasoline stands, taxi, management of public facilities and workshops for people with disabilities (Odagiri 2009). Most of these organisations were also found to engage in recruitment, assistance and training of new entrants in farming, environmental protection and preservation of traditional culture. The prefecture implemented a scheme, financed from its own budget, to encourage “community farming organisations contributing to the community” (2011–2013). Kitagawa (2008) called such an organisation a “community-based agricultural corporation” (*Shurakugata nogyo-hojin*).

CHANGE IN ORGANISATIONAL AND GOVERNANCE STRUCTURE

While the legal form of agricultural producers’ cooperative corporation (APC) was suitable for cooperative production and management in agriculture, eligible undertakings were strictly limited to agriculture and “related activities” by the law.²⁴ Therefore, when expanding their business, community farming organisations often had to adopt different legal forms. Most of them established a company by residents’ investment, in addition to the existing APC, or changed their initiative’s legal status to that of a company. Doing so also allowed more flexibility. When

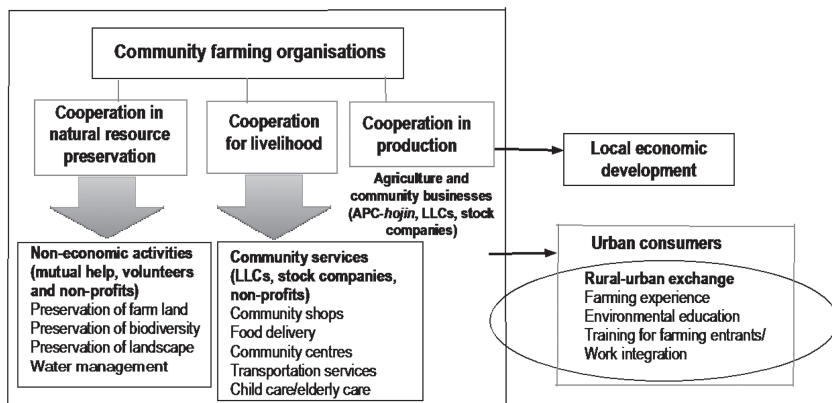


Figure 8.2 Evolution of community farming organisations

Source: Composed by the authors

some members or non-member residents outside the APC had already created a community business, collaboration was often established with such group or organisation. Thus, the more advanced stages of community farming have been accompanied by a change in the internal organisational structure and the expansion of external relations. Figure 8.2 describes the evolution of the organisational and governance structure of community farming.

2.3. Local Initiatives by Autonomous Community Associations

The Heisei Mergers and the Creation of Autonomous Community Associations

The Heisei municipality mergers—i.e. the large scale, nationwide amalgamation and dissolution of municipalities (cities, villages and towns) that took place in the 1999–2009 period—hit the rural areas particularly hard. The number of “towns” (*Cho*) and “villages” (*Son*) in rural areas decreased drastically, by nearly two-thirds (from 2,558 to 935). Eighty-five percent of the municipalities that “disappeared” administratively through these mergers were located in hilly and mountainous or remote island areas. The mergers virtually implied the “restructuring” of these disadvantaged areas (Odagiri 2009). An assessment report published by the National Association of Towns and Villages in 2009 identified the problems of the mergers as “loss of vitality, loss of tradition and culture, decline in public service, and weaker voice of citizens”.

Indeed, when small municipalities merge into a big one and the jurisdiction of the latter expands, residents become distant from the new municipality. In order to support the weakened function of maintaining natural resources, social capital and local administration, the people thus need to build “self-governing power” in smaller autonomous units (Hoshino 2004). Local initiatives emerged to address this challenge by creating community autonomous associations (*Chiiki jichi-soshiki*). The territorial base of the “community” in this context is roughly equivalent to what used to be an “administrative village” (*Son*) before the *Heisei* mergers. It typically refers to an elementary school district, containing several farming villages. Most of these community autonomous associations were formed after the mergers, and they were not linked to previously existing traditional neighbourhood and community associations. Adopting a variety of names, such as “community promotion councils” (*Chiiki shinko-kai*) or “town management councils” (*Machi-zukuri kyogi-kai*), these organisations share a common goal of community revitalisation.

The community autonomous association in principle represents the whole community through a democratic process and assumes significant public functions, in partnership with the municipal government (the new one formed by the merger, i.e. typically, the city). Sometimes, a “district” or “ward” (*Ku* or *Chiku*) and its representative serve as an interface between the autonomous community association and the municipal government. A district in this context is a legal entity regulated by the revised Local Autonomy Act or the Special Law on Municipality Mergers,²⁵ emulating a traditional “property ward” (*Zaisan-ku*).²⁶ Districts can inherit some valuable assets, such as a community centre from the pre-merger administrative unit (e.g. town [*Cho*] or village [*Son*]), and they can assume administrative functions within a limited range. The district representative (*Ku-cho*) is to be elected by the residents.

Community autonomous associations have been active in most of the prefectures in Japan after the *Heisei* mergers. In successful cases, the autonomous community association has become a core organisation in the community, acting as a coordinating body of existing cooperatives, companies and other local agencies and assuming various economic and non-economic functions. Community autonomous associations’ economic functions include investing in resident-owned companies and starting up their own community business and services, such as management of the community centre and parks, creation and operation of historical and cultural museums, green tourism and local transportation services.

Among early examples of successful community autonomous associations are Kawane Community Promotion Councils, in Takamiya Town (Hiroshima Prefecture), and Miyama Community Promotion Councils, in Miyama Town (Kyoto Prefecture), both of which emerged before the *Heisei* mergers. One of the most valuable lessons from the

Kawane and Miyama cases is to be found in the organisational and operational principles of the community promotion councils and in the good partnership that they established with their respective township offices. First, under the practical and sophisticated guidance of the town government, these councils were established and operated independently of the traditional local associations, while maintaining close cooperation with them. This discontinuity prevented the new councils from “inheriting” the power structure of old villages and ensured their democratic governance. Secondly, the town government respected the self-determination and self-governing process implemented by the residents. This process empowered the councils and enabled them to avoid becoming “subcontractors” of local authorities.²⁷ Eventually, these councils have evolved into problem-solving autonomous associations. They have become an equal partner of the municipality government; they can propose and implement public policy and manage economic projects on their own.

*An Illustrative Example: Community Promotion Councils
in Miyama Town, Kyoto Prefecture*

Miyama Town is a remote, typical mountainous town in Kyoto Prefecture, with a small population (less than 5,000 residents). It offers a good illustration of the evolution of community farming over time and of the role of autonomous community associations and public-private partnerships.²⁸ Miyama has experienced rapid depopulation and aging: its population peaked in 1965 with 10,000 persons, but it has declined to 5,000 in the mid-2000s. The share of the elderly (aged 65 and above) in the total population in 2001 was 32.6%—a figure almost twice as high as the national average (17%). But the town also has abundant cultural resources, including 250 famous traditional Japanese thatch-roofed (*Kayabuki-yane*) houses that have been maintained for centuries (the town has the highest preservation ratio of thatch-roofed houses in the country).

The evolution of endogenous community development in Miyama can be divided into four stages. The first phase (1978–1988) was characterised by the promotion of community farming. A variety of agricultural processing and marketing activities of local specialty produce took place with an intense engagement of residents. The second stage (1989–1992) was a period marked by active rural-urban exchange and community renovation. Miyama Town Traditional Housing Preservation Fund was founded with the participation of intellectuals from urban areas of the Kansai District (mainly Osaka and Kobe). Many activities to preserve local cultural resources and the rediscovery of patrimonies (*Densho*) took place. A joint-stock company, “Miyama Hometown

Corporation”, which promotes and assists the settlement of prospective residents, was established in 1992 as a joint venture with the township government. It was successful in accommodating a considerable number of settlers from urban areas, despite the strict obligations and rules for the preservation of the traditional landscape of the town. In the third stage (1993–1998), Miyama developed eco-tourism and related service industries. It laid out a plan for the “model community” to develop a comfortable rural living space and promote the settlement of prospective successors of farmers and young people. It developed a new type of beverage industry by establishing a second stock company to produce and market mineral water, green tea and other products. It was also a time when a variety of activities by non-profit organisations (mostly NPO-*hojin*) and volunteer groups²⁹ started, particularly after the Hanshin-Awaji Earthquake (1995).

The fourth stage (since 1999) has witnessed the development of the active role of community promotion councils (*Chiiki shinko-kai*). Due to the broad-ranging merger of JA agricultural cooperatives, the JA branch of Miyama Town was abolished in 1999, and the JA-operated shops—the only retail shop in each district—closed down. With investment funds from the community, a group of residents took over and revived these shops as limited liability companies (four companies were created in this way between 1999 and 2002). These companies later extended their business to cover farmland conservation and social services. In 2000, the Miyama Town Office proposed the establishment of Community Promotion Councils in its five districts (former administrative villages [*Son*]) by consolidating the three existing neighbourhood and community organisations. Consequently, each district held several town meetings, and the residents in each district decided to establish a community promotion council. The Councils shared a common goal of “becoming the Number One countryside area (*Inaka*) in Japan”. They aimed to enhance the quality of life of the residents, to identify the challenges they faced and to revitalise the community.

The Community Promotion Councils were born out of public-private partnerships between the town government and resident organisations, which was a novel approach to autonomy and cooperation for the revitalisation of old villages (*Son*). The Miyama Town Office (now Miyama Branch, Nantan City) offered financial and human resources support and seconded a director and a member of secretariat staff to each council. These officials supported the activities of the Councils and provided residents with on-spot administrative services.³⁰ In 2006, the Miyama town and three other townships merged into Nantan City, and the five community promotion councils formed an alliance organisation. In addition, the Miyama Community Development Committee (*machizukuri iinkai*), which focuses on planning

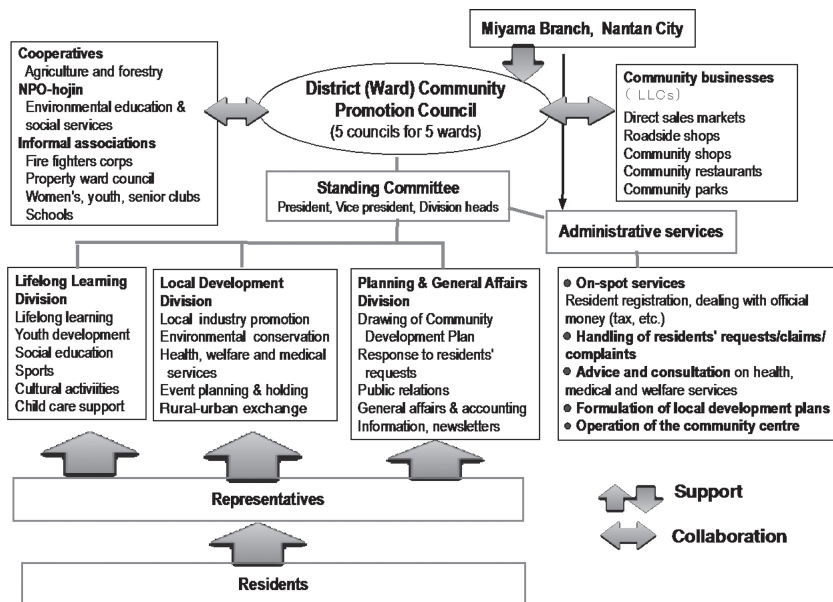


Figure 8.3 Governance structure of a district Community Promotion Council in Miyama Town

Source: Miyama-Cho Hiraya Community Promotion Council

and advocacy functions for the whole town, was established; it gathers active citizens from each district council. However, the characteristics of the partnerships and the governance structure of the Community Promotion Council in each district have remained basically unchanged. Figure 8.3 shows the typical governance structure of the Miyama Community Promotion Councils.

The town has been successful in leveraging its abundant natural and cultural resources. It invited about 700,000 tourists from the neighbouring Kansai area (Kyoto, Osaka and Kobe) in 2010, and those have been joined by tourists from overseas (mainly Taiwan and China) in the last few years. However, despite the efforts made by the community promotion councils, other organisations and citizens, the net in-migration that had been registered at some point has been extinguished. Ageing has become more severe; each district's average ageing rate almost reached 40% as of 2010. Capacity building and human resources development for prospective successors of the first-generation activists as well as the invitation of newcomers of young generations are pressing challenges.

3. Similarities and Differences Between the Three Categories of Rural Social Enterprise

We have explored the emergence of community-oriented rural enterprises according to their historical origin and driving forces. We want to see now whether we can consider these businesses as “social enterprises”, and attempt to provide a preliminary typology of rural social enterprises models by reference to the EMES conceptual approach to social enterprise. The most distinct feature of the EMES approach to social enterprise is that it is deeply rooted in the European tradition of the social economy. In particular, unlike the non-profit “third-sector” approach in the US, it identifies social enterprise as new entrepreneurial dynamics at the very heart of the social economy sector, including not-for-profit cooperatives. Social enterprise primarily arises in response to social needs that are inadequately met, or not met at all, by public services or for-profit enterprises (Defourny and Nyssens 2013).

Our findings demonstrate that there exist many social enterprises in rural areas in the sense that numerous initiatives have emerged as “existing social economy organisations reshaped by new entrepreneurial dynamics”.

Table 8.1 provides a summary of the three organisational types or categories of rural enterprise discussed in Section 2. These three types appeared at different times and in different places, each with a unique historical background.

Table 8.1 Summary of the characteristics of community-oriented rural enterprises

<i>Type of organisation</i>	<i>Organic and natural producer cooperative/farm</i>	<i>Community-based agricultural corporation</i>	<i>Community autonomous association</i>
Founders	An individual/A group of citizens	A group of residents in the community (e.g. village)	Residents in the community + Municipal government
Period of creation	1970s and early 1980s	1990s and 2000s	2000s
Background/ Driving force	<ul style="list-style-type: none"> • New cooperative and citizen movements • Environmental degradation; unsafe food; unsustainable production and consumption 	<ul style="list-style-type: none"> • Community farming • Problems in agriculture; declining role and functions of traditional agricultural cooperatives (Nokyo or JA) 	<ul style="list-style-type: none"> • Responses to community disintegration • Loss of community vitality and decline in community functions; <i>Heisei</i> mergers of municipalities

<i>Type of organisation</i>	<i>Organic and natural producer cooperative/farm</i>	<i>Community-based agricultural corporation</i>	<i>Community autonomous association</i>
Main location	Rice-producing plain-field regions in the East (<i>Toboku</i> and <i>Hokuriku</i>) and the West (<i>Shikoku</i>) of Japan	Disadvantaged hilly and mountainous regions in the West (<i>Kansai</i> and <i>Chugoku</i>)	Disadvantaged hilly and mountainous regions
Social enterprise model	Community cooperative	Community cooperative (social cooperative or public-benefit cooperative)	Community cooperative (community development corporation)
Social mission	Revitalisation of local agriculture and community through sustainable agriculture	Preservation of farmland, revitalisation of local agriculture, and securing livelihoods	Revitalisation of community and securing livelihoods through mobilisation of community resources and citizen engagement
Objectives/ Functions	<ul style="list-style-type: none"> • Sustainable agriculture • Food safety and health • Natural resource conservation • Environmental protection • Cooperative production 	<ul style="list-style-type: none"> • Cooperative agricultural production • Community business • Community services • Natural resource preservation 	<ul style="list-style-type: none"> • Community revitalisation • Community capacity building • Provision of community services • Community business
Types of social innovation	<ul style="list-style-type: none"> • Teikei and community-supported agriculture - Producer/customer co-production - Rural/urban fair trade - Creation of local food system through sustainable agriculture 	<ul style="list-style-type: none"> • Community farming - Mobilisation and organisation of local productive resources • Women entrepreneurship - Creation of income opportunities for women • Collective action - Preservation of natural resources and environment 	<ul style="list-style-type: none"> • Public/private partnership • Multi-stakeholder involvement • Citizen engagement

(Continued)

Table 8.1 (Continued)

<i>Type of organisation</i>	<i>Organic and natural producer cooperative/farm</i>	<i>Community-based agricultural corporation</i>	<i>Community autonomous association</i>
Governance structure	Group of social entrepreneurs; cooperative	Cooperative or group of cooperatives in a community	Public/private partnership between municipal government and local autonomous councils
Networks (collaboration with external organisations)	<ul style="list-style-type: none"> • Collaboration with - consumer groups and natural food cooperatives - worker cooperatives - advocacy organisations (local/national/overseas) - local companies - local government (village/town) 	<ul style="list-style-type: none"> • Collaboration with - other agricultural corporations and community-farming organisations - neighbourhood and voluntary organisations and schools - <i>Nokyo</i> (JA) cooperatives - local government (village/town) 	<ul style="list-style-type: none"> • Coordinating body for cooperatives, companies, civic organisations and citizens in the community • Collaboration with non-profit organisations and universities from outside the community
Legal form	APC; special LLC; stock company; unincorporated individual farm	APC; special LLC; stock company	Local relationship organisation; NPO- <i>hojin</i> ; general incorporated association; unincorporated

Note: The special LLC is a transitory corporate status for companies that were hitherto registered as “limited companies”—a legal form that was abolished by the revision of the Corporate Act in 2006. Special LLCs can remain in operation as non-public stock companies with a restriction on the transfer of shares.

Defourny and Nyssens (2012) provide the latest version of the EMES conceptual approach to social enterprise, which includes three sets of indicators, corresponding respectively to the economic and entrepreneurial dimension, the social dimension (primacy of the social aim) and the governance dimension (participatory governance). In the case of a cooperative, which, by nature, exhibits most of the key characteristics of social enterprise provided that it pays attention to the community, a crucial distinction from large established social economy organisations lies in the nature of social innovation, including the dynamics of their governance structure.

Regarding the first type of community-oriented social enterprises, i.e. producer cooperatives and farms in organic or natural farming,

their social mission, initially rather confined to health and food safety, has extended to the revitalisation of local agriculture and community through sustainable agriculture. They declare that they pursue a variety of objectives and functions, but they remain mostly agriculture-based. Therefore, conceptually, we may regard these enterprises as “single-function initiatives”. As to social innovation, the original *Teikei* was an innovative method of uniting producers and consumers and supporting co-production through trust and mutual support relationship. This method has subsequently expanded to include a similar relationship between organisations, e.g. between producer cooperatives and consumer cooperatives, and rural-urban “fair trade”. These initiatives’ current contribution focuses on the creation of a broader sense of “community-supported agriculture” or community-based alternative food systems.

In the case of the second type of initiatives, which evolved from community farming, the social mission and functions have expanded over time from cooperative farming to community business and community services: they have become “multi-functional”. Accordingly, their original aim of farmland preservation was enhanced to include the revitalisation of local economy and securing the livelihoods of the community. Social innovation implemented by initiatives of this type can be characterised as including the following four aspects:

- efficient and equitable way of mobilising and organising productive resources such as farmland, capital and labour (farming and non-farming, paid and non-paid);
- creation of income opportunities and employment through community business and provision of essential services for livelihoods (community services) in disadvantaged areas;
- women entrepreneurship and empowerment of women through community business and community services;
- collective action in the preservation of natural resources, including common-pool resources, environment and biodiversity.

Kusumoto (2010) describes the “most advanced cases of community farming organisation” as having “three pillars” of cooperation (*Kyodo*), namely cooperation in production, cooperation in the preservation of natural resources and environment, and cooperation for livelihoods. Kusumoto refers to these organisations as to a new kind of “social cooperative”.³¹

The third and latest model, namely that of “community autonomous association”, is the most encompassing in terms of the organisation’s mission, functions and governance; revitalisation of the community is the very reason for the existence of initiatives of this kind. They serve the community at large, and they directly engage in the provision of

a variety of economic and social services of general interest. Most of their economic projects have a public nature, such as eco-tourism development, operation of community centres and lifelong education, historical and cultural museums and shops, community specialities development and marketing, and community transportation. These are indispensably connected with other, non-economic functions of preserving historical, natural and cultural assets of the community and human resource development. Social innovation in this type of organisation is characterised by the capacity building of the community through public-private partnership, multi-stakeholder involvement and citizen engagement. Therefore, we can describe this new and distinct type of social enterprise as “community development corporation”.

In fact, these three types are not mutually exclusive. Although they can be conceptually distinct, they are often empirically indistinguishable. For example, Shimosato Council of Farmland, Water and Environmental Preservation, which we included in the first type, namely that of community-supported agriculture, can also be regarded as community farming. As in the case of Miyama Community Promotion Councils, the “community development corporation” model often emerged as an evolution of community farming or community farming combined with new social ventures.

Regarding legal forms, there is no proper corporate status for any of these three types of rural enterprise. Currently, they thus have to “borrow” some existing legal forms. The first two types have most frequently adopted the legal forms of agricultural producers’ corporation (APC), special limited company (special LLC) or stock company.³² This last option is expected to be chosen more often now as the government recently made it administratively easier for APCs to change their legal form to that of a company.³³ The lack of a specific and adapted legal form is most severe in the case of autonomous community associations, which are multi-functional and multi-stakeholder organisations. Some choose the status of “local relationship organisation” (*Ninka Chien-dantai*) under the Local Autonomy Act, while others operate under non-profit organisations’ legal forms, such as NPO-*hojin* and general incorporated associations (*Ippan Shadan-hojin*). Many of them have remained unincorporated because no existing legal form is really appropriate for them.

There are similarities and differences between the three types, but the distinctions are blurred in some important aspects. Indeed, a prominent feature of these enterprises is the dynamics of their innovative efforts and their organisational structure. The changing nature of these enterprises is increasingly divergent from their corporate status, which is relatively restrictive, segmented and strictly regulated by the law. Despite the differences among the three types in terms of origin and legal form, they all respond to the ongoing crisis in

agriculture and rural communities in one way or another, addressing the pressing needs of local people. The most advanced and important initiatives among these three types of enterprise seem to be converging towards each other in such a way that they increasingly become “whole-community-oriented” organisations, aiming at community revitalisation and development. They are created at the initiative of a group of citizens in the community and share the common goal of local revitalisation and sustainable community development. “Rediscovering” and mobilising community resources or assets of broader types (physical, financial, human, natural/cultural and social capital), they provide various types of quasi-public “community goods” and demonstrate an evolving model of self-governance. Besides, the community is transforming itself to become more open and inclusive. In this sense, all three types can be described as “community cooperatives”.

Conclusion: “Community Cooperative” as a New Model of Social Enterprise?

Social economy literature offers many theoretical and empirical insights about cooperatives in general and cooperatives in agriculture in particular. However, studies about model(s) of cooperative enterprise in rural communities, in the current era of globalisation and tremendous social change, remain scarce. Our study, including future research, aims at closing this gap.

Mori (2014) discusses the prospects of “community cooperatives”. His arguments draw on the examination of historical energy cooperatives as well as today’s renewable energy source cooperatives (RESCOOPS) and other community-oriented cooperative enterprises in Italy, the UK and other countries in Europe. He identifies three basic elements of the concept: a clearly defined *territory*; the provision of *community goods*, which are services of general interest offered to all residents, including non-members, in the territory; and a dimension of *citizenship*, which implies that the economic projects are citizen- or community-owned and involve openness to and active participation of citizens in the community.

The findings of our study seem to support the hypothesis according to which the most recent type of rural enterprises in Japan—i.e. autonomous community associations—can be considered as a new model of social enterprise, which may be referred to as “community cooperative” as defined by Mori. Currently, in Japan, there is no legal form available for social enterprises in general, nor for new types of enterprises (such as energy cooperatives or multi-functional and multi-stakeholder cooperatives) in particular. There have been strong arguments (e.g. Odagiri [2009]) and attempts since the mid-2000s to legalise community-oriented social enterprises such as those discussed in this study. Such

moves peaked in 2009, with the preparation, by the then leading Liberal Democratic Party (LDP), of the bill for Community Activities Basic Act and the incorporation of autonomous community councils. The subsequent political environment, including changes in the government administration, from the LDP to the Democratic Party in 2009 and then back to the LDP again in 2012, has since been hampering further development. However, active discussions and debate are still going on among some academics and practitioners.

Notes

- 1 Kurimoto (2009) gives a succinct account of the recent evolution of social economy organisations in Japan.
- 2 Laratta *et al.* (2010) provide an analysis of the background for the emergence of social enterprises in Japan, focusing on the introduction of the Long-Term Care Insurance (LTCI) system.
- 3 These include “Organic Towns” and rice-farming cooperatives in Tanba and Tajima districts, in Hyogo Prefecture, and Ogawa Town, in Saitama Prefecture; community-based agricultural corporations; and community autonomous organisations in Kyotango City, in Kyoto Prefecture.
- 4 During the 1960s, “part-time, side-business farm household” having non-farm employment as their main economic activity had already become the largest group among commercial farm households, and the dominant livelihood strategy of households in rural areas.
- 5 The post-war agricultural cooperatives, or *Nogyo kyodo kumiai* (*Nokyo*), now renamed to “Japan Agricultural Cooperatives” (JAs), were born based on the Agricultural Cooperative Act of 1947. The *Nokyo* was once regarded as one of the best forms of collective action in a small-farmer-dominated agricultural sector; it united people and provided essential services to the rural community. However, a major structural change in agriculture and a more diversified occupational profile of households in rural communities has made the underlying owner-tiller model increasingly inappropriate. Over time, financial services have become the dominant business of JAs, and their primary agriculture-related commercial activities have been declining since 1986.
- 6 *Fukugo-Osen*, i.e. the “compound” or “cumulative contamination” (1975), is the title of a bestseller by novelist Sawako Ariyoshi, which was a pioneering study of the impacts of chemical fertilisers, carcinogenic dyes, exhaust fumes from cars and other polluting agents. It had a strong influence on alternative food movements in Japan.
- 7 Explanation about CSA, a US version of *Teikei*, by O’Hara (2011). Organisations based on *Teikei* principles are widely spread nowadays in the USA and described as “community-supported agriculture” (CSA). Japan Organic Agriculture Association (JOAA) also defined “ten principles of *Teikei*”. For more details about the history and practice of *Teikei*, see Japan Organic Agriculture Association (1993).
- 8 Seikatsu Club Cooperative, which was established in 1968 in Tokyo, is also known as the founding body of Workers Collectives Japan (a federation of female-owned worker cooperatives).
- 9 JOAA was established in 1971, following a call by Teruo Ichiraku, who had been inspired by concerned doctors and practitioners in natural farming. Ichiraku was a prominent leader of the cooperative movement and the Director General of the Institute of Cooperative Management Research (presently

- Japan Cooperative [JC] General Research Institute). Among the doctors was Shin-ichi Wakatsuki, the founder of Saku General Hospital in Nagano Prefecture, which became the first cooperative hospital in Japan to offer comprehensive medical services in rural areas.
- 10 The APC, the second legal form of agricultural cooperatives (after *Nokyo*), was established in 1962, through revision of the Agricultural Cooperative Act, with a view to facilitating cooperative agricultural production. An APC can be created by a group of at least three farmer founders, regardless of their land ownership. Full-time work engagement and capital subscription requirements are not very strict. As they are free from the restrictions on existing *Nokyo* cooperatives, APCs spread rapidly after the mid-1960s.
 - 11 Worker cooperatives were born in Japan in the early 1970s to secure employment of middle- and old-aged workers who had lost their jobs, and they spread after the oil shocks. “Workers collectives” for female workers appeared in 1982.
 - 12 Some researchers went on to call many of these communities “marginal communities” (*Genkai shuraku*), on the verge of disappearance.
 - 13 This shift aimed at both addressing the ongoing crisis in agriculture and rural areas and responding to the changing international trade environment after the Uruguay Round (1994). However, the response of the Japanese government and policy shift were remarkably slow as compared to South Korea, which adopted such policy and measures earlier in the 1990s.
 - 14 In 1995, the International Co-operative Alliance (ICA) adopted the revised Statement on the Co-operative Identity, which contains the definition of a cooperative, the values of cooperatives, and the seven cooperative principles. The seven principles are: (1) voluntary and open membership; (2) democratic member control; (3) member economic participation; (4) autonomy and independence; (5) education, training and information; (6) cooperation among cooperatives; and (7) concern for community.
 - 15 According to Kusumoto (2010), prefectures that promoted community farming in the earlier period are Shimane, Hiroshima, Yamaguchi, Ohita, Shiga, Fukushima and Toyama.
 - 16 In rural areas of Japan, the term “community” traditionally referred to a unit of cooperative agricultural activities. The unit’s territorial base is a farming “village” (*Shuraku*).
 - 17 Community farming in Toyooka City, Hyogo Prefecture, is famous for wetland and biodiversity conservation through a wildlife-friendly type of agriculture called “White Stork-friendly farming”. Similar methods spread to several other rice-farming regions.
 - 18 The acknowledgement of community farming appeared in the Basic Law on Food, Agriculture and Rural Areas (1999) and was emphasised in the New Basic Plan for Food, Agriculture and Rural Areas (2005).
 - 19 These criteria include a minimum scale of operation, current or prospective incorporated status and targeted agricultural income of the operators.
 - 20 Shogenji (2011) observes that, in a typical Japanese rice paddy farming operation, average cost reduction due to economies of scale can be observed up to around 10 ha but are likely to disappear for larger surface areas. He states that if Japan aimed at making its rice production “competitive” with the US, which has an average acreage of 198 ha per household, the number of farms would be reduced to one hundredth of what it is now. That would cause the loss of many rural communities and be socially very costly (Shogenji 2011: 150; summarised and translated by the authors).
 - 21 The majority of “stock companies” are “special limited companies” (transitory corporate status) that used to be “limited companies”. The latter corporate status was abolished by the revision of the Corporate Act in 2006.

- Former limited companies can remain as non-public stock companies with a restriction on the transfer of shares. They can also change this status into that of a public stock company, but can only do so by resolution and reorganisation.
- 22 As of 2011, most community farming organisations comprised a single farming village (74.4%), but there were also bigger ones, comprising more than five farming villages (7.2 %). The remaining 18.5% comprised between two and four farming villages (MAFF surveys).
 - 23 After the war, thanks to a higher level of education and improved civil rights, women experienced active engagement in rural industries and in the “rural life improvement movement” (*Nouson seikatu kaizen undo*). The basic objective of rural life improvement was to support farmers in their efforts to simultaneously manage their farm and the household’s lives in a democratic way. Together with the “New Community Movement” (*Saemaul Undong*) in the Republic of Korea, it was regarded as one of the most successful movements for improving rural livelihoods in Asia in the post-World War II period (Murayama 2006).
 - 24 There were also restrictions on membership and workers: membership must include a minimum of three farmer members, and at least one third of all workers must be members.
 - 25 Legally, districts can include “special wards” (*Chiiki tokubetsu-ku*), “special autonomous wards” (*Chiiki tokubetsu jichi-ku*) and/or “local relationship organisations” (*Chien-dantai*).
 - 26 “Property wards” (*Zaisan-ku*) appeared in the modern history of Japan as a corporate status when local authority borders were altered through amalgamation of villages and towns (*Gappei*) or other processes. The status of property ward granted to the community units below the level of municipality, which cannot in principle own land and other properties, the right to continue to own their assets (common-pool resources such as forest, reservoirs, wildland, springs and fishing rights) or public facilities (waterways, public halls, community centres, etc.). Property wards are regulated as one kind of special local public body under the Local Autonomy Act.
 - 27 In the Kawane case, an annual round-table conference that the then town mayor initiated in 1980 played a facilitating role in the official dialogue between the town government (the mayor and senior administrators) and residents (Hoshino 2004).
 - 28 This subsection owes mainly to Shiraishi (2007) and Shoji (2004). Additional information was obtained from various government reports, articles in local journals and the websites of Miyama town and its *Chiiki shinko-kai*.
 - 29 As of 2004, there were 22 volunteer groups in the town and about 500 members (10% of the total residents) were registered. Middle-aged women played a central role among these volunteers. The activities were mostly mutual help such as snow removal, garden cleaning and community services. Some of these groups subsequently developed into NPO-*hojin*.
 - 30 These services include the issuance of residence certificates, sales of town bus passes and tickets, processing of applications for national pension and health insurance, and operation of the community centre.
 - 31 The meaning of this term such as it is used here may differ from its meaning in other countries, e.g. Italy and other European countries or South Korea, where social cooperatives are focused on work integration and employment. However, to the extent that cooperative organisations of this type develop and implement new and innovative responses to the pressing needs of the community, they may be referred to as “social cooperatives” or “public-benefit cooperatives”.

- 32 For more information on this legal status, see footnote 23.
 33 Moreover, the revision of the Corporate Law (2005) made the establishment of a joint-stock company relatively easy: no capital investment is required, and the procedure is simple.

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9 Social Enterprise for Rural Community Development

Lessons From Two Case Studies in Indonesia and Taiwan

Aluisius Hery Pratonono and Yu-Feng Wong

Introduction

Some comparative studies about social enterprise types in Eastern Asia clearly stressed the existence and importance of the “community development enterprise” as a key model of social enterprise (Defourny and Kim 2011). Various tentative definitions of social enterprise concerning the empowerment of the target group have been put forward as the concept of community development has emerged (Zuber-Skerritt and Kearney 2012). However, there have been few attempts to offer conceptual clarity related to community development enterprises.

Community development is a process by which local communities provide the goods and services necessary to achieve their own desired standard of living (UNESCO 1956). The concept considers external resource developers—including donors, consultants, facilitators and community organisers—as players. This raises a unique challenge, as businesses’ ability to compete depends heavily on the situation in the location where they operate (Porter and Kramer 2002). The concept of community development such as it is understood by the UNESCO (1956) continues to diverge from the practitioners’ points of view (Green and Haines 2015).

The characteristics of social enterprise are often associated with various stakeholders that determine the decision-making process. The role of networks in social entrepreneurship and innovation has been a well-debated subject in entrepreneurship literature (Dufays and Huybrechts 2014). The involvement of various stakeholders in project design, implementation and evaluation requires a mechanism to ensure that their participation will be effective and lead to the best performance (Boon *et al.* 2011).

The study presented in the present chapter aimed to understand the practices implemented in the development of a social enterprise model in a bottom-up perspective; it explores how daily actions are reproduced and analyses the various challenges associated with them. Based on observations in two communities, in Indonesia and Taiwan respectively, the study draws a comparison based on specific social enterprise criteria,

including products, economic risks, workers, social benefits, founders or main actors, profit distribution, ownership and participation in the decision-making process. We chose the actor network theory (ANT) as our main theoretical reference framework to understand and analyse the two selected cases.

1. The Actor Network Theory

The ANT initially studied the process of science and technology (Callon 2007)—which may provide a picture of “all of social life”. The application of this theory has since expanded from technology studies to a wide variety of fields, including economics (Law 1992), accounting (Lukka and Vinnari 2017) and tourism (Jørgensen 2017). The actor network perspective is essential to promote research and development programmes at the national level, which requires coordination of the linked activities that occur among different actors in such an innovation system (Chen and Hung 2016). It relies on the concept of “actant”, which refers to both human and non-human actors.

A social enterprise may be seen as what Law calls “a product or effect of a network of heterogeneous materials”, which has been termed as “translation”, “heterogeneous association” or “heterogeneous engineering” by Law (1992), Latour (1996) and Callon (1998), the main ANT authors. In the case of the scallop market, Callon (1998) pointed out that translation is “the simultaneous production of knowledge and construction of a network of relationships”. Callon defines four moments of translation: problematisation, interessement, enrolment and mobilisation of allies. Social innovators incorporate their own emerging actor network into the existing market network and create a new whole without aggravating established actors and entities (Lawlor and Kavanagh 2015).

Through different case studies—about respectively the scallop market and the strawberry market—in Callon’s works (1998, 2007), the process of translation is also defined as a process of negotiation that occurs at any one of the four moments. Actors “express their preferences or interests and proceed to evaluate the different possible decisions” that have positive or negative effects on each of them (Callon 2007). The ANT pays particular attention to the negative aspects, since each actor simultaneously belongs to several actor networks, and the translation is thus a process of negotiation between different actor networks. Such social ordering makes the actor network precarious (MacNeil and Mills 2015).

2. Method

Using the main method of the ANT (Latour 1996), the authors of the present chapter followed the actors involved in community development enterprises (CDEs) to learn from them and define the collective existence

of a social enterprise model and the new associations that they have established. Grounded theory—which places an emphasis on context, theoretical emergence and the social construction of realities (Goulding 1998)—was used to uncover the behavioural dimensions in the social enterprises. Indeed, since it is an inductive research method in which the researchers conduct research without *a priori* constructs, allowing concepts to emerge from the data (Randall and Mello 2012), grounded theory appeared as a particularly appropriate approach to deal with the lack of *a priori* constructs on CDE in this study.

2.1. Data Collection

Two communities running business activities in two different countries, namely Taiwan and Indonesia, were observed. Both cases broadly correspond to the “community development” model of social enterprise as highlighted by Defourny and Kim (2011). The researchers immersed themselves in the daily lives of the participants to understand the observed communities.

In both cases, a community development programme involving universities had been implemented. The researchers explored the phenomenon after trust based on a partnership agreement had been built. In the frame of community development programmes, universities are encouraged to contribute not only to both teaching and research activities but also to the development of society and the nation. These programmes focus on the context within which social problems arise and equip students with key skills for working in the sector related to the programme.

The universities had gained support from some funding agencies to organise and implement their community development programmes. In Taiwan, the Ministry of Science and Technology sponsored the National Cheng Kung University (NCKU) to create innovative solutions for disadvantaged social groups, including the Gongguan Community (three villages). In Indonesia, the University of Surabaya (UBAYA) had gained support from the Ministry of Higher Education and the local government of Mojokerto to carry out the community development programme in Tanjungan Village, Mojokerto.

2.2. Data Analysis

The research began with the definition of generative questions, whose aim was to help guide the research, but which were not intended to be static nor “confining”. The first step of the analysis aimed to identify fragments of data to explore the possible theoretical directions. As the raw data alone did not allow to develop theory, conceptual labels were defined on the basis of early analyses, events and incidents. Data from in-depth semi-structured interviews were analysed using interpretative methods.

Intensive field notes were also an important data source. In conducting open coding, the line-by-line approach was used to analyse the interview transcripts as well as the field notes, which focused on dimensions of concepts as perceived by the research participants.

The next step was axial coding, i.e. categorising the meaning units within each of the domains. The analysis of the main categories was derived from an extensive literature review that provided some ideas about some domains, including social goals, economic projects and participatory governance.

The creation of categories is an interpretive process in which the researchers tried to use category labels that were close to the original meaning of the terms used by the research participants in their local dialects. When open coding was used, the data was considered in detail during the development of some initial categories. Later, more selective coding was applied: data were systematically coded with respect to a core concept.

2.3. Research Participants

The Gongguan Community (GC, Taiwan) covers three tiny villages over a large amount of land. It is about 25 kilometres—or one hour—away from the flourishing Tainan City, where NCKU is located. It is a quiet rural region; there are only 500 residents, occupying 37.5 square kilometres, which corresponds to 13.3 persons per square kilometre, i.e. a very low population density. Forty percent of the population is over 65, 10% are school-aged children or teenagers, and the rest are wage earners, with a few unemployed. The community development programme was formally launched in the GC in January 2014, after a few initial inquiries with local leaders and residents.

Tanjungan Village (Indonesia) is 40 kilometres away from Surabaya City; it covers 692 square kilometres and is home to 2,723 people, 30% of which are elderly. The young people have moved to urban areas, the elderly villagers live off the land, and a stigma of poverty is attached to the village. Tanjungan Village's poor transportation infrastructure, ageing community and lack of competitiveness were all considered basic problems that needed to be addressed. The first programme, launched in 2008, aimed to enhance the villagers' capacity to build a microfinance infrastructure; it was followed by some other programmes, including eco-tourism and organic farming businesses.

In Taiwan, some local organisations got involved in the community development programme, including the Gongguan Community Development Association (GCDA), the Kongana Kau-hoe Church, Zuojhen Elementary School (ZES), Zuojhen Junior High School (ZJH), Guang-Rong Elementary School (GRES) and Kowpi Experimental Elementary School (KEES). They were involved from the outset, in the problem

Table 9.1 Observed communities

	<i>Gongguan Community (Taiwan)</i>	<i>Tanjungan Community (Indonesia)</i>
Social context		
Population	500	2,723
Distance from urban area	25 km	40 km
Area (km ²)	37	692
Challenging issue	Lack of educational services	Lack of financial services
Opportunities	Agriculture	Agriculture
Research participants		
Local leaders	1 church leader 3 organisations from the Alliance of Teaching for School Children	1 village leader 3 sub-village* leaders
Managers	1 school coordinator	3 microfinance managers
Community members	4 community members	5 community members
Stakeholders	2 NGO staff members for rural education	
– Local government	3 local-government staff members from the Ministry of Education	2 staff members from the local government of Mojokerto
– Local universities	2 researchers and 1 research assistant from NCKU	2 researchers and 2 staff members from UBAYA

* The village is officially divided into three “sub-villages”.

identification stage, by means of meetings, personal visits and occasional conversations; e-mail, LINE and Messenger were used to circulate opinions. In this process, after-school learning emerged as an evident issue to be resolved because the payment provided by the church to fund these services was insufficient to compensate for the cost of an instructor, and the burden of caring for children was high according to the GCDA.

3. Social Enterprise Principles

Using a slightly “reshaped” EMES approach, the present chapter highlights some indicators reflecting the economic, entrepreneurial and governance dimensions of a community development enterprise and considers them in the selected Indonesian and Taiwanese cases.

3.1. Products and Innovation

Social enterprises are directly involved in the production of goods or the provision of services to people on a continuous basis, which reflects the economic dimension of such initiatives (Defourny and Nyssens 2010).

SEs may generate funding for their social mission from the sale of products or services (Farmer *et al.* 2016).

In the Taiwanese case, the community development programme created a humanistic eco-tourism industry, based on the region's flourishing history (military forces were present in the 18th century [Li 2012], the Japanese colonial government, in 1895 [Katz 2006], and the Kongana Church, in 1871 [Ruan 2016]), culture (the first traces of written language in the region date back to the 17th century [Tavali 2012; Li and Huang 2015]) and natural resources (low altitude [168 metres above sea level], beautiful sunrises, a large-scale badlands landscape and eco-friendly agricultural production). The engagement of all stakeholders is crucial to ensuring the sustainability of the development of tourism in rural areas. Tourism developers should allow the local communities to know about their plans and enable them to become involved because this ultimately is in their interest (Lekaota 2015). In this case, the innovation process involved a participatory approach that included various stakeholders.

The idea of distance learning came from a pilot project carried out by another organisation; the university invited the organisation that had run the pilot project to provide consultation. The local church and local communities could not afford IT facilities, but they provided a computer room. The local schools provided the computers, while other organisations organised the recruitment of online volunteer tutors, prepared the training course and ensured technical troubleshooting. During the course implementation, both the tutors and children were expected to write down what had (been) taught and were asked to record their responses and feelings related to the experience. The Taskforce of Gongguan Community (TGC), formed by the research crew of the NCKU, checked each record and discussed the main issues with the tutors and children to adapt the tutorship whenever it appeared necessary and to fine-tune the training tools and resources.

In the Indonesian case, the programme created an eco-tourism village. The visitors can enjoy mountain climbing and other activities with local farmers, such as planting organic paddies, fishing or driving cattle. The local farmers also started an organic farming business, growing vegetables and fruits, but they spent an enormous amount of effort attempting to find customers. The fresh products spoiled quickly, and the sales channel was poor. When all the fruit ripened at the exact same time, the farmers needed a place to sell the fruit quickly. The eco-tourism village provided a market channel for these products, which allowed farmers to benefit from fair prices. Part of the profit generated by the tourism activities and by the sale of products by the local community became a fund used to provide basic public services, including health services for the elderly and scholarships for local school children.

3.2. Risk-taking Behaviour

Community development programmes in remote areas raise unique challenges, since businesses' ability to compete depends heavily on the location in which they operate (Porter and Kramer 2002). In some cases, SE may provide a means by which to support people and help them escape poverty, such as generating jobs for people with disabilities, vulnerable women and ethnic minorities, who have been rejected by mainstream enterprises, or they may operate as an incubator for products and services that financial markets refuse to invest in (Kay *et al.* 2016).

Unlike in most public institutions, in SEs, the efforts of both members and workers are essential to secure adequate resources (Defourny and Nyssens 2010). Social enterprises may have a broad intention to help people escape poverty through generating markets and jobs where traditional enterprises deny the existence of such markets (Kay *et al.* 2016). Hence, social enterprises may experience difficulties in accessing adequate funding, because there is a point at which the level of investment is too high for sponsors, but too small or risky for impact-oriented investors (Hazenberg *et al.* 2016).

In the Taiwanese case, the analysed SE faced a lack of human resources. The community members lived in deprived neighbourhoods. The health centre and police station had been closed because of the high expenditure, in comparison to that of similar public institutions in urban areas. School-aged children could not get access to education; elderly people in the community did not have the same access to health services and social activities as people living in urban areas; and there were no policemen on site to protect people. The health, education and security services had been moved to the Zuojhen town centre, which is some eight kilometres—fifteen minutes by car—away.

In the Indonesian case, an enormous amount of effort was required on the part of the SE to find customers. Enhancing its competitive advantage is the greatest challenge for an SE selling agricultural products in a poor village, since it has to deal with rapidly deteriorating products in a context characterised by poor sales channels. As already underlined above, when all the fruit are ripe at the same moment, a place to sell them quickly is badly needed. The eco-tourism village was expected to enhance the market channel and to provide fair prices to producers.

3.3. Human Resource Management

Initially, the observed social enterprises did not have the capability to hire full-time professional workers. There was a call for volunteers to act as leaders for the community development programme. The local leaders and some community members stated that they did not have the capacity to employ additional staff to define their vision and develop a strategy to

achieve it. This provided an opportunity for the NCKU to launch a community development approach to deal with the identified social problems, while the UBAYA got involved in an existing programme.

The capability of paying professional staff may be an indicator of a social enterprise's financial sustainability. In the Taiwanese case, the tourism business has been financially contributing to the distance-learning system since 2008. The school instructors are paid part-time salaries. In the Indonesian case, the microfinance business hires full-time employees and has survived for nearly 20 years, while the tourism business relies on some part-time staff members.

3.4. Social Impact

The disadvantaged communities living in poverty were the target group of the analysed SEs; hence, the community development approaches were expected to improve these communities' opportunities and to support their engagement with relevant local and national stakeholders. The main reasons for the universities to get involved in these community development enterprises were the disadvantaged status of the communities, which were located in remote areas, with poor public transportation; the poor quality of land for agricultural production; a brain drain; and ageing village infrastructure and population.

3.5. Founders

The community development enterprise model has been emerging from collective dynamics involving people within a community. Social enterprises are created by a group of people on the basis of an autonomous project, with these people governing the project. This involves a relationship among social, environmental and societal impacts, and it also involves the way in which the participants organise their internal relationships (Kay *et al.* 2016). Community leaders may identify a business opportunity as a vehicle with important implications for longer-term impacts (Mottiar 2016).

In Taiwan, the community development SE emerged from two areas: the community side and the NCKU side. The community organised itself under the form of an association in 1996 as a social group, then became an active community development body in 2006 because of the closure of the local primary school. Its development was based on five separate projects, using different government budgets and operating without an integrative structural framework or multiple communications between the funding bodies. The first development programme was the Community Caring-Concern Centre, funded by the local government within the "Programme to Set Up Community Caring-Concern Centres", a central government initiative launched in 2005 and consisting of volunteer-based

primary care for the elderly. It provided home visits, health promotion, lunch services and telephone contact. Subsequently, the community expanded its services to four entrepreneurship programmes: multi employment, rural revitalisation, activation of the aboriginal tribe and community building. The community integrated different resources to develop community industries, such as an eco-friendly farm and eco-tourism. One of the main difficulties encountered by the community in running these programmes was a manpower deficit. The project benefited from adequate human resources from NCKU and other organisations, both academic and non-academic, to form supportive networks for the programmes run by the GCDA from 2013 onward.

In Indonesia, the story began with a community development project with which the community was quite familiar. The early community development programme was a family welfare programme (*program kesejahteraankeluarga*, or PKK) that had been launched in the 1970s, and which aimed to improve the quality of basic education and the provision of family life education for out-of-school young women (UNICEF 2005). The programme, which focused on women because of the pivotal role they play in the family, was subsequently expanded to cover food security, housing management, health services, family planning, human environment and cooperative enterprises. The community development programme gained support from communities with a strong background in various participatory approaches. In Tanjungan, the women's group launched lending groups to provide access to financial services to poor families. Since then, the social enterprise has further expanded to the tourism business.

3.6. Profit Distribution

Social enterprises may distribute profits, but only to a limited extent, so as to avoid profit-maximising behaviours (Defourny and Nyssens 2010). This raises a concern related to the share of the profit that should be allocated to the pursuit of socially beneficial purposes (Ridley-Duff and Southcombe 2012). During crises, there is pressure to reduce social profits to cover depreciation or to reinvest in recovery programmes (Kay *et al.* 2016).

In Taiwan, the GCDA runs its own social business with resources from the government and supportive networks liaised by NCKU, and it shares part of its profit with local industries, care for the elderly and child education in many ways. For example, the GCDA organises a two-day eco-tourism project and purchases most of the food for this project from eco-friendly farms at the retail market price. Secondly, the GCDA sells products, such as cudweed-rice cakes, turmeric powder, arrowroot powder/arrowroot noodles, etc. that are processed from local safe and healthy crops. Part of the profit is shared to increase job employment in

the GCDA to run the social business, and a van was purchased for commuting elderly people between homes and the Community Care-Concern Centre for health-promotion activities.

In Tanjungan, the microfinance business generated profit that was allocated to the tourism business, social activities and the local infrastructure. Profit generation by the tourism business was considered to be unlikely by the research participants, and there was broad agreement among the research participants that the tourism industry was a community resource rather than a business intended to generate financial profit.

3.7. *Autonomy*

Decision-making in a social enterprise involves collectively achieving a consensus among the stakeholders, including the different levels of staff, which can make the decision-making process longer (Kay *et al.* 2016).

The Tanjungan community demonstrated a high level of autonomy in their community development enterprise. Various stakeholders became involved with specific social innovations at specific moments in the project's lifetime. The community may depend on other organisations' support to run the project, but these other organisations do not manage the community development enterprise, which has enough autonomy to assume its own responsibilities and retains the authority to decide whether to pursue or terminate its activities. The community development enterprise has been operating in this way for over 15 years.

The community development project in the Gongguan community formally began in January 2014. This community was considered as one of the most vulnerable groups—which include villages in remote areas and villages that have suffered from natural disasters—and, as such, it was supported by NCKU. The early phase of the community development programme raised high expectations from the community. In a first stage, the facilitator entrepreneurs were primarily concerned with helping the local community identify the business potential of their village and increase their capacity to participate in businesses with the CDE. Once the local members had identified the needs and gaps, the TGC typically proposed an action plan with resource candidates, introduced by the staff of the Division of Education, at the university-end, and then came back to the community opinion leaders for discussion until they reached a mutually acceptable decision regarding the plan. This participatory approach, with autonomous decision making, led to the adoption of three major collaborative action plans: companions for after-school learning, eco-safe farm tourism and care for the elderly with teatime.

3.8. *Ownership*

It is essential for social enterprises to ensure that ownership is vested in the community to guarantee that the wealth generated is used to improve

local livelihoods. The assets belong to the community, which agrees never to sell them off for private financial gain. The stakeholders' identity becomes crucial, especially when organisational performance springs from the strong relationship between ownership and stakeholder interest, including the distribution to different stakeholders of different interests, resources and rights in relation to the company (Mygind 2009).

In Taiwan, the GCDA is a registered social group with a board of directors and board supervisors elected by the members among the members' congress. In general, the directors and board supervisors are village leaders. The board of directors designs and implements annual development plans and budgets and defines the share of community ownership. The directors' work is reported monthly to a joint board meeting of directors and supervisors, and a published report is presented at the annual members' congress for community information. However, there are some difficulties for the GCDA's board of directors, board supervisors and members in terms of exercising their accountability. First, board members who are under 65 all have full-time jobs and lack sufficient time to attend the board meetings. Secondly, the massive amount of required official paperwork linked to government subsidies goes beyond the ability and capability of both the board directors and board supervisors, due to poor education and/or to a lack of available time, between their full-time jobs and their duties as board members. Thirdly, not all community development associations (and the GCDA is concerned by this issue) have real autonomy in terms of work plans and employment. This is linked to the fact that the projects are subsidised by the (local and central) government; the board directors and board supervisors become government officials, without being paid, but with full public-service duties according to the regulations on the Work of Community Development issued by the central government. NCKU attempts to engage resources from other sources than the government and to minimise the burden of paperwork for the GCDA.

In Tanjungan, the community relies on village leaders to serve as members of the board of directors. The managerial team of the CDE reports on activities to the local leaders *qua* representatives of the communities. Under community ownership, local leaders should assess and publish an inspection report on each service individually for community information. Because the populations in the observed communities have poor educational backgrounds and most people find it difficult to read financial reports, gaining the community's trust proved challenging. The local leaders worked hard to achieve accountability to a great number of community members. They utilised public meetings where the managers presented the annual reports, along with the audited financial statements.

3.9. Participatory Approach

Community development projects involve a participation principle. It may involve knowledge leading to the development of skills, cause-effect

inferences, premises, information on access to resources, etc. (Sankaran and Demangeot 2017).

In the Taiwanese case, as mentioned above, several local organisations got involved in the participatory approach, including the GCDA, the Kongana Kau-hoe/Church, ZES, ZJH, GRES and KEES. They participated from the stage of problem identification onward, by means of meetings, personal visits, occasional conversations or through exchanges by e-mail, LINE or Messenger for the purpose of circulating opinions.

Similarly, the community development project in Tanjungan gained support from various local organisations, including a lending group, a farmers' group, a women's group and religious leaders. The villagers were quite familiar with the community development programme, since the government had launched a family welfare programme (PKK) in the previous decades.

In the case of Taiwan, in each action plan used to construct resource networks under the GCDA model, the members of the community took part in the decision regarding the needs that should be given the priority. The same procedure was applied to both local and external resource providers to form resource networks. This is a process of resources redistribution. The after-school distance-learning programme was the first successful redistribution network built in the community, after three attempts related to the community economy had ended in failure by 2014. Accordingly, the TGC acted as a companion of the Gongguan community in discussing and establishing the distance-learning network, and gained sound support from both local and outside organisations. Such support served as a driving force to create the other two redistribution networks, with potential profits supporting the development of humanistic eco-tourism.

A gender balance principle has not yet been explored in social enterprise (Fotheringham and Saunders 2014). In the case of Indonesia, the planning process for the community development programme required an agreement letter from the local community: indeed, the Ministry of Higher Education would not provide financial support to universities for the purpose of delivering social services unless they provided evidence that their planning proposal had gained support from the local communities. The UBAYA ran various social services with a community development programme approach. The first project was launched in microfinance in 2005; a partnership was formed between UBAYA and the group of women who had strong experiences with the family welfare programme. The second project was related to organic farming and involved both a women's group and a farmers' group. Other projects involve women and young people with the aim of promoting creative industries. This raised a concern among both UBAYA and the village leaders for promoting capacity building as well as a co-management approach to responding to the community's expectations.

Table 9.2 Observed indicators of the “community development” SE model

<i>Criteria</i>	<i>Gongguan, Taiwan</i>	<i>Tanjungan, Indonesia</i>
1. Products	Tourism business was used as the main strategy to generate income for the community Open innovation with support from stakeholders	Started from microfinance and then expanded into a tourism business Open innovation with support from stakeholders (i.e. government, local universities and non-profit organisations)
2. Economic risk	This project was highly dependent on an uncertain market	To deal with non-performing loan, the SE allocates resources to build social capital for lending groups and local communities
3. Paid workers	The school instructors were paid part-time salaries	The microfinance staff members were employed full-time, while the tourism business hired part-time staff
4. Social benefits	The economic activities have become the main source of income to finance education and health services	The microfinance project provided access to financial services to poor families, while tourism encouraged the community to promote an environmental movement
5. Founders	The project involved local leaders and stakeholders from the outset	A women’s group was the founder of the microfinance business, which then encouraged the entire community to establish an environmental tourism business
6. Profit distribution	The major share of income from the tourism industry was allocated to basic educational services	The community members agreed on a proposal to allocate 15% of the profit from the microfinance operation to social projects
7. Autonomy	There is interdependence between the communities, the university and the stakeholders	The community depends on other organisations’ support to run the project, but these organisations do not manage the community development enterprise
8. Ownership	Owned by the communities and stakeholders	Owned by the village community
9. Participatory dimension	Negotiation became a common decision-making process for any issue; different groups, instructors and other stakeholders took part in the process	The annual meeting was held to encourage villagers’ participation in the decision-making process

4. Discussion: Insights From the Actor Network Theory

It appears that the universities acted as liaisons between the different groups and different instructors. Setting up a platform for high-quality, sufficient communication became an obvious internal issue in the universities, since some instructors delivered community-based service or courses. The relationships between universities and communities are varied and dynamic, which not only require meeting a certain set of ethical standards but also trigger the amendment of service rules. The resulting participatory approaches led the universities towards a somewhat new discipline, calling for integrated research and/or teaching frameworks and open to various stakeholders.

4.1. *The Translation Arrangement and Process*

In the case of Taiwan, the development model of the distance-learning actor network has been applied and expanded to two other actor networks, namely eco-tourism and ageing-related care. This approach can be used as the basis for the entire SE model for community development.

It took almost a year to form the first actor network (which involved the Alliance of Teaching for Primary and Junior High Schools in 22 Counties [T22], the church, the GCDA and the TGC at NCKU) through the use of problematisation, interessement, enrolment and mobilisation of allies. During the process, these four moments of translation occurred in sequence, overlappingly, or randomly. However, translations occurred at each moment, making a continuous heterogeneous engineering progress possible. The second primary actor network was formed on the same day (i.e. January 15, 2015) as the first primary actor network. This second network included ten actors. The third actor network, providing teaching services from NCKU, was successfully established on March 3, 2015.

In his study about the scallop market, Callon (2007) stated that, at the moment of problematisation, the main actors—namely scallops, fishermen and scientific colleagues—were identified by three researchers, who had learned how to breed scallops in Japan and laid down the criteria to select the main actors. Experience with the matter under consideration plays a critical role in problematisation when it comes to deciding which actors are to participate in creating scientific knowledge or in problem-solving. This is similar to the case of the strawberry market, in which the person with an economic background played a key role in the identification of actors. Callon terms this translation process, made by three researchers in his case study about the scallop market, the “interdefinition” of actors.

However, in the case of Taiwan, this process occurred in a different way. The identification of the issue of resource shortage related to after-school learning allowed the actors to mutually identify and recognise

each other as actors, rather than being identified by the actors organising the network.

In the Indonesian context, the problematisation phase occurred in the relationship between the villagers and the faculty members. The initiative came from a villager who worked at the university. He began to build the relationship between the local leader and the academic staff of the university. In the second moment of the translation process, namely “inter-essement”, the initiators tried to convince other actors to get involved in the project (Ranerup and Ekelin 2011). The communities introduced a successful microfinance project to convince potential partners that they were a reliable partner. This success attracted the other faculty members of the university to carry out a community development programme with the specific goal of enhancing the capacity of the microfinance project.

The first joint activity was microfinance; it was launched in 2008, with the support of the local government. The microfinance initiative relied on the local leaders, who were experiencing social pressure from the group members. In the group, all the members knew each other well and were aware that a credit default on the part of one member would ruin his/her reputation, because such a failure would deprive others of much-needed loans. This put significant social and peer pressure on the parties involved to meet the terms of their loans.

The Tanjungan village achieved the best outcome in terms of microfinance; this activity was followed by other community development innovations, with the aim of enhancing the competitiveness of local products, such as the fish, tropical fruits and tourism. The success of these initiatives inspired various short-term research projects supported by the Ministry of Higher Education and the local government of Mojokerto. Product development required a research and development programme and thus involved the university.

4.2. Interdefinition of the Actors

The Taskforce of Gongguan Community made its first visit to the community in December 2013. In January 2014, the Taskforce’s members were identified by the General-Secretary of GCDA as the actors who were qualified to organise and deliver after-school learning in the community, because TGC members were from NCKU, one of the quality universities in Taiwan. However, none of the TGC members were trained in the field of pedagogy, and they did not feel they could deliver such services. It could thus be said that the GCDA was not successful in terms of achieving a mutual definition of the actors, although after-school learning was the issue identified by both sides.

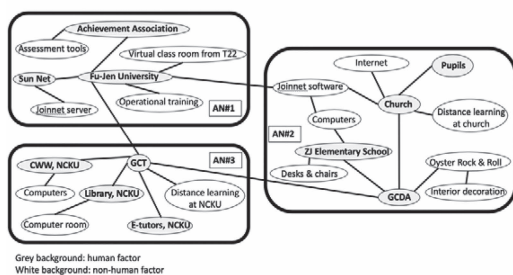
On January 10, 2015, the organisers of T22 also identified the TGC members as the qualified actors to organise and deliver distance-learning courses, but they also offered them support to do so. Under these

conditions, the TGC accepted this role, and they then identified the church and the GCDA as the main actors and called a meeting, on January 15, 2015, to decide whether to establish a distance-learning system for local education. The second actor network began to form through the cycle of problematisation, intersement, enrolment and mobilisation: during the meeting held on January 15, the TGC presented the basic structure of a distance-learning system as well as the willingness to exchange expertise expressed by the T22, and as soon as the General-Secretary of the GCDA learned about the critical role of computers in this project, she identified Principal Lee, the Principal of ZES, as the main actor on this issue and asked him to join the meeting. After the TGC introduced the distance-learning framework supported by the T22, Principal Lee asked the members of TGC several times a very simple but important question: “Are you, National Cheng Kung University, going to organise the distance-learning system here?” With the expertise support promised by the T22, the University’s answer was a resounding “yes”. This convinced Principal Lee to provide 20 desktop computers and accessories, such as sets of desks, webcams, ear mics, Internet cable installation, etc.

As to the church, in a reply to TGC by e-mail on December 31, 2014, they had been hesitant to become the main actor, as they were understandably concerned by the price of the computers that the distance-learning system required. The church was in a period of scarcity because of a huge mortgage for its renovation. However, the fact that there would be no obligation to file accounting documents during the course of the distance-learning project was good news; this was a great relief in terms of manpower shortage for the church and the GCDA, as these two institutions always had a difficult time filing accounting documents that interrupted their routines. Hence, the T22, the church, the GCDA and the TGC formed the first actor network and established the learning platform and the remote virtual classrooms for the distance-learning system. At the same time, the church, the GCDA, the TGC and the ZES formed the second actor network at the community end for the equipment and decoration of the computer room provided by the church, and the TGC went back to NCKU to organise the third actor network for facilitating the distance-learning resources at the teaching end. The three actor networks formed the complete distance-learning network (see Figure 9.1).

Through the meeting held on January 10, 2015, more actors were enrolled by the ZES and the GCDA in the second network, and by the TGC in the third network to find a computer room, which was the key place where the learning activities were to take place. The newly enrolled actors were mobilised to find a proper space to use as computer room, to find donated computers and fit them into the room, to install virtual classroom software, to test the stability of the Internet bandwidth, etc.

Gongguan, Taiwan



Tanjungan, Indonesia

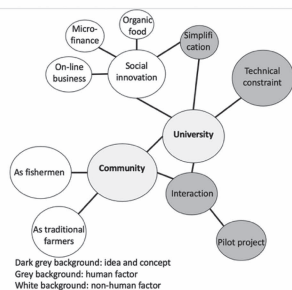


Figure 9.1 Actor network approach in the Taiwanese and Indonesian cases

Forming such heterogeneous networks does result in many types of resistance during the course of translation at any of the four moments. This resistance is linked to the limits in the resources distribution capacities of each actor. Some actors approached by the main actors either withdrew from or even could not link to any of the three networks. One of the T22 members promised to provide know-how on distance-learning systems and their virtual classroom server for the church, but it could not fulfil its commitment to provide virtual space as classrooms, because it had only ten rooms, i.e. far less than the 20 rooms requested by the church. The T22 enrolled another actor, namely the Centre for Rural Education in Taiwan (CRET), based at Fu-Jen University, to implement the distance-learning system with a larger virtual classroom space in order to meet the local needs.

For the third network, a room equipped with sufficient computers and a good Internet bandwidth was required. The TGC approached their Computer Centre and Medical Library with these criteria. Neither unit could provide their facilities with a fixed time slot throughout the whole semester, because of utility regulations. Fortunately, for the Education and Training Room in the main library (which has over 60 computers), the story was different. In order to answer the request of the TGC, the chairman of the main library spent about one month clarifying internal regulations associated with the Education and Training Room. Considering that distance learning was also training and, as such, fulfilled the requirements for the use of this space, he asked the Director of the IT Division to provide the Training Room to establish the distance-learning programme, and his request was accepted.

In the Indonesian case, the interdefinition process occurred when the local community leader introduced the social enterprise to various stakeholders, including the university. The concept of social enterprise became popular among them, as they needed to find a partner to implement the technological project.

4.3. *Who Is Represented?*

According to Callon (2007), a low actor representability makes it impossible to sustain an actor network. The distance-learning programme analysed in Taiwan was designed for pupils living in rural areas with few learning resources and possibly also low learning motivation. An important question was thus whether pupils, as the main users of this newly established distance-learning system, would be well represented by the second network, and if so, in what sense; if not, how could the entire actor network be sustained through this heterogeneous engineering process?

According to the field notes about the Taiwanese case, the TGC and the CRET enhanced actors' representability in the network by holding an introduction to distance learning for all pupils, their parents, the principal of the ZES, the leaders of the GCDA, the principal of the Sunday school, and the pastor and his wife at the church. The director of CRET and her assistant presented a text and photos to explain what had been done, why and how with regard to distance learning throughout Taiwan, with a view to ensuring the cooperation of all participants, including the pupils.

A central objective stressed by the director of the CRET was to build up companion relationships and role models for the local pupils through one-to-one distance tutorship by NCKU students. This multilateral meeting looked successful and did not encounter opposition, so the three actor networks began to set up the entire learning system, starting on February 7, 2015.

To monitor and maintain the companion relationships between the local pupils and their remote tutors, the distance-learning system was devised with a "learning logbook" for both actors to express their learning experiences each day. There was a coordinating teacher on each side, who was responsible for reading and responding to the logbook after each learning day. This techno-science network did help to maintain and sustain the entire distance-learning actor network.

To increase the tutors' understanding of the pupils' status and to retain the third network, the TGC arranged for the tutors to have face-to-face talks with the pastor's wife, who had organised after-school learning and taught the local pupils at the church for 28 years, and knew each pupil's family background and why they needed to participate in the distance-learning programme. In addition, a face-to-face activity bringing together the pupils and the tutors was also held once a month to increase mutual understanding.

The multilateral character of these actions bear testimony to the fact that the TGC tried to increase the possibility of negotiation amongst the actors from the different actor networks, rather than negotiating through a few representatives chosen among the local pupils and the remote

tutors. This arrangement minimised the problem of representability that had occurred in the case of the scallop market in Callon's work and increased the networks' durability, as described by Law (1992).

The Indonesian case shows how the relationship between the university and the local community provided quite a challenge. The initiative to promote a partnership faced difficulty since few academics were interested in supporting the community development project. The sustainable relationship was also endangered because only little research was relevant to the village. Typically, many academics preferred to give a lecture than to carry out a research with the aim of supporting the programme.

From the villagers' perspective, there was a local political issue linked to the fact that the relationship would provide benefit to the local leader. Indeed, during the project, village elections were held to elect the village leader, and those who supported the partnership project were associated with the supporters of the incumbent village leader. Apparently, the competitor did not support the community development programme.

Conclusion

This study aimed to understand the development of a community development enterprise model through exploring the daily actions of two observed communities, respectively in Taiwan and Indonesia. It shows that the characteristics of social enterprises are often associated with various stakeholders that determine the decision-making process. A comparative analysis was conducted; it was based on specific criteria related to social enterprises, which comprised products, economic risk, workers, social benefits, founders or main actors, profit distribution, ownership and participation in the decision-making process. Using the ANT as the main theoretical reference framework, we found that actors are mutually defined by each other within translation arrangements and processes.

The analysis of the two cases of social enterprise through an ANT approach highlights some points that are noteworthy. First, the case studies demonstrate the role of the university to support the communities in terms of provision of public services by implementing participatory approaches to promote social innovation. However, the process was slightly different in the two cases. In the Indonesian case, relatively strong actor networks linked to the community development enterprise were created; by contrast, the Taiwanese SE was still in its infancy, with weaker or even no actor networks. The Taiwanese case also shows how the founders may come from the networks (see Section 3.5). Secondly, the actor identification approaches were different between the two cases in terms of cultural capital in the process of translation between the villagers and the universities. In the Indonesian case, the actor identification was launched by the villager working in UBAYA; by contrast, the initiator in the case of Taiwan was an NCKU

member (see Section 3.9). Thirdly, the starting points of the two cases were different in terms of eco-tourism business development. In Indonesia, financial support by the Department of Education was one of the important actors, while in the case of Taiwan, distance learning was the main actor that indirectly improved the eco-tourism development by bringing in cultural and human capital with service learning courses (see Sections 3.7 and 3.8).

Translation—through its four moments—is the essential process of development of community enterprise. The main difference between Indonesia and Taiwan in this regard is that, in Indonesia, official paper reporting was used as an actant to gain trust from the community, even though reading the financial report was a challenge for the villagers. In Taiwan, oral dissemination was used as an actant to report, discuss or propose each measure of education, community-economy or ageing-support project, and to gain support from the villagers (see Sections 3.8 and 3.9).

In Indonesia, when planning a community development programme, an official paper agreement signed by the community is necessary to obtain financial support from the funding body. The programme agreement was thus an actant that influenced beforehand the decision made by the funding body. By contrast, in the case of Taiwan, agreement on any measure, including the establishment of the after-school learning system, was based on oral discussion between the local community and the university, and the research fund was granted by the Ministry of Science and Technology before any oral agreement was even achieved.

ANT analysis shows different bases for the two cases for SE model building. In Indonesia, the translation process was based on the embedded actor network, which had been woven and maintained for over 15 years and had built up reliable and trustworthy relationships between the local population and the researchers. The microfinance project initiated by UBAYA was implemented through this actor network. However, there was no embedded actor network on which the NCKU could rely to implement the community development project; therefore, after three failed attempts to implement community-economy and ageing-support measures, they used the successful actor network of after-school learning as the driving force to support actor networks in these other two areas. These two different approaches to the development of SE models offer distinct lessons in the field of community development in rural areas.

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10 Social Enterprise Models Providing Health and Social Services in Japan

Akira Kurimoto

Introduction

In Japan, there is neither a common definition of social enterprises (hereafter referred to as SE) nor a public policy to promote them. In the last decade, the Ministry of Economy, Trade and Industry (METI) hosted a study group on community businesses, then another one on social businesses, but no consistent efforts to promote them have been made. In the academic domain, some researchers have shown interest in the emerging concept of SE and introduced discourses from other industrialised countries, but there is very little communication among them to create a common understanding or make joint efforts to put SE on the public policy agenda. Some researchers are influenced by the North American social entrepreneur school, while others adhere to the European EMES school, and it was only a few years ago that exchanges began between them.

This does not mean that there is no such phenomenon as or no need for SE; a variety of SE practices are emerging in the country, and there exists a crying need for them in the post-welfare state to cope with the increase in precarious employment and unemployment, financial difficulty in maintaining health and social services, and social exclusion of disadvantaged groups and collapsing communities, in both economic and social terms.

We can distinguish between three types of SE, which are often overlapping:¹

- social service provision SEs, which provide health care, eldercare/childcare, care for the disabled, education and related services, often to meet needs that are not recognised by public authorities, and which are financed by public funds, donations and user's fees;
- work integration SEs (WISEs), which provide jobs for disadvantaged people excluded from ordinary labour markets, often offering them job training and helping them to integrate into the open labour market; and

- community development SEs (community enterprises), which provide various services based on community needs in order to enhance local economies, often in areas devastated by the collapse of major industries or natural disasters.

The present chapter focuses on SEs active in the fields of health and social service provision. It gives an overview of health and long-term care services in Japan, lists types of service providers and compares them in light of the EMES indicators. Then, it identifies health cooperatives in urban areas and *Koseiren*² in rural areas as typical SE models, and explains their characteristics (mission, target groups, governance and resources) and institutional trajectories.

1. Overview of Health and Social Service Provision in Japan

The Japanese health care system is characterised by the existence of a compulsory medical insurance system, weakly coordinated medical institutions on the supply side and consumers' free access to health care on the demand side. Universal coverage under the public medical insurance system was accomplished in 1961. The entire nation is covered by one of the public medical insurance schemes—for workers, government employees, teachers, self-employed, the elderly, etc. Most of these schemes have accumulated enormous deficits, due to their obligatory contribution to the funding of health services for the elderly, in a rapidly aging society. This is an issue that the government has tried—but failed—to solve over the past decades, often coming to deadlocks due to the power of vested interests. Insurance companies have launched private medical insurance policies to offer supplemental coverage (e.g. cancer insurance).

Suppliers range from hospitals with more than 20 beds to clinics or general practitioners. These medical institutions are all designated as not-for-profit entities by the Medical Service Act. The current situation is characterised by a growing gap between oversupply in large cities and undersupply in remote areas, while the decline in the number of obstetrics and paediatrics departments causes problems in terms of consumer access, even in large cities. The various service providers have weak liaisons with each other, which sometimes causes failures to accept emergency patients. There is a strong tendency towards horizontal and vertical integration through the formation of hospital chains and so-called “medico-welfare complexes”, which integrate medical and long-term care services in the same group. Such trends spur the commercialisation of medical and social services.

The demand side of medical services is characterised by consumers' free access to medical institutions. They can visit any hospital or clinic, but a coordinated care delivery system, from primary care to more advanced care, has yet to be established. This situation has resulted in

heavy congestion in some large hospitals, where outpatients receive “a three-minute diagnosis after waiting for three hours”. Consumers have little information on the basis of which to choose hospitals/clinics, as providers are not permitted to advertise and very little comparative information is available. The fee-for-service payment system has led to the excessive use of examination and medication, which might increase medical costs and cause side effects. The patients have to pay the extra costs for services not covered by medical insurance, e.g. advanced medicine, partially covered hospital rooms and so on. Health promotion to prevent diseases is not covered by medical insurance.

The social care system for the elderly evolved in a quite different institutional framework: the national and local governments have the main responsibility to provide necessary relief to indigents, children requiring protection, fatherless families, elderly people with handicaps and people with disabilities and to support their living and self-sufficiency. So-called “social hospitalisation” of the elderly, who stayed in expensive hospitals when they no longer needed medical care, had been criticised for increasing costs and unnecessarily occupying beds. But during the 1990s, the system underwent drastic changes, from selective services based on administrative decisions to universal services based on user’s choice. These changes can be summarised as generalisation of welfare services, user-oriented services, municipality-centred mechanism, normalisation, multiple providers and cooperation among them.

The public long-term care insurance (LTCI) system was launched in April 2000 by totally reorganising the existing elderly care system in combination with related medical services. It aimed to offer a large part of the conventional welfare services through the mechanism of social insurance that covers the entire nation. Municipalities were designated as the insurers that would operate the public long-term care insurance system and expected to take leadership in creating business plans for long-term care in their jurisdictions and developing infrastructure for care services based on these plans. This system was meant to replace the tax-based bureaucratic decision of granting access to services to the poorer social strata with an insurance-based system in which all citizens were allowed to make individual choices—and thus maintain their human dignity—as to the care services that they required.³ It opened up competition among various types of service providers—not only the existing social welfare corporations, but also a number of for-profit companies, cooperatives and non-profits that have entered the field of provision of home-based elderly care services.

2. Organisational Forms of Health and Social Service Providers

The Medical Service Act of 1948 provides the regulatory framework for health service providers. The Ministry of Health, Labour and Welfare

(MHLW) publishes annual statistics on health services and distinguishes 29 types of health service providers, which are classified in the following six categories:

- state institutions;
- public interest institutions;
- social insurance institutions;
- medical corporations;
- individuals;
- others.

“State institutions” includes MHLW, state universities and other state-related organisations. “Public-interest institutions” are hospitals and clinics⁴ operated by prefectures, municipalities and other organisations designated by the Minister of Health, Labour and Welfare (Art. 31, Medical Service Act). They include the Japanese Red Cross, *Saiseikai* Imperial Gift Foundation, and *JA Koseiren* federations.⁵ “Social insurance institutions” are those which operate the public pension and health insurance schemes. “Medical corporations” (MCs) are founded at the governor’s discretion as associations or foundations operating hospitals, clinics and elderly health care facilities (Art. 39 and 44, Medical Service Act). They are basically legal entities owned and run by doctors, and account for 66% of hospitals and 37% of clinics. They are not seen as typical non-profits, since residual assets can be distributed among shareholders and their corporate tax rate is the same as that of conventional companies. The revised Act, passed in 2006, abolished medical corporations with equities (having claim rights for residual assets) in order to strengthen their non-profit status, and it created social medical corporations (SMC) to intensify services in the public interest (for example services in remote areas, emergency services for children, etc.). Most GPs had worked as “individuals” until the introduction, in 1985, of a new form of MC called the “single-doctor medical corporation”, which separates medical and household accounts. This form now constitutes 80% of MCs. “Others” include all other types of institutions, such as social welfare corporations (SWCs), public interest corporations (PICs), health cooperatives and public limited companies (PLCs).

The Social Welfare Act of 1951 stipulates general principles of social service and providers thereof, while the Long-Term Care Insurance Act (LTCI Act) of 1998 provides for rules to be observed by insurers and providers of elderly care services. Social welfare corporations (SWCs) are founded with the governor’s permission as associations or foundations operating a range of social services for the elderly, children, people with disabilities, etc. They are often seen as typical QUANGOs,⁶ since they enjoy a wide range of tax concessions and public subsidies for constructing facilities. The provision of residential social services, such

as nursing homes for the elderly, is limited to governments and SWCs (Art. 2 and 60, Social Welfare Act), whereas the field of non-residential elderly services is opened to other providers, both for-profit and non-profit. As a result, SWCs' share in home-based services has drastically dropped, while they have maintained a dominant position in running nursing homes. Medical corporations (MCs) have retained a large share in medicine-related services, while private firms have gained the lion's share of home-based services. Specified non-profit organisations⁷ (NPOs) and cooperatives entered the service provision sector in 2000, but their share is rather limited.

3. Comparison of Service Providers in Light of EMES Indicators

There exists a variety of organisational forms of health and social service providers. This is a result of piecemeal institutional evolution, which catered to specific needs while the taxation regime became increasingly complex. These service providers can be located on a public interest (i.e. aiming at the well-being of the general public) *vs.* private interest (i.e. intended for a specific group of persons) axis and on a for-profit *vs.* not-for-profit axis (Figure 10.1). Amongst third-sector organisations, SWCs and *Koseiren* are located closer to the public sector, while MCs with equities are much closer to PLCs. Health cooperatives are located in-between, since they have non-profit characteristics, i.e. a constraint on dividend distribution, while also being legally allowed to distribute residual assets—although most of them have bylaws that prohibit this.

In order to evaluate their respective organisational forms, MCs, health cooperatives and *Koseiren*—as the main non-profit and cooperative providers of health service in Japan—are compared in light of the EMES indicators (Table 10.2). While the three types of organisation meet all

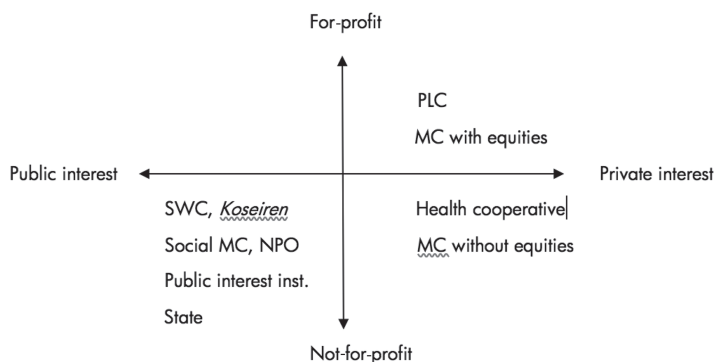


Figure 10.1 Public interest and not-for-profit dimensions of organisational forms

Table 10.1 Organisational forms of health care and long-term care service providers

	<i>SWC</i>	<i>MC</i>	<i>NPO</i>	<i>Health cooperative</i>	<i>Koseiren</i>	<i>PLC</i>
Governing law	Social Welfare Act	Medical Service Act	Specified NPO Act	Consumer Cooperative Act	Agricultural Cooperative Act	Company Act
Regulating agency	MHLW	MHLW	Cabinet office	MHLW	MAFF	Ministries in charge
Distribution of dividends	Not allowed	Not allowed	Not allowed	Not allowed	Not allowed	Allowed
Distribution of residual assets	Transferred to other SMCs in line with bylaw or to public bodies	Distributed to shareholders	Transferred to public bodies, etc.	Distributed to shareholders	Transferred to public bodies, etc.	Distributed to shareholders
Corporation tax (rate)	Taxed on trading income* (19%)	Taxed on whole income (23.4%)	Taxed on trading income* (23.4%)	Taxed on whole income (19%)	Taxed on trading income* (19%)	Taxed on whole income (23.4%)

* Not taxed for the main public-interest activities.

Table 10.2 Comparison of service providers in light of EMES indicators

Indicators		Providers	MCs	Health coops	Koseiren
Economic project	Continuous production		***	***	***
	Some paid work		***	***	***
	Economic risk		***	***	***
Social mission	Explicit social aim		?	***	***
	Limited profit distribution		*	**	***
	Citizens' initiative		*	***	**
Governance	High degree of autonomy		***	***	***
	Participatory nature		*	***	**
	Decision making not based on capital ownership		***	***	***

Note: The extent to which the various attributes are met is shown by the number of asterisks—from weak (*) to strong (***)

the indicators relating to the economic project, since they are enterprises that earn income by providing services, they display a wide discrepancy in terms of meeting the social mission indicators. In most cases, the social mission of MCs is not clearly stated, and they can distribute residual assets among founders-shareholders. These organisations are generally initiated by doctors and very rarely by citizens. Both types of cooperative (health cooperatives and *Koseiren*) have higher scores in this regard. As far as governance-related indicators are concerned, user participation is very strong in health cooperatives, while MCs have no channels for user involvement. The three forms have high degrees of autonomy and democratic decision making, based on the principle of “one person, one vote”.

The characteristics of these types of provider are compared in light of the EMES understanding of SE. Nyssens (2006) argues that SEs are characterised by hybridity: they have multiple purposes, multiple stakeholders and multiple resources. In the case of MCs, the social aim, other than service provision, is not explicit. By contrast, cooperatives have explicit social aims: user empowerment, improved access to health care and community building. MCs only have two types of stakeholders (medical professionals and clients), while co-operatives have members (users and investors) who play an important role in the governance and daily operations. As far as resources are concerned, the remuneration for services reimbursed by health insurance and funding through patient co-payments constitute major sources of income for the three types of service providers, and cooperatives can also often count on volunteering.

On the basis of these various elements, the author identified health cooperatives and *Koseiren* as typical SE models and will hereafter concentrate on describing the characteristics and trajectories of these two models.

Table 10.3 Comparison of service providers in light of EMES understanding

<i>Indicators</i>	<i>Types of provider</i>	<i>MCs</i>	<i>Health cooperatives</i>	<i>Koseiren</i>
Multiple purposes		?	Empowering users through learning/ check up Community building	Securing farmers' access to health services in rural areas Community building
Multiple stakeholders		Users (patients) Professionals	Public (community) Users (patients) Investors (members) Professionals	Public (community) Users (patients) Investors (agricultural cooperatives) Professionals
Multiple resources		Remuneration for services Co-payment	Remuneration for services Co-payment Volunteering	Remuneration for services Co-payment

4. Features of the Health Cooperative Model and the *Koseiren* Model

4.1. *Health Cooperative Model*

Social Mission

Health cooperatives have a twofold social mission: encouraging consumer participation and enhancing people's health in entire communities through delivering services (Kurimoto 2010, 2013).

Since health and social services are highly specialised, they are characterised by asymmetric information, resulting in doctors' domination while users are placed in a disadvantageous position when it comes to tapping information and making decisions on health care. In the event consumers are not satisfied with diagnosis or treatments, their response tends to be exit rather than voice. Health cooperatives have sought to promote consumer participation in health and social services through implementing a "Charter of Patient's Rights" as a guideline to be followed by patients and professionals.⁸ It was formulated through active participation of multiple stakeholders, crystallising health cooperatives' views on health care. It goes beyond informed consent,⁹ stating that each patient who suffers disease or illness has the following rights and responsibility:

- right to be informed of disease, medical care plan and drugs;
- right to determine a suitable medical care plan;

- right to patient's privacy;
- right to learn about their disease, prevention and treatment;
- right to receive necessary and optimum medical service at any time;
- responsibility to participate and cooperate.

The Charter emphasises the patient's right to be informed, to learn and to exercise self-determination. To this end, health cooperatives started disclosing his/her case record to each patient, to share information about treatment and medication, and to provide patients with various opportunities to learn about health so that they can have the capacity to make the right decision on suitable medical care plans. Some cooperatives started organising member volunteers into "simulated patients' groups" aiming to improve communication between users and providers, while others are trying out "medical care by multi-professional teams" to enhance the quality of services by enabling collaboration among different treatment departments and various specialists (nurses, X-ray examiners, therapists, etc.), placing patients at the centre. They thus seek to bring about openness and democracy in the industry, which otherwise tends to be closed and authoritarian.

The other aspect of health cooperatives' mission is to build "healthy communities" through providing integrated services for health education, medical treatments and long-term care. This reflects the holistic view of health as displayed in the concept of health promotion.¹⁰ There has been a willingness to integrate health education, medical care and long-term care in order to address the changing patterns of diseases from acute/contagious ones to chronic ones, generate better-coordinated services for the beneficiaries and reduce overall costs. But such a goal is not easily achieved, mainly due to institutional and functional reasons. In order to attain the goal of building healthy communities, health cooperatives have increased their involvement in the provision of long-term care as a natural extension of health education and medical care, where they have accumulated experience and know-how. To this end, they have made substantial investments in training personnel and building facilities for long-term care. As a result, they are now the second largest long-term care provider in Japan. In addition, health cooperatives often map out the local needs and resources, analyse health-related problems and possible solutions, and coordinate integrated provision of prevention, health and social care services. It may not be realistic for health cooperatives to provide all these services themselves, due to their limited financial and technical capacity; health cooperatives, therefore, function best in collaboration with other organisations, including municipal health centres, social welfare corporations, workers' cooperatives and volunteer groups, while also advising and partnering with local authorities.

Target Groups

Health cooperatives serve urban populations who can choose among many doctors. The majority of cooperative members are healthy

consumers who want to be prepared for health risks (diseases or accidents) and want to lead healthy lives. In this regard, health cooperatives are different from organisations exclusively composed of patients. They were classified as user-owned cooperatives (United Nations Department for Policy Coordination and Sustainable Development 1997). Medical professionals, including doctors, nurses, technicians and pharmacists, are also involved as members; health cooperatives are thus multi-stakeholder membership organisations, involving both service users and providers. According to the statistics for the year 2015, out of 2.93 million members, nearly 1% were employed persons, including administrative staff. Health cooperatives seek to create a synergistic effect by involving different stakeholders working together in the same organisation to attain common goals, i.e. promotion, maintenance, recovery and restoration of users' health. It is expected that users can help providers offer better services by committing themselves to the health care process, while providers can help users establish positive attitudes in maintaining health and tackling diseases. This mutually reinforcing process can be seen as co-production.

Health cooperatives have made various efforts to enhance users' capacity for health promotion through members' training and self-monitoring. Cooperative members are encouraged to attend lectures, take correspondence courses and enrol in "health colleges" organised at the local, regional and national levels so that they may become cooperative "health advisors" (*hoken iin*), who then lead voluntary activities within *Han* groups.¹¹ Members in *Han* groups, with the initial assistance of nurses and health advisors, learn how to monitor their own health conditions by taking blood pressure, measuring the sugar and salt content in urine, measuring fat content and checking teeth, using simple devices such as manometers and test papers. Such activities are conducive to enhancing users' consciousness about their own health and can lead to changes in their diet. If these self-monitoring tests reveal irregularities, members then make appointments to see doctors at the health cooperative. These self-monitoring activities have proven to be effective for early detection and treatment of illness. Such voluntary activities, with preventive purposes, have evolved into more comprehensive health-promotion activities. Since 1997, a campaign known as the "Seven Habits for Health" has been promoted by cooperatives as one of their user-sensitising programmes.¹² The intent of the programme is to change consumers' daily habits and remove elements that can lead to disease and illness. These programmes are designed and promoted by health advisors, while professionals support them in the form of classes about diet, physical training, dental hygiene counselling, etc. These initiatives are highly valued by municipalities and often considered to be part of official health-promotion programmes (Kawasaki 2007).

A problem of growing importance is how to improve access to health care for the increasing number of people who are excluded from services

due to increasing unemployment and low income, in a general context of economic downturn. An overhauling of the entire health insurance system is required, but it will take time, due to the number of competing interests. Under such circumstances, health cooperatives have made a variety of efforts. Their social workers counsel needy people on how to apply for the reduction/exemption from the national health insurance (*Kokuhō*) premium, public assistance as a last resort and so on. They also offer, at their own expense, “free or low-cost care” for low-income groups.¹³

Governance Model

Health cooperatives’ membership composition leads to user-dominated boards of directors. In health cooperatives, in 2014, there were 1,853 lay board members, representing users (71.2%), compared to 729 paid board members, representing providers. In the case of the Saitama Medical Coop, in Saitama Prefecture, which is the largest health cooperative in the country, 23 board members responsible for districts represent users, while nine members—four doctors, a nurse and five executive directors—represent providers. In many cases, cooperative chairpersons are medical doctors; in some cooperatives, they are professors, lawyers, etc. Having medical professionals as board members may give them a disproportionately large power over other board members, which may raise problems in governing the cooperative in a democratic manner. These professional chairpersons are, however, well informed on cooperative values and principles, and they make efforts to be responsive to users’ voices. Executive directors are expected to function as stewards or trustees, bringing together different interests and, unlike what can often be observed in retail cooperatives, inclination toward managerial dominance remains limited in health cooperatives. As Ohno (2008) points out, even though health cooperatives still have to solve potential tensions or conflicts between the management logic and the professional logic, or between the stewardship governance model and the democratic model, they can provide a model for multi-stakeholder governance of medical institutions. In order to empower users in the process of health promotion and medical care, health cooperatives have created a number of intermediary organs between the board and the members, which aim to encourage users to participate in the governance of the organisations. At the grassroots level, user members are encouraged to learn about health promotion in *Han* groups, which meet regularly at members’ houses. Over 140,000 cooperative members belong to 27,000 *Han* groups. This means that nearly 4.8% of members belong to *Han* groups, each of which involves 5.3 members on average. These groups meet on average 4.4 times a year to undertake various activities, such as self-health monitoring, learning to cook with less salt and physical exercising, and they promote mutual help among city dwellers, especially elderly people, who are increasingly

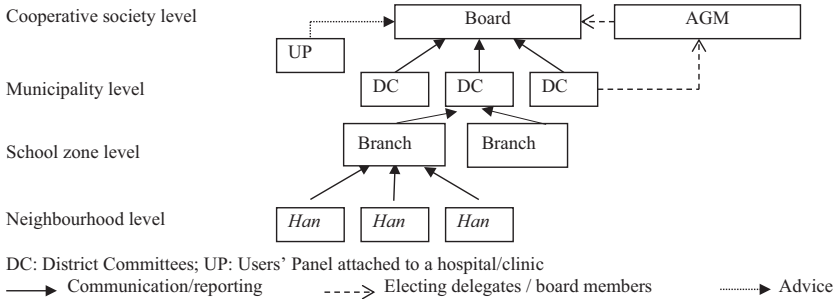


Figure 10.2 Structure of governance and member participation

isolated. In addition, local branches and district committees are organised respectively in school districts and in municipalities to promote members' activities and create networks with other organisations within communities, while user panels are organised and suggestion boxes are put in hospitals and clinics to enable users to express their opinions about the running of these facilities. Intermediary organs often elect delegates to the health cooperative's annual general meeting (AGM) or transmit members' voices to the board (Figure 10.2).

Multiple Resources

Health cooperatives depend on multiple financial and human resources. In principle, there is no difference between health cooperatives and other medical institutions in terms of financing health and social care: services are funded by compensation redeemed by the compulsory health insurance and long-term care insurance systems, and by patients' co-payments. Health insurance covers 70 to 90% of the incurred costs, while long-term care insurance covers 90% of the costs. In both cases, taxes are included in health care costs to sustain social insurance schemes for the elderly. The patients' co-payment share has been increased, from 10% originally to 30% of the costs since 2003. In addition, most hospitals now charge extra fees to patients who want to stay in hospital rooms with fewer beds than the standard six-bed rooms. This system was introduced to bolster hospitals' revenue, and it was generally well accepted by patients, who valued privacy and amenity; however, except for a few cases, most health cooperatives, because of their egalitarian stance, do not charge extra fees to their patients, even though they do offer such rooms.

Health cooperatives mobilise human resources through professional members' active commitment and user members' voluntary contributions. Needless to say, the qualified professionals are the most important resource in the industry. Health cooperatives have thus made various

efforts to recruit and retain committed doctors, nurses and other medical professionals. To this end, they organise regular courses on the cooperative's values and principles, conduct training on professional skills at various levels, accept medical students and interns as trainees (which can lead to subsequent employment), and promote the Centre for Family Medicine Development in order to ensure that doctors acquire professional skills as family doctors, act as gatekeepers of health care in communities and accomplish the cooperative's mission.

Members' voluntary contributions have played a crucial role in recruiting new members, raising members' share capital and governing cooperatives. Members are indeed encouraged to take part in the membership drive and to raise funds when cooperatives build new facilities, such as hospitals, clinics and facilities for elderly care. The lay board members, AGM delegates and health advisors play pivotal roles in promoting members' activities and education, while cooperative staff assigned as member relations officers (organisers) coordinate members' activities. Member volunteers undertake various activities to disseminate information, act as simulated patients and perform non-core activities to assist the cooperative in its operations. They often contribute to organising cooperative festivals and local health-check campaigns.

4.2. Koseiren Model

Social Mission

Koseiren federations are specialist organisations providing health and social care for agricultural cooperative members. They are secondary organisations, owned and controlled by primary multipurpose agricultural cooperatives in each prefecture, and affiliated with the National Welfare Federation of Agricultural Cooperatives (*Zenkoren*). As a part of the wider JA system, they collaborate with agricultural cooperatives in many areas, including the organisation of periodical health check-ups; health and diet promotion for farmers; caregiver training for farmers and their wives; procurement of agricultural produce as raw materials for hospital diet, etc.

Koseiren's mission is to secure access to health and social services in rural and remote areas, where very few alternatives exist. The modern medical system in Japan has relied on general practitioners since the end of 19th century, when most medical institutions were concentrated in urban areas, while the bulk of the rural population lacked access to health care, especially in the period following the economic recession after World War I. In doctorless villages, sick people had to travel to urban areas, which required both time and money, or forgo health care. With neither health insurance nor public assistance, contracting a disease literally meant falling into poverty for farmers, who had to sell land and property—or even their daughters—to pay for medical care. Under such

circumstances, agricultural cooperatives proposed to create medical service cooperatives under the Industrial Co-operative Act of 1900. The first cooperative clinic was opened in Shimane Prefecture in 1919; it aimed to provide health services at reduced costs.

Many *Koseiren* operate in sparsely populated and remote areas. For instance, 46 out of the 110 *Koseiren* hospitals operate in areas with fewer than 50,000 inhabitants, and 19 of these hospitals are the sole hospitals operating in such municipalities. The services they provide within small communities are outstanding in comparison with those provided by other public-interest institutions. Designated as core hospitals for medical care in remote areas by the Ministry of Health and Welfare, they provide a range of support services through dispatching and training of doctors, travelling clinics and health-promotion activities. Most *Koseiren* hospitals provide emergency medicine and disaster relief (see Table 10.4). They also maintain paediatrics, obstetrics and gynaecology departments as indispensable infrastructure in rural areas. Since they provide services for the general public, some *Koseiren* hospitals/clinics have been converted into municipal ones and vice versa.

Target Groups

The main target groups are farmers who are exposed to a variety of health risks, such as chronic diseases caused by unbalanced diets, long hours of hard work and acute diseases or injuries associated with the use of agricultural chemicals and machinery. Such severe health risks in rural areas and the short supply of health care services had not been adequately addressed by governments. In 1945, Dr. Toshikazu Wakatsuki, Director of Saku General Hospital, Nagano *Koseiren*, became very interested in

Table 10.4 Characteristics of public-interest hospitals and services offered, by type of hospital, as of March 31, 2011

Characteristics of hospitals and services offered Types of public-interest hospitals	Total number of hospitals	Core hospitals in remote areas	Hospitals accepting clinical trainees	Hospitals for emergency medicine	Hospitals for disaster relief
<i>Koseiren</i>	110	23	92	101	44
Japanese Red Cross Society	92	17	81	88	65
<i>Saiseikai</i> Foundation	79	8	66	70	28

Source: JA Koseiren Annual Report 2016.

the lack of health care in doctorless villages and started health-promotion activities for farmers with the motto “prevention is better than treatment”. He organised campaigns to enlighten farmers through drama performances and conducted on-the-spot health check-ups for villagers. Because of these successful campaigns, such practices have become widely accepted and have spread throughout the country since around 1970. Dr. Wakatsuki also conducted field studies of farmers’ lives and established the concept of “potential diseases”, largely caused by farmers’ ignorance and endurance, which led to the Asian model of rural medicine.¹⁴ Based on the 12th National Agricultural Cooperative Congress resolution to establish activities to protect farmers’ lives and health, adopted in 1970 (Basic Plan for Life), *Koseiren* implemented nationwide life-planning and health-promotion activities for farmer members.¹⁵ Today *Koseiren* conduct a variety of activities to improve rural populations’ access to health services. They provide health services not only in hospitals/clinics and rural check-up centres, but also through 22 mobile clinics for remote areas and 204 health check-up vehicles equipped with X-ray imaging machines. In 2015, more than 3.1 million rural residents received regular annual health screenings, and 490,000 among these underwent comprehensive medical check-ups. The results of these check-ups are fed back to the communities, which examine how to meet the diversified health needs of local residents. In addition, health education is regularly promoted through health seminars, consultations for healthier diet and exercises for maintaining physical ability. Thus, *Koseiren* seek to build community-based health and social care (Pestoff 2009).

Governance Model

The smallest *Koseiren* generally choose a unitary board system, while 20 out of the 34 *Koseiren* have a dual board system, consisting of a supervisory board and an executive board. In the dual board system, the supervisory board is composed of non-executives (5 to 16 members), who are elected as representatives of primary cooperatives in the general meeting; they are mostly chairpersons of agricultural cooperatives. The supervisory board is responsible for making decisions on important matters, and for appointing executive board members. The executive board is basically composed of executives (3 to 6 members), who are entrusted with the mission of running day-to-day business operations. There are a few cases in which doctors have been elected to the executive board. Such a dual system was introduced to secure professional management while reflecting farmers’ interests. *Koseiren* have internal auditors (two to five members), elected by the general meetings, and they undergo an external audit by JA’s National Audit Organisation. In this governance system, individual cooperative members are linked only in an indirect manner, while a majority of medical professionals are not involved in governance.

There exist some users' councils to represent users' interests in the administration of the medical institutions.

Multiple Resources

As far as financial resources are concerned, there is no difference between *Koseiren* and other medical institutions. *Koseiren* are financed by repayments from health insurance providers and patients' co-payment, and they often receive public subsidies for business operations and for the construction of facilities such as public-interest medical institutions. In 2012, subsidies granted to *Koseiren* amounted to JPY18.8 billion. The National Federation is concerned with the difficulty of maintaining some remote hospitals that are permanently in the red, mainly due to depopulation. Indeed, *Koseiren* make annual financial plans in which they have to balance expenditure with income, and they have to stop operating money-losing facilities to avoid bankruptcy, which often happens in public hospitals.

5. Institutional Trajectory of Health Cooperatives and *Koseiren*

5.1. Health Cooperative Model

The Consumer Cooperative Act created the institutional framework to establish medical institutions on a democratic basis, enabling popular participation. This tool allowed general consumers to manage health care as a part of the "use of services"; this Act also allowed non-members to use services on the ground of the public-interest nature of medicine (Medical Service Act) and of doctors' obligation to see patients (Medical Practitioners Act). Many health cooperatives were set up in accordance with provisions of the Consumer Cooperative Act from the outset, while others were transformed from general practitioners' clinics, medical service cooperatives or medical corporations. Some cooperatives were created as a result of the separation of existing multipurpose consumer cooperatives (Hino 2005).

In 1957, the Health Cooperative Association (HCA) was set up by twelve health cooperatives, as a national sectorial organisation of the Japanese Consumers' Co-operative Union (JCCU), to coordinate these health cooperatives' activities. The HCA's mission, such as it was originally stated in the organisation's policy, was to strengthen services for patients and members, simply seeing them as beneficiaries. However, during the 1960s, many cooperatives started organising *Han* groups among members, encouraging members' health check-up activities and tackling diseases caused by air/water pollution. Accordingly, in 1969, the HCA adopted a policy aiming to encourage members'

health-promotion activities, seeing *Han* groups as the way to ensure active member participation.

In 1988, the HCA adopted its first five-year plan, which included the task of establishing a charter for patients' rights. Noteworthy is the fact that not only medical professionals, but also patients and user members took an active part in the process of drafting the plan. In 1991, the "Health Cooperatives' Charter for Patients' Rights" was adopted to facilitate users' self-determination pertaining to health care. In 1992, the HCA took the initiative to hold the first International Health Cooperative Forum, in conjunction with the ICA Tokyo Congress; this led to the formation of the International Health Cooperative Organisation. In 2000, health cooperatives entered the field of elderly care provision, in accordance with the LTCI Act, and they rapidly expanded their facilities and human resources. The HCA promoted health cooperatives' involvement in elderly care and adopted the "Health Cooperatives' Guidelines for Long-term Care" in 2005, after a series of member consultations. In 2007, the Consumer Cooperative Act underwent a drastic amendment, through which health care and welfare services were for the first time stipulated as types of cooperative activities, and a cap on non-member business was introduced (the turnover generated by non-member business could no longer exceed that of member business). Then in 2010, the Japanese Health and Welfare Cooperative Federation (HeW Coop Japan) was created through separation from the JCCU. In 2013, a "Charter" and "Guidelines" were integrated in the "Health and Welfare Cooperatives' Charter for Lives". As such, the institutional trajectory of health cooperatives was largely influenced by the initiative of federal bodies, rather than by the legal framework.

5.2. *Koseiren Model*

In the early 20th century, medical service cooperatives were created in rural areas under the Industrial Cooperative Act, despite strong resistance by doctors' associations, which insisted on the profession's monopoly in health care.¹⁶ By 1940, 153 agricultural cooperatives operated medical services; they covered 5.4 million people. During World War II, all agricultural cooperatives were integrated into the state apparatus, but more rural hospitals and clinics were built to help maintain health care for farmers, who were the main source of soldiers. After agricultural cooperatives were reorganised on the basis of the Agricultural Cooperative Act of 1947, *Koseiren* federations were set up to take over cooperative hospitals and clinics that had been operating since pre-war days. In this process, most agricultural cooperatives faced financial difficulties, due to the negative legacy of debts and hyperinflation around that time, and some *Koseiren* were liquidated. For example, the Iwate Prefecture *Koseiren* was dissolved in 1950, and its facilities and medical personnel

were taken over by local governments. In 1947–1948, *Koseiren* received public subsidies under the Act for Reconstruction and Promotion of Agricultural Cooperatives, and their financial situation began to stabilise. The Agricultural Cooperative Act allowed non-member business up to 20% of the total turnover, but this threshold was extended to 40% in 1951 and 100% in 1965. *Koseiren* federations were designated as public-interest medical institutions by the Minister for Health and Welfare, according to Art. 31 of the Medical Service Act in 1951. This means they cannot pay out dividends and, in case a *Koseiren* is dissolved, its residual assets cannot be distributed, as they have to be transferred to the state, local governments or other *Koseiren*. In return, *Koseiren* are entitled to public subsidies and tax concessions. They have been exempted from corporation tax for health care services since 1984 and for elderly care since 1998. They have also been allowed, since 2007, to operate their own special nursing homes, and they now operate eight homes. Through these developments, their status as public-interest medical institutions has been reinforced in a consistent way, while their characteristics as mutual organisations have been somewhat diluted.

Conclusion

In heavily regulated markets, cooperatives provide better access to health care by empowering urban consumers through training and participation and by offering a variety of health and social services to farmers in rural areas. At the same time, however, a number of barriers still exist to users' access to health care, including poor coordination in the provision of quality health care and economic reasons that lead to the exclusion of a growing number of people from care.

Health cooperatives seek to create a local network for health promotion, medical treatment and long-term care; they operate a network of clinics and hospitals, nursing homes or service houses and even fitness centres. They have recently launched an initiative to strengthen professional primary care, with a view to promoting quality and effective health care centred on users' families and communities. Based on the pioneering practices of family medicine by the Tokyo Hokuto Medical Coop, HCA set up, in 2005, the Centre for Family Medicine Development (CFMD) to conduct residency and fellowship programmes and to support research and development in family medicine.

Koseiren federations have built a network of seamless provision of health and social care, ranging from health promotion in communities to primary care at clinics, secondary care at hospitals (including emergency and rehabilitation), long-term care at home and in dedicated facilities, through to terminal care. A good example is provided by Saku General Hospital of Nagano Kosertren, which has played a pivotal role in creating a typical Integrated Health Care Network in a rural area (Matsuyama 2014).

Health cooperatives and *Koseiren* are attracting growing interest as unique social service provider SE models. They are often referred to as practical models empowering consumers and farmers, and their experiences are disseminated in the health and social service industry, both at home and abroad. They deserve more focused research, based on theoretical frameworks and empirical fact findings.

Notes

- 1 This is not an exhaustive classification and there exist other typologies (e.g. Borzaga and Defourny 2001). Article 93 of the Framework Act on Cooperatives in South Korea (2012) stipulates that each social cooperative shall be engaged in one or more business activities as its main business among the following business activities:
 - programmes for contributing to the renewal of local communities, the invigoration of the local economy, the enhancement of rights, interests and welfare of local residents, and the resolution of other problems that local communities face;
 - programmes for providing disadvantaged people with social services or jobs in the areas of welfare, medical service or environment;
 - projects entrusted by the central government or a local government;
 - other projects contributing to the enhancement of public interest.
- 2 *Koseiren* is the Welfare Federation of Agricultural Co-operatives, which provides health and social services for farmer members of agricultural cooperatives in rural areas.
- 3 Those who require long-term care (e.g. bedridden patients, people with dementia, etc.) can benefit from insurance, provided they are given certification by municipalities after screening judgments based on the doctor's opinions. Seven levels of long-term care needs are distinguished, and benefits are determined on this basis. The insured make contracts with service providers on the basis of a long-term care service plan to be established by "care managers". The benefits are provided mostly in kind, and the user's co-payment is fixed at 10% of the cost of the insured services, with an upper limit for the monthly allowances based on certified care needs.
- 4 According to the Medical Service Act, hospitals have at least 20 beds for hospitalisation, while clinics have 19 beds or less.
- 5 JA stands for "Japan agricultural co-operative".
- 6 QUANGO stands for "quasi-autonomous non-governmental organisation".
- 7 Specified non-profit organisations are a new category of non-profits, introduced by the Act to Promote Specified Non-profit Activities, passed in 1998.
- 8 The Charter was adopted on May 11, 1991, at the Annual Meeting of the HCA.
- 9 Informed consent is generally understood as a concept of interaction to promote patient's rights, but it can be a one-way communication from doctors to patients, unless the latter can really understand the former's explanation.
- 10 Health promotion has been defined by the World Health Organisation's (WHO) 2005 Bangkok Charter for Health Promotion in a Globalised World as "the process of enabling people to increase control over their health and its determinants, and thereby improve their health". Health promotion involves health-related public policy that addresses the prerequisites of health, such as income, housing, food security, employment and working conditions.

- 11 Every year, some 10,000 members take correspondence courses. Cooperative schools, volunteer schools, home-helper training courses and culture courses are organised by primary cooperatives. “Health colleges” are organised to give 20–30 hours of lectures to volunteering members on basic knowledge in health care. *Han* groups are voluntary small neighbourhood gatherings that undertake various member activities.
- 12 The seven habits in daily life promoted by health cooperative are: get sufficient sleep (seven to eight hours/night); avoid overwork and take enough rest; refrain from smoking; avoid excessive drinking; do moderate exercise regularly; have a balanced diet, with low salt/fat; eat regularly, including breakfast, and avoid snacks. An eighth habit, namely “brush teeth morning and night”, was added in 2005.
- 13 134 hospitals and clinics of 45 health cooperatives offered free or low-cost care in 2012. It accounted for about 18% of such service provision—a much larger share than cooperatives’ share in health care provision (estimated at around 1%).
- 14 Based on these practices and studies, Dr. Wakatsuki founded the Japanese Association of Rural Medicine in 1952 and helped to set up the International Association of Agricultural Medicine in 1961.
- 15 *Koseiren* took the initiative to set up—in 1963—the Foundation for Preventing Hypertension and Stroke (which, one year later, was renamed the Foundation of Preventive Medicine for Adult Disease).
- 16 They argued that only doctors could run medical institutions.

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11 Social-Service-Provision Social Enterprises in Korea

Deok Soon Hwang

Introduction

In South Korea, the social agenda surrounding the role of social enterprises expanded from work integration to the creation of social service jobs with the inauguration of the Roh Moo-hyun government (hereafter referred to as the Roh government) in 2003. Until then, “social jobs”¹ were deemed to be the equivalent of the self-sufficiency programmes implemented under the National Basic Livelihood Security System (NBLIS). The NBLIS is a minimum income guarantee system, which provides cash benefits for able-bodied poor as well as for the poor incapable of work. The able-bodied poor, if they are not in gainful employment, have to participate in self-sufficiency programmes to get cash. These self-sufficiency programmes are regarded as an institutionalised form of social jobs. In other words, until 2003, in Korea, social jobs were considered to be essentially the same as work integration social enterprises in western countries.

The Roh government proposed the creation of 100,000 social jobs as one of the key points of its policy agenda. However, creating 100,000 social jobs through an approach based only on the self-sufficiency programmes appeared unrealistic. Quite naturally, the perspective on the issue then expanded to include job creation through social services, another domain of social enterprise development in western countries (Borzaga and Defourny 2001). This was also the time when the transition from the expansion of monetary benefits to the expansion of social services became another point on the national agenda, in line with the development of Korea’s welfare state (Presidential Committee on Policy Planning 2003).

The expansion of social services through social jobs then became another major government strategy of the Roh government. The Presidential Committee on Social Inclusion (2004) compared the share of the social-service industry in the total employment in Korea against that of several western countries between 2000 and 2001 (see Figure 11.1), and proposed that the expansion of social services be linked to the creation of

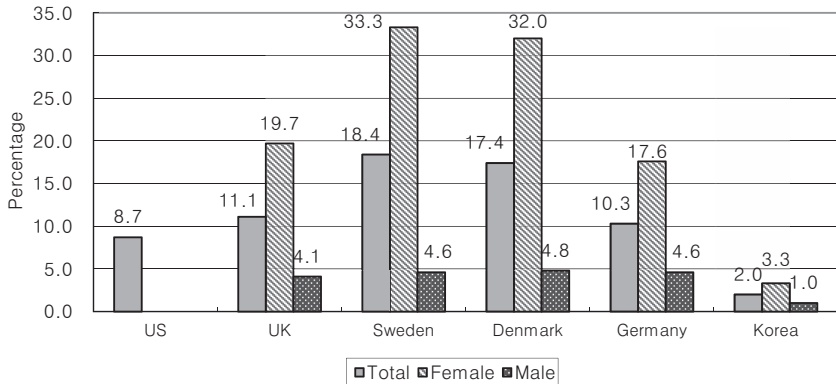


Figure 11.1 Employment in the health and social-service sector as a percentage of the country's total employment in several western countries and in South Korea (2000/2001)

Source: ILO, Yearbook of Labour Statistics, cited in Presidential Committee on Social Inclusion (2004).

social jobs. This shift in policy direction led the Ministry of Employment and Labour (at that time, the Ministry of Labour) to launch, in 2003, a pilot project for creating social jobs. In 2004, ten major job projects were launched to expand social services. These projects, which were conducted under the name of “social jobs creation projects”, underwent a transition in April 2006, from employment-oriented projects to service-oriented projects, under the notion of social service jobs projects.

The fact that the expansion of social services through social jobs was proposed as a national strategy reflects the structural landscape of Korean society, in which the expansion of social welfare can be justified as a means to achieve the economic policy goal of job creation, not as a means to expand welfare in itself. This was clearly demonstrated by the fact that the introduction of the Elderly Long-Term Care Insurance System, which was first devised by the Kim Dae-jung administration, was delayed for more than five years, until Lee Myungbak took power in 2008. On the other hand, though, the budgets related to the agenda of social jobs creation and social service jobs grew rapidly after 2004 (see Table 11.1).

The expansion of social services through the implementation of the Elderly Long-Term Care Insurance System and the service voucher system served as an important institutional foundation for the growth of social enterprises providing social services in Korea. The social service provision social enterprise was included in the Social Enterprise Promotion Act (SEPA) as one of the crucial types of social enterprise when this

Table 11.1 Budget of and participants in the social jobs creation projects and social service jobs projects

Category \ Year	2004	2005	2006	2007	2008
Budget (million KRW)	78,700	146,200	678,209	1,294,519	1,574,920
Participants (number of persons)	15,471	23,647	111,897	201,059	228,245

Source: Internal documents of the Ministry of Strategy and Finance

Act was introduced in 2007, and the number of social enterprises providing social services has increased continuously since then.

Although there are only 60 certified social service provision social enterprises, out of a total of 1,164 certified social enterprises, as of September 2014, there were also 156 mixed-type social enterprises (promoting both work integration and social service provision). Moreover, there are many work integration social enterprises that work in the social service domain. The distribution of social enterprises by industry demonstrates that a large number of social enterprises provide social services: there are social enterprises active in the fields of health care (12 SEs), childcare (19 SEs), social welfare (101 SEs), nursery and housekeeping (76 SEs), culture (183 SEs) and education (79 SEs).² In sum, 470 social enterprises, which represent 40.3% of certified social enterprises, thus provide social services.

The fact that so many social service provision social enterprises were certified as social enterprises of other types indicates that these social enterprises are seeking to achieve mixed objectives. Moreover, given the fact that many social enterprises began as self-sufficiency programmes or social jobs creation projects, it is likely that their initial focus was on job creation, and that it only shifted in the direction of social service provision later, in the context of public social service expansion.

Against this backdrop, this study investigates the development process and common characteristics of social service provision social enterprises in detail. Following the general guidelines of the ICSEM project, four cases, typical in terms of their development process, were selected. They can be regarded as best practices in terms of internal management as well as performances. Section 1 provides a brief overview of each case and the reasons for its selection. In Section 2, the development process and key characteristics of each case are described, and the current state and future prospects of the initiative are assessed. Section 3 summarises key features of social service provision social enterprises in Korea. In conclusion, this study suggests that financial support should be linked with social performance to strengthen the long-term sustainability of social service provision social enterprises in Korea.

1. Selection of Cases

We have selected organisations that illustrate the development process of social service provision social enterprises. The selected cases and the reasons for including them in the analysis are presented hereafter, in chronological order of the enterprises' date of establishment.

The first case is the Ansan Medical Welfare Social Cooperative. It was established before social enterprises actively emerged in Korea, and it is a prime example of a medical consumer cooperative, which is one of the original forms of social service provision social enterprise.

The second case is Human Care Co. Although Human Care Co. is an incorporated entity, it operates like a worker-owned company with an employee stock ownership plan. It was selected for being an exemplary case of a for-profit social enterprise that is being run in a democratic manner.

Dounuri Social Cooperative is the third selected case. It began as a self-sufficiency work group under the NBSL, transitioned into a self-sufficiency community, and finally became a social cooperative (the first social cooperative recognised by the Ministry of Health and Welfare). It demonstrates a development process that is typical of both social-service-provision social enterprises and social cooperatives.

The fourth case is the Dasom-I Foundation; it was the first social enterprise certified by SEPA. It took off as a caregiver group under Kyobo Life Insurance Co.'s corporate social responsibility (CSR) project. It was selected as a representative example of a social enterprise linked to CSR practices.

2. Case Analysis

2.1. *Ansan Medical Welfare Social Cooperative*

Development Process

The Ansan Medical Welfare Social Cooperative (hereafter referred to as "Ansan Medical Coop") is a certified social enterprise that resulted from the transition, in 2013, of the Ansan Medical Consumer Coop into a social cooperative. This evolution is in line with a trend that has been observed following the implementation of the Framework Act on Cooperatives, in December 2012: medical cooperatives that are part of the Korea Medical Consumer Cooperative Alliance have recently been evolving into social cooperatives. The Korea Medical Consumer Cooperative Alliance also changed its name; it has now become the Korea Medical Welfare Social Cooperative Alliance.

As just mentioned, the Ansan Medical Coop was first established as a medical cooperative in 2000. Of the 20 organisations belonging to the

Korea Medical Welfare Social Cooperative Alliance, it was the third to be established, following the Ansung Medical Welfare Social Coop and the Incheon Peace Medical Welfare Social Coop. The members of Ansan Medical Coop numbered 5,624 households in 2013, making it the largest cooperative among the members of the Korea Medical Welfare Social Cooperative Alliance.

Ansan Medical Coop was established through the participation of a wide range of civil society organisations, including the Committee Ansan Trade Union of the Korean Confederation of Trade Unions, the regional branch of Friends of the Earth Korea, Citizens’ Coalition for Economic Justice, the National Credit Union Federation of Korea and various religious organisations. 156 people took part in the founding meeting in April 2000; they received a certificate of incorporation from the Gyeonggi province in June 2000. In July, the cooperative was officially registered, and it opened the Ansan Hospital and oriental medical clinic.³

The number of cooperative members has been increasing steadily, reaching 1,000 households in 2003, 3,000 households in 2010 and 5,000 households in December 2011. The cooperative itself has continuously expanded as well, with the establishment of the medical examination centre in 2005, the long-term domiciliary care centre and the family caregiver centre in May 2009, the Woori Life Coop Dental Clinic in October 2009 and the Dream House Care Centre in 2011. Following the transition meeting that was held in February 2013 regarding the change to the legal form of social cooperative, the cooperative received the approval of the Ministry of Health and Welfare in May 2013. In October of the same year, the transition to the social cooperative form was completed.⁴

Key Features

Social objectives and product types

Social objectives	<ul style="list-style-type: none"> – Promotion of a healthy community, where sharing and health go hand in hand – Resolution of medical and health-related problems through cooperation
Products and services	<ul style="list-style-type: none"> – Medical services: clinics, oriental medical clinics, dental clinics, medical examination – Welfare services: domiciliary care and short-term residential care for the elderly – Medical support and care projects for the medically vulnerable
Social performance and innovation	<ul style="list-style-type: none"> – Provision of medical services and creation of social capital based on equal ownership – Pioneering of new services in medical service “blind spots” that do not belong to the market nor to the public sector

Ownership and management structure

General meeting of shareholders	– Customers – Volunteers – Workers (employees)
Board of directors	– Customers – Workers (doctors included) – Volunteers
Miscellaneous decision-making bodies and roles	– The board of directors (which holds monthly meetings) is the most important decision-making body. – The board of representatives (which meets twice a year) serves as the highest decision-making body (instead of the general meeting).
Obstacles to decision making	None exists in particular. However, the large size of the organisation makes it difficult to draw upon the active participation of all members. To resolve this issue, a variety of activities are being organised through small gatherings, town gatherings, volunteer work and various committees.

Financial structure (resource mobilisation)

Principle of profit distribution	– Legal reserve – Voluntary reserve – Social contribution
Revenue composition	– Market (sales revenue): KRW2,866,647,000 (92.6%) – Non-market (public subsidy): KRW116,447,000 (3.8%) – Donation (sponsorship, donations, etc.): KRW83,984,000 (2.7%) – Miscellaneous (interests and other): KRW28,957,000 (0.9%)
Tax/benefits	Corporate tax reduction on social enterprises, social insurance contribution subsidy
Sustainability	Sustainable

Relationship with community

Affiliation and networking	– Korea Medical Social Welfare Social Cooperative and Gyeonggi-do Alliance – Korea Central Council of Social Enterprise and Regional Council of Gyeonggi-do – Gyeonggi-do Regional Cooperative Council – Ansan Cooperative Alliance
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Assessment and Prospect

At this point, Ansan Medical Coop is one of the major medical cooperatives in South Korea and the one with the largest membership. The reason why Ansan Medical Coop could grow continuously and thus settle in was that it was created through the participation of various civic and labour

organisations in the regional community, and that it has made ongoing efforts based on the continued participation of its members. As the cooperative grew larger, civic participation also increased, as compared to the beginning. And while it became difficult to draw on the active direct participation of all the cooperative members, efforts made by the Ansan Medical Coop, as a grassroots organisation, to promote participation through a range of small gatherings, educational activities and cooperative events have contributed to the growth of the cooperative.

The greatest challenge faced by most medical cooperatives, namely that of supply of doctors, is an issue faced by the Ansan Medical Coop as well. However, the cooperative has been able to draw upon the commitment of the medical staff that had participated in the initiative from the outset, and through efforts to provide market-rate pay, the cooperative was able to solve this issue. Despite difficulties in management, the example of Ansan Medical Coop offers a valuable perspective on how to deal with the challenge of supply of medical professionals that all medical cooperatives face. Ansan Medical Coop began with medical services, and subsequently expanded its range of operations to public social services, including domiciliary care services and short-term residential care services for the elderly. Expanding services beyond their original field of activity is a shared characteristic of most social enterprises that provide social services in Korea. In the field of care, where information asymmetry exists, a cooperative-type social enterprise based in the regional community has an intrinsic advantage. Ansan Medical Coop can be cited as one of the cases of “best practices” among these social enterprises, and its development will likely provide important implications for organisations willing to establish a social cooperative in the medical sector.

2.2. Human Care Co.

Development Process

Human Care Co. (hereafter simply referred to as Human Care) is a certified social enterprise in Cheongju (formerly Cheongwon County, Chungcheongbuk-do) that began as a self-sufficiency work group of the regional self-sufficiency centre. It evolved into a self-sufficiency community and then eventually became a corporation.

The parent organisation of Human Care within the Cheongwon County Regional Self-sufficiency Centre was the Working Community Solidarity for Overcoming Unemployment, a regional civic activist organisation created for the purpose of overcoming unemployment during the economic crisis in the late 1990s. Human Care was set up in 2001 as a self-sufficiency work group providing free domiciliary care (domestic caregiver services and housekeeping) for poor households at the Cheongwon County Regional Self-sufficiency Centre.

In May 2008, the self-sufficiency community evolved into an independent private business entity, Human Care Co. In July 2008, Human Care got certification as a social service provision social enterprise. From 2010 onward, it started expanding its scope of activities beyond care services provision to include as well medical equipment rental and sales, medical device provision and rental of disability supports.

Key Features

Social objectives and product types

Social objectives	<ul style="list-style-type: none"> – Providing care services for each stage of the life-cycle and strengthening the public nature of personal social services – Creating and sustaining high-quality jobs for the vulnerable workers
Products and services	<ul style="list-style-type: none"> – Long-term care services for the elderly and care services for persons with disabilities – Medical equipment sales and rental, and provision of welfare medical devices – Rental of disability supports
Social performance and innovation	<ul style="list-style-type: none"> – Improved employee participation and commitment through employee stock ownership – Improvement of welfare device and medical equipment performance as well as transfer of customised product manufacturing technologies

Ownership and management structure

General meeting of shareholders	<ul style="list-style-type: none"> – Workers – Social investors (contributions made by regional civil society) – CEO
Board of directors	<ul style="list-style-type: none"> – CEO – Regional civil society representative – Workers (employees) – Consumers
Miscellaneous decision-making bodies and roles	A joint (monthly) working conference bringing together the president, managers, on-site team leaders and workers performs an important role in information sharing and consultation before major decisions are made.
Obstacles to decision making	Based on employee stock ownership, the company seeks to manage its business like a cooperative. However, there are still difficulties in drawing upon a sense of ownership and active participation of workers.

Financial structure (resource mobilisation)

Principle of profit distribution	Over 50% reinvested (internal regulations). The rest is distributed to workers and social investors
Revenue composition	<ul style="list-style-type: none"> – Market (sales revenue): KRW2,065,155,000 (95.5%) – Non-market (public subsidy): KRW84,292,000 (3.9%) – Miscellaneous (interests and other): KRW12,362,000 (0.6%)

Tax/benefits	Corporate tax reduction on social enterprises, social insurance contribution subsidy
Sustainability	Sustainable, but dependent on government support. The heavy burden of debt is also an issue.

Relationship with community

Affiliation and networking	<ul style="list-style-type: none"> – Korea Care Service Alliance – Korea Central Council of Social Enterprise and Regional Council of Chungcheongbuk-do
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Assessment and Prospect

Human Care has followed the typical developmental path of a social enterprise that provides personal social services. Another key characteristic of this organisation lies in the fact that it is organised around employee stock ownership, with employees holding 41.6% of shares. In stockholder meetings, decisions are, in practice, made on the basis of the “one person, one vote” principle. This results in a management style that is close to that of a cooperative. Furthermore, with regards to the company’s prospects, the possibility of a transition to the social cooperative legal form is under consideration. The company thus serves as an example of how social enterprises can be aware of issues concerning governance, but even so, it is difficult to say that the democratic management of the company is well supported by the active participation of workers. This shows that effectively implementing democratic management is challenging, even for “model” social enterprises.

Where the actual details of services are concerned, Human Care provides a variety of care services within various voucher projects, domiciliary services, weekday night-time facility services, and small-scale group home services as part of long-term care insurances for the elderly. In particular, unlike other social enterprises, the company is diversifying its projects; it is now offering welfare device rental, sales, rental of disability supports and orthoses sales. This is another innovative characteristic of Human Care, in addition to transcending its legal organisational form in the pursuit of democratic management.

While the company appears to be growing, with sales continuing to increase, it still struggles to achieve financial independence: without government support to social enterprises, the company would be recording net losses. In particular, resolving the issue of long-term loans, which constitute nearly half of the company’s total assets, and preparing for a reduction of government subsidies, such as the upcoming end of the social insurance contribution subsidy, are both challenges that Human Care will have to resolve in the short term.

2.3. *Dounuri Social Coop*

Development Process

Dounuri Social Coop, henceforth referred to as Dounuri, is a social cooperative that was certified by the Ministry of Employment and Welfare on April 1, 2013. Before transitioning into a social cooperative, Dounuri had the legal status of private business, but like many social enterprises, its long history begins with its inception as a self-sufficiency work group.

Dounuri first began as a self-sufficiency work group of the Seoul Gwangjin Regional Self-sufficiency Centre in 2001. This Centre in turn belongs to a civic organisation, namely Gwangjin Citizens' Coalition, which defines itself as a community for participatory self-governance and sharing. Throughout its existence, from its establishment to its present status as a social cooperative, Dounuri has operated in close cooperation with Gwangjin Citizens' Coalition.

From 2007 onward, the Gwangjin Regional Self-sufficiency Centre started integrating its diverse social services (such as its lottery-funded caregiver projects, care services for old persons, disability support services and neonatal delivery services) under a single department, called the Evergreen Care Centre. The Evergreen Care Centre became independent as a self-sufficiency community in February 2008. It began to participate in the social service jobs projects in 2009 and received certification as a work integration social enterprise on January 21, 2010. On April 1, 2014, the Centre became, under the name of Dounuri, the very first social cooperative to receive approval for establishment from the Ministry of Health and Welfare.

Key Features

Social objectives and product types

Social objectives	– Creating jobs for the vulnerable, maintaining the created jobs and improving their quality – Provision of appropriate care services and strengthening of the public nature of care services
Products and services	– Domiciliary care services through elderly long-term care insurance and voucher programmes – Affective therapy for children and youth – Residential care services for the elderly
Social performance and innovation	Implementation of social accounting to evaluate the results of organisational activities each year, and continuous efforts to improve upon social service results

Ownership and management structure

General meeting of shareholders	– Workers – CEO and sponsors – Consumers
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Board of directors	<ul style="list-style-type: none"> – Workers – CEO – Representatives of the parent company, regional community and sponsors
Miscellaneous decision-making bodies and roles	Continuous management-related decision making in the working groups' meetings (team leaders' meetings) where the president participates, and use of a performance management system according to the social accounting index
Obstacles to decision making	Dounuri has made continuous efforts to encourage the participation of workers (cooperative members), but still faces difficulties in increasing ownership in the true sense of the word and participation of workers.

Financial structure (resource mobilisation)

Principle of profit distribution	Legal reserve and voluntary reserve. Shareholder distribution is prohibited by law.
Revenue composition	<ul style="list-style-type: none"> – Market (sales revenue): KRW1,729,971,000 (88.2%) – Non-market (public subsidies): KRW203,757,000 (10.4%) – Donations (sponsorship, donations, etc.): KRW27,092,000 (1.4%) – Miscellaneous (interests and other): KRW287,000 (0.02%)
Tax/benefits	Corporate tax reduction on social enterprises, social insurance contribution subsidy
Sustainability	Sustainable, but dependent on government support

Relationship with community

Affiliation and networking	<ul style="list-style-type: none"> – Korea Care Service Alliance – Korea Central Council of Social Enterprise and Regional Council of Seoul
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Assessment and Prospect

Dounuri has also followed the typical path of development of a social enterprise that provides social services. Even before transitioning into a social cooperative, Dounuri strived to operate according to the principles of a social enterprise, managed in a democratic way by means of a management committee composed of representatives of workers, managers and CEO. By becoming a social cooperative, Dounuri has transitioned into a legal form that guarantees the implementation of such principles. Democratic management is not only a requirement for an initiative to be certified as a social enterprise, but also a key characteristic. However, many social enterprises face considerable difficulties in implementing this principle in practice. Dounuri has made continuous efforts to implement democratic management mechanisms by means of small group activities within the cooperative and worker representative meetings; and prior to

its transition to the social cooperative form, it made efforts, through various education programmes, to achieve a true transition, and not simply a superficial shift. While Dounuri's management is by no means perfect, this enterprise is one of the rare cases where democratic management principles have been implemented with relative success.

Dounuri is also innovative from the perspective of social service achievements. From December 2008 onward, Dounuri has conducted the "Building a Social Service Economy Together" programme, in cooperation with the Korea Foundation for Social Investment and the Korea Regional Self-sufficiency Centre. Based on this programme, Dounuri has implemented, since 2011, a social audit process that constitutes the basis of the performance management system that the enterprise currently uses. Broadly speaking, the goal of Dounuri is fourfold: creating and maintaining quality jobs; providing appropriate care services; contributing to the public good through care-related social services; and strengthening regional social welfare. The realisation of cooperative values was added to these goals after the transition to the social cooperative form.

The pursuit of social goals and implementation of democratic management are key strengths of Dounuri, but as to economic independence, challenges still remain that must be overcome. Although the share of market income in its total revenue is 88.2%, Dounuri is currently making ends meet with the help of various types of government support, like many social enterprises in Korea. Securing a firm ground for financial independence is an issue that remains, as yet, unresolved.

2.4. Dasom-I Foundation

Development Process

Dasom-I Foundation (hereafter referred to as Dasom-I) is well-known as the first certified social enterprise in Korea. Dasom-I first began providing caregiver services: in 2004, Kyobo Life Insurance Co. (hereafter, Kyobo Life) and the Work Together Foundation signed an agreement and launched the Dasom-I Caregiver Service Group. The Caregiver Group first trained female heads of households in Seoul, Daejeon, Daegu, Gwangju and Busan with a particular focus on the vulnerable.

In 2005, the Ministry of Employment and Labour selected the Caregiver Group to take part in the social service job programme for supporting financial independence. In 2006, the Group began expanding, creating approximately 150 jobs. In the same year, it also began operating in the paid caregiver market and expanded its regional programmes. In 2007, it was recognised as the first certified social enterprise of Korea. In August, the Dasom-I Foundation was established, and it was certified as a mixed-type social enterprise.

Dasom-I first started with the support of Kyobo Life and, as a result hereof, it enjoyed comparatively smooth development compared to other social enterprises. Kyobo Life not only provided financial support to the foundation; it also played a huge role in systematically applying its corporate management know-how to the social enterprise. As such, Dasom-I is often discussed as one of the cases of best practice among corporate-sponsored social enterprises.

Key Features

Social objectives and product types

Social objectives	<ul style="list-style-type: none"> – Providing high-quality social services – Providing opportunities for dignified employment and contributing to the improvement of the quality of life of socially vulnerable female workers
Products and services	<ul style="list-style-type: none"> – Paid joint caregiver services – Free caregiver services for low-income households – Consulting and education to disseminate the Dasom-I model
Social performance and innovation	<ul style="list-style-type: none"> – Creation of high-quality jobs through the development of the joint Caregiver model and implementation of the shift system – Reduction of service prices through joint purchase

Ownership and management structure

General meeting of shareholders	None
Board of directors	<ul style="list-style-type: none"> – Representatives from the sponsor corporation (Kyobo Life) – Experts – Third-sector institutions
Miscellaneous decision-making bodies and roles	The management committee, in which various stakeholders take part, is of practical importance. The committee examines management results and social service achievements, and considers options for future operations.
Obstacles to decision making	None. Workers participates in the governance system through the management committee.

Financial structure (resource mobilisation)

Principle of profit distribution	Reinvests two-thirds of the profits for social purposes
Revenue composition	<ul style="list-style-type: none"> – Market (sales revenue): KRW6,485,022,000 (78.3%) – Non-market (public subsidies): KRW526,756,000 (6.4%) – Donations (sponsorship, donations, etc.): KRW1,101,600,000 (13.3%). The majority consists of donations from Kyobo Life. – Miscellaneous (interests and other): KRW169,020,000 (2.0%)

Tax/benefits	Corporate tax reduction on social enterprises and exemption of value-added tax on caregiver services
Sustainability	Sustainable, but dependent on government support and on sponsorship from Kyobo Life's CSR funding

Relationship with community

Affiliation and networking	Korea Central Council of Social Enterprise and Regional Council of Seoul
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Assessment and Prospect

As mentioned above, Dasom-I was the first social enterprise to be certified in Korea. Compared to other social enterprises, Dasom-I has a comparatively stable business structure; it is a successful social enterprise, which has settled in the market relatively quickly. The factors that contributed to its success can be summarised as follows:

Firstly, the foundation was able to link, with precision, the rapidly expanding market demand for the services provided by the Caregiver Group and the desire for employment of vulnerable women suffering from career discontinuation.

Secondly, in addition to its social mission as a social enterprise, the foundation made a notable effort to improve management efficiency and competitiveness, therefore securing market competitiveness. It implemented its management know-how in its activities as a social enterprise and achieved innovation in its working methods.

Thirdly, the foundation established a close network of cooperation with the government and the sponsoring corporation, thus effectively pursuing free caregiver service projects aiming both to create jobs and to support low-income households. The foundation thus made the process of network establishment more effective.

Fourthly, the foundation has operated in a stable and consistent way, clearly defining its long-term goal and mission, aiming to contribute to the public good: to develop its business model in a qualitative manner, ultimately having caregiver services included in the social service job creation programme by the government.

Finally, Dasom-I is notable in that it has received the active sponsorship and support of a corporation, Kyobo Life, while at the same time successfully managing to implement and maintain a governance system completely independent from this sponsoring corporation. While there are numerous cases of corporations and public enterprises actively participating in job creation projects in the name of CSR, most of these activities usually take the form of creating new corporate affiliates. Given the difficulties such companies face in reality, Dasom-I should be taken as a best practice model in the field of corporate/government/civil society cooperation.

3. Key Features of Social Service Provision SEs and Policy Implications

The study selected and analysed four cases of social service provision social enterprises. The key features of the selected social enterprises are summarised in Table 11.2.

The cases that have been selected for this study are examples of best practices, rather than typical cases. Indeed, the purpose of the study was not to highlight the key features of currently active social service provision social enterprises, but rather to assess how far we have come and to provide insight for late-comers or social enterprises seeking a new development strategy. In the following paragraphs, we summarise the key features of social service provision social enterprises and policy implications we identified from the cases in this study.

The first trait of social service provision social enterprises is that most of them pursue multiple objectives: organisations specifically registered as being of the social service provision type only make up 5.1% of all certified social enterprises, but in fact, 40.3% of certified social enterprises take part in the provision of social services. This demonstrates that social enterprises that provide social services do not only pursue multiple objectives, but also often give greater importance to another goal—in most cases, that of work integration. As a result, social enterprises certified as being of the social service provision type do not represent all social service provision social enterprises. Among the four enterprises analysed, two are certified as social service provision SEs, one as a mixed-type SE, and one as a work integration SE. One point worth underlining is the fact that social enterprises that were launched as self-sufficiency work groups still consider work integration as their most important objective. A particularly telling example in this regard is Dounuri, which was certified as a work integration SE but is mostly involved in the provision of social services. Another characteristic of these SEs is the fact that the focus of these organisations has shifted from creating new jobs towards maintaining quality jobs.

Democratic management and voluntary participation of the members are goals that all social enterprises strive to achieve. The selected social enterprises have found their own solutions to achieve these objectives. In this regard, it is worth noting that actual management practices transcend the organisations' legal form. Social cooperatives, such as Ansan Medical Coop and Dounuri, organise various activities to engage their members and establish and maintain a structure and style where members actually have a say in the decision-making process. Despite being a commercial enterprise, Human Care has, as an employee stock ownership company, implemented a decision-making process based on the "one person, one vote" principle, so as to maintain its democratic management policy. Among the analysed enterprises, Dasom-I is the one with

Table 11.2 Summary of selected cases of social enterprise

Name	Ansan Medical Welfare Social Cooperative	Human Care, Ltd.	Dounuri Social Cooperative	Dasom-I
Type	Social service provision SE	Social service provision SE	Social service provision SE (certification type: work integration SE)	Social service provision SE (certification type: mixed-type SE)
Location	Ansan	Cheongju	Seoul	Seoul
Business details	<ul style="list-style-type: none"> - Medical services (clinics, oriental medicine, dental clinic) - Domiciliary care - Short-term residential care - Medical examinations - Preventive health care - Medical support for vulnerable households 	<ul style="list-style-type: none"> - Voucher services: domiciliary care for the elderly, disability assistance, caregiver services, care for neonates and maternity care - Long-term care insurance services: domiciliary care, group home services - Equipment: medical device sales, rental of disability supports 	<ul style="list-style-type: none"> - Voucher services: domiciliary care for the elderly, disability assistance, caregiver services, care for neonates and maternity care - Long-term care insurance services: domiciliary care - Support for children with disabilities: affective therapy services 	<ul style="list-style-type: none"> - Paid caregiver services: joint caregiver services - Caregiver equipment sales - Free caregiver services - Caregiver on-the-job training and off-the-job training
Legal/organisational status	Social cooperative (transition from medical consumer cooperative)	Limited company	Social cooperative (transition from private company)	Foundation

Founding entity or entities and year of creation	Ansan regional labour, welfare, environmental and civil organisations, National Credit Union Federation of Korea, religious organisations; 2000	Cheongwon Regional Self-sufficiency Centre; 2001	Gwangjin Regional Self-sufficiency Centre; 2001	Kyobo Life and the Work Together Foundation; 2004
Establishment of cooperative/ transition	Transitioned into a social cooperative	Considering transition to a social cooperative (currently undetermined)	Transitioned into a social cooperative	No plan to transition to social cooperative
No. employees (women)	81 (72)	69 (41)	137 (127)	402 (401)
Coop. membership (number)	5,624	–	145	–
Total capital (KRW)	721,333,797 (end of 2013)	161,090,000 (end of 2013)	15,020,000 (end of 2013)	4,081,348,581 (end of 2013)

the most diverse range of stakeholders in its governance structure. In particular, the foundation guarantees the participation of all stakeholders, including staff representatives, in the management committee (rather than in the board of directors). As for the board of directors, it consists of experts from the parent company, which funded the social enterprise as part of its CSR activity, as well as experts and institutional representatives, thereby displaying the initiative's characteristics as a corporate-sponsored social enterprise. Dasom-I thus embodies a different type of governance model, that values the participation of stakeholders rather than that of the organisation's workers.

A social enterprise must pursue both its social purpose and its continued existence as an enterprise. In terms of pursuit of their social purposes, the enterprises selected for our analysis represent best practices, as we have seen. However, in terms of economic independence as enterprises, they still have a long way to go. This is a common challenge for all four selected enterprises, as well as for other social enterprises in Korea (Gil *et al.* 2014). Although Dasom-I is quite stable in terms of its financial structure, it still recorded a net loss in 2010 and 2011, and despite the operating profits it registered in 2012, it remains highly dependent on government subsidies and corporate sponsorship. Ansan Medical Coop has recorded consistent net profits for several years, with the exception of a net loss in 2013, when the organisational transition occurred, but it is still not yet fully financially independent from the government. Dounuri has a low level of investments; as a result, without the financial support of the government, it would register operating losses. As for Human Care, it is also recording negative operating profits, with a long-term loan that is several times as large as the enterprise's capital. In comparison to Ansan Medical Coop or Dasom-I, these two enterprises would be considered as being more along the lines of "typical" social enterprises providing care services.

Conclusion

In conclusion, there is a need to develop policies to ensure the long-term sustainability of social service provision social enterprises. The Social Enterprise Promotion Act and the Framework Act on Cooperatives stipulate that preferential consideration should be given to certified social enterprises and social cooperatives in public tendering. However, since such "preferential consideration" is left to the decision of each individual public institution, preferential consideration provisions within the legislation are not actually effective in supporting social enterprises and social cooperatives. On the other hand, one cannot justify unconditional preference towards social enterprises without any grounds. Social enterprises must demonstrate their social value, and their social performances must be assessed through means such as social auditing or SROI, while

policymakers must devise policies to recognise social value and link it with support for social enterprises.

Notes

- 1 In Korea, the notion of “social jobs” emerged in the late 1990s, a bit earlier than the term “social enterprise”. At that time, Korea was struggling to overcome the shock of massive unemployment caused by the Asian economic crisis. Many civil organisations participated in public works projects to provide temporary support for the unemployed and they demanded that the government institutionalise social jobs to help the working poor get stable jobs. Please refer to Chapter 15 in the present volume and to Hwang *et al.* (2016) for the socio-economic background of social enterprise development.
- 2 September 25, 2014, press release by the Social Enterprise Promotion Agency, “Current Status of Certified Social Enterprises”.
- 3 Source: transcript of the articles of incorporation of Ansan Medical Coop.
- 4 Source: Ansan Medical Coop (2014) Representative Meeting Documents.

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12 Social Enterprise in the Philippines

Social Enterprises With the Poor as Primary Stakeholders

Marie Lisa Dacanay

Introduction: The Social Enterprise Concept in the Philippines

Social enterprise first surfaced as a concept in the Philippines in the 1990s. Social enterprise was then considered as existing “for a community of worker-owners who [sought] to jointly improve their lot through collaborative, cooperative and prosperity-sharing mechanisms” (Morato 1994). Over time, external influences emanating from various schools of thought of social entrepreneurship (Defourny and Nyssens 2010) interfaced with the emerging perspectives and practice of a wide array of stakeholders in the country.

In 2002, a collaboration process between scholars and practitioners in Asia (including the Philippines) was launched under the form of an action research to develop a conceptual framework to understand the phenomenon of social enterprise. Based on significant cases of social enterprises from the Philippines, Thailand, Indonesia and India, a definition of social entrepreneurship and social enterprise was crafted. Social entrepreneurship was seen as involving “the promotion and building of enterprises or organisations that create wealth, with the intention of benefiting not just a person or family, but a defined constituency, sector or community, usually involving the public at large or the marginalised sectors of society” (Dacanay 2004).

A social enterprise was characterised as being different from a private or traditional business enterprise in terms of its primary stakeholders and beneficiaries, its primary objectives and its enterprise philosophy. The primary stakeholders and beneficiaries of a social enterprise belong to marginalised sectors, in contrast to rich stockholders in a private enterprise. Whereas private enterprises are profit-driven, social enterprises are driven by their development objectives, such as improving the quality of life of marginalised sectors; generating surplus or profits is supportive of the goal of ensuring financial sustainability. A social enterprise was also seen as having a “distributive” philosophy, unlike private enterprises, which were considered to have an “accumulative” philosophy:

this means that social enterprises create wealth with due regard to social and environmental costs and distribute the wealth created to a broader segment of society. By contrast, private enterprises often create wealth by externalising social and environmental costs and accumulate the wealth created to enrich stockholders (Dacanay 2004).

The result of this action research paved the way for the identification of “social enterprises with the poor as primary stakeholders” (hereinafter referred to as SEPPS) as a major type of social enterprise in the Philippines. SEPPS became the subject of a case-based theory building (Eisenhardt 1989) dissertation research, led by the author between 2008 and 2012, to address the following research question: “In those cases where social enterprises serve the poor as stakeholders in a developing country context, how do they engage the poor, and why are they effective in terms of their impact?” (Dacanay 2012b). This research will be referred to as the “Philippine SEPPS Study” in the present chapter.

In 2011–2012, the Institute for Social Entrepreneurship in Asia (ISEA) undertook an action research initiative to define the elements and features of a conducive policy environment for SEPPS to flourish in the country. The main research output was a proposed law that became the basis for a lobbying effort in the Philippine Congress by stakeholders organised as the Poverty Reduction through Social Entrepreneurship Coalition (Dacanay 2012a).

A subsequent research, led by ISEA in 2013–2015, surveyed a purposive sample of 32 Philippine SEPPS to explore the roles, potentials and challenges of social enterprises as key actors in poverty reduction and women economic leadership. This was part of a four-country research that also included Indonesia, Bangladesh and India (ISEA—Institute for Social Entrepreneurship in Asia 2015b), and will be referred to as the “ISEA SEPPS Study” in the following sections.

1. Social Enterprises With the Poor as Primary Stakeholders (SEPPS) in the Philippines

The Philippine SEPPS Study considers SEPPS as responses to the systemic and widespread poverty, inequality and the continuing failure of state and market institutions to serve the needs of the poor in developing countries such as the Philippines. As such:

SEPPS are social-mission-driven, wealth-creating organisations that have at least a double bottom line (social and financial), explicitly have as principal objective poverty reduction/alleviation or improving the quality of life of specific segments of the poor, and have a distributive enterprise philosophy.

(Dacanay 2012b: 51)

There are thus three aspects to the definition of SEPPS.

First, SEPPS are social mission driven organisations, explicitly pursuing a goal of poverty reduction/alleviation or aiming to improve the quality of life of specific segments of the poor as primary objective. The poor themselves are engaged not only as workers, clients and/or suppliers of these social enterprises, but also—and more importantly—as partners in the social enterprise and value chain management; as full-fledged owners and decision makers in social enterprise governance; and as change agents for themselves and their community, sector or society as a whole.

Secondly, SEPPS are wealth-creating organisations that have at least a double bottom line (social and financial). Just like business or private enterprises, and unlike traditional non-profit organisations, which are dependent on grants or public subsidies (or wealth created somewhere else), SEPPS are engaged in the production/provision and sale of goods and services. However, unlike businesses or private for-profit enterprises, which principally produce/provide and sell goods and services to create profit for shareholders, SEPPS do so with the objective of achieving financial sustainability. They create wealth to partially or fully cover the cost of their operations and to invest in other activities related to their social mission. Their financial results support their social goals of poverty reduction/alleviation or improvement of the quality of life of specific groups among the poor.

Thirdly, SEPPS have a distributive enterprise philosophy. SEPPS create social and economic value that accrue to the poor as primary stakeholders. Unlike in a business or a private for-profit enterprise, where payments made or wages given to the poor are considered as financial costs to be minimised, these are considered in SEPPS as social benefits for primary stakeholders that need to be optimised. The distributive philosophy is expressed both in the distribution of surplus or profits to the poor as dividends and in the reinvestment of benefits back into the enterprise to sustain the fulfilment of its social mission or in activities that benefit and assist the poor in overcoming poverty or improving their quality of life. SEPPS build the assets and capability of the poor to help them move out of poverty as productive citizens in ethical markets and the social economy.

The ISEA SEPPS Study—which, as mentioned above, carried out a survey involving 32 SEPPS—validated these three aspects of the definition. The social mission driven nature and focus of SEPPS in serving and empowering the poor was reflected in the perceived impact of SEPPS on the poor and the range of the poor served (ISEA—Institute for Social Entrepreneurship in Asia 2015b).

The ISEA SEPPS Study reveals that the most significant groups served among the poor are the enterprising poor, farmers, agricultural workers, indigenous people, poor in urban communities, unemployed and

underemployed and, cutting across these segments, women. Indeed, a large percentage of the poor targeted by SEPPS are marginalised or socially and economically challenged women.

The nature of impacts on the poor, as perceived and reported by the SEPPS in the study, include:

- increased, diversified and sustainable sources of income;
- increased capacity to cover basic household needs and improved quality of life;
- improved access to social and community services;
- movement out of poverty;¹
- improved participation, position and empowerment of the poor;
- improved status and empowerment of women in the community;
- increased capacity for self-governance and improved capacity to contribute to community development;
- increased level of community development and prosperity.

The elements of the definition of SEPPS referring to their being wealth-creating organisations and having a distributive enterprise philosophy were reflected in their being engaged in the sale of a wide array of products and services, the revenues of which were used to sustain their operations, with the profits or surplus ploughed back into the enterprise to provide additional services to the poor. A majority of the SEPPS surveyed were non-stock corporations, foundations, cooperatives and associations, where the distributive philosophy could be operationalised without much difficulty.

The example of *Gandang Kalikasan/Human Nature* shows how SEPPS that take the form of stock corporations can innovate to implement a distributive philosophy. While the minimum wage required by law is PHP480/day, the lowest paid worker in *Gandang Kalikasan* is receiving a living wage of PHP750/day. *Gandang Kalikasan* also ploughs back up to 100% of the profits from its best-selling product into partner supplier communities (ISEA—Institute for Social Entrepreneurship in Asia 2015b).

2. Main Forms of SEPPS

Five main groups of SEPPS have been identified by the ISEA SEPPS Study. These groups can be differentiated in terms of the initiatives' nature and form of organisation, initiators and main services provided to the poor. These groups are: social cooperatives (social coops), social mission driven microfinance institutions (SMD-MFIs), fair trade organisations (FTOs), trading development organisations (TRADOs) and new-generation social enterprises (New-Gen SEs).

2.1. Social Cooperatives (Social Coops)

Out of the 23,672 cooperatives registered by the country's Cooperative Development Authority in 2013, the ISEA SEPPS Study estimated that over 11,000 were SEPPS belonging to a group called social cooperatives (social coops). These are cooperatives composed of and serving the poor. They have an estimated membership of around 4.56 million. The poor include farmers, agrarian-reform beneficiaries,² fishers, vendors, the entrepreneurial poor, persons with disabilities and women in all these sectors.

2.2. Social Mission Driven Microfinance Institutions (SMD-MFIs)

Among the providers of financial or microfinance services to the poor, the ISEA SEPPS Study estimated that about 2,000 MFIs—reaching some 2.5 million poor—might be considered as SEPPS or social mission driven microfinance institutions (SMD-MFIs). Many of these are non-governmental development organisations that developed microfinance services, including savings, credit and micro-insurance. Many SMD-MFIs have diversified their services to include various forms of social protection, education and training, business development and value chain development.

2.3. Fair Trade Organisations (FTOs)

FTOs provide marginalised producers with access to markets using globally recognised fair trade principles. They enable marginalised or small producers by establishing strategic partnerships with them as supplier communities, offering them fair prices for their produce, pre-financing for production, training and capacity building. Fair trade organisations affiliated with the World Fair Trade Organisation (WFTO) practice and adhere to a comprehensive WFTO Standard and Guarantee System based on ten fair trade principles. In 2012, there were 32 fair trade organisations registered in the directory of WFTO-Philippines.

2.4. Trading Development Organisations (TRADOs)

Trading development organisations (TRADOs) are non-governmental development organisations (NGDOs) engaged in the production and/or trading/marketing of goods and/or provision of economic services (i.e. financial services and enterprise development services). They engage in these economic activities to financially support their development-related operations and to serve specific groups among the poor. A subset in this group of initiatives are the NGDO-owned/initiated social enterprises: these were set up or initiated as commercial or trading arms of their parent

NGDOs, and they usually take the form of stock for-profit corporations. The number of TRADOs is difficult to ascertain, but the ISEA SEPPS Study made an informed estimate of 2,500 initiatives in the Philippines.

2.5. New-Generation Social Enterprises (New-Gen SEs)

New-generation social enterprises (New-Gen SEs) constitute a rising segment of the social enterprise sector. Unlike the older generation of trading development organisations, which were NGDO-initiated, these initiatives are established by young professionals or entrepreneurs with a social mission to help the poor. There is not much literature yet on these SEs, but among the more prominent ones are Gandang Kalikasan/Human Nature, Rags2Riches and Hapinoy. It is difficult to ascertain how many New-Gen SEs exist, but this is definitely a group of SEs that is on the rise in the Philippines.

3. Types of Roles Performed by the Poor and Services Provided by SEPPS

In the Philippine SEPPS Study, on the basis of a rapid appraisal using secondary data and interviews with key informants, three major categories of SEPPS were identified as relevant for the sample to be chosen, using as a criterion the most significant way in which these SEPPS engaged the poor—the poor as suppliers, the poor as workers, the poor as clients—when the initiatives were set up. The-poor-as-owner category was also considered, but this was observed to cut across the other three categories. For example, a significant number of social enterprises registered under the form of cooperatives belonged to the category of initiatives that, at the time of their creation, engaged the poor as owners. However, in these cooperatives, the poor were also engaged as workers, clients or suppliers when they were established. The fact that the poor were engaged as owners was therefore not used as a distinguishing criterion for a specific category, but it was seen as an important consideration in the final choice of cases.

A variability criterion of relative social and financial performance was added to the abovementioned criterion to select, with the help of three panels of experts, three “pairs” of organisations: in each of the three categories previously defined, a high-performing and an average-performing social enterprise, both having existed for at least five years, were chosen.

In half of the cases (namely PWD Fed, Lamac MPC and Cordova MPC), the poor were also the owners of the enterprise.

The six SEPPS in the resulting sample (see Table 12.1) had been in existence for 15 to 38 years at the time of the study: PWD Fed was the youngest and Cordova MPC, the oldest. Their level of annual revenues in 2007–2008 ranged from PHP24 million (for Tahanan) to a little over PHP200 million (for Alter Trade).³ Table 12.2 shows the groups of poor targeted by the three pairs of social enterprises chosen.

The findings of the ISEA SEPPS Study clearly evidenced the nature of SEPPS as hybrid organisations, straddling the for-profit and non-profit sectors as well as the market and non-market spheres of the economy. As hybrid organisations, they provide a combination of market and non-market services to the poor whom they serve: transactional services and transformational services, which were already observed in the Philippine SEPPS Study (Dacanay 2012b; see explanation below), and a third category of services, which the ISEA SEPPS Study called social-inclusion services.

The results of the Philippine SEPPS Study highlighted two types of roles that the poor perform: transactional roles and transformational roles.

- Transactional roles are enterprise-related functions performed by the poor that involve an exchange of goods or services for money. This category includes the poor’s role as workers, suppliers, clients or owners.
- Transformational roles are functions performed by the poor as conscious agents of change, to lift themselves out of poverty and to participate in group efforts to improve the quality of life of their community, sector or society as a whole.

The results from the Philippine SEPPS Study also indicate that role changes over time were attributable to shifts in management orientation and to the provision of enabling services which, just like the roles, and as mentioned above, can be classified into transactional and transformational services.

Table 12.1 Matched pairs of SEPPS chosen for the study

<i>Way of engaging the poor</i>	<i>The poor as suppliers</i>	<i>The poor as workers</i>	<i>The poor as clients</i>
<i>Social and financial performance</i>			
High-performing SEs	Alter Trade Group (Alter Trade)	National Federation of Cooperatives of Persons with Disability (PWD Fed)	Lamac Multi-Purpose Cooperative (Lamac MPC)
Average-performing SEs	Upland Marketing Foundation Inc (Upland Marketing)	Tahanang Walang Hagdanan (Tahanan)	Cordova Multi-Purpose Cooperative (Cordova MPC)

Source: Dacanay (2012b)

Table 12.2 Groups of poor targeted by and scope of activity of the SEPPS in the sample

<i>Name of social enterprise</i>	<i>Description of the group(s) of poor targeted</i>	<i>Scope/Range</i>
Alter Trade	Sugar farmers having benefitted from the agrarian reform ¹ Backyard growers of bananas (naturally grown Balangon variety)	820 sugar farmers in one province (Negros Occidental) and 3,493 banana growers spread nationwide
Upland Marketing	Community-based producers of food: the majority are muscovado sugar producers and organic rice farmers	60 community-based enterprises with 3,000 poor producers as members/partners in upland, lowland and coastal communities nationwide
PWD Fed	Unemployed persons with disabilities (PWD) trained to manufacture school chairs	1,250 PWDs organised in 15 cooperatives nationwide
Tahanan	Unemployed persons with disabilities trained in metal craft, woodwork and needlecraft	273 PWD employees, workers, producers and students
Lamac MPC	In Lamac: upland farmers and livestock raisers; construction, domestic and migrant workers; and entrepreneurial poor In other areas: entrepreneurial poor	35,040 poor, representing 90% of 38,933 members in various provinces located in the Visayan region ²
Cordova MPC	Artisanal fishermen, handicraft makers, tricycle and trisikad drivers, workers and entrepreneurial poor	5,694 poor, representing 90% of 6,327 members spread in one municipality (Cordova) and in one city (Lapu-Lapu) in Cebu province ³

Source: Dacanay (2012b).

- 1 Former workers of large parcels of land, called *haciendas*, that used to be owned by sugar barons or landlords, and who, under the Comprehensive Agrarian Reform Programme of the government, were awarded part of the land they were tilling.
- 2 The other 10% of members are professionals and salaried employees, like teachers and government employees.
- 3 The other 10% of members are professionals and salaried employees, like teachers and government employees.

- Transactional services correspond to enterprise- or market-driven activities, such as providing loans, sharing new technologies or conducting trainings that are necessary for the poor to perform effectively and efficiently as workers, suppliers, clients and nominal owners.
- Transformational services are those linked to activities that empower the poor, such as leadership training and organisational development, asset build-up and provision of education and experiential learning opportunities, and aim to help the poor become conscious decision makers in their SEPPS and change agents for themselves, their communities, sector and society as a whole.

Transactional services may be fee-based (this is for example the case of loans) or non-fee-based (as for example training). Transformational services may be directed at individuals (like scholarships to finish high school and/or college) or at groups (for example, organising individuals into groups and providing leadership training).

The provision of the aforementioned transactional and transformational services by SEPPS was confirmed by the ISEA SEPPS Study. The main transactional services provided by SEPPS were financial services (59%), product development and marketing (53%) and provision of new appropriate technology (44%). Training, capacity building and skills development—which may encompass both transactional and transformational services, depending on the purpose—were the type of services most frequently encountered, with 69% of the SEPPS surveyed providing such services.

Group-directed transformational services related to organising and developing self-governing institutions for the poor, beyond the core organisation of the social enterprise, were provided by 38% of the SEPPS surveyed. Worth noting, among the community-based organisations developed by these SEPPS, was the fact that they involved the government and other institutions in setting up community-based water systems or health centres, or in building public infrastructure such as roads and electrification.

The same percentage of Philippine SEPPS (38%) involved the poor in their planning processes and provided for the poor's representation in the governance and management structures of their social enterprises. Interestingly, SEPPS providing for the poor's participation in their planning processes were to be found across all five types of SEPPS.

The third type of services that were highlighted by the ISEA SEPPS Study and were identified as an enhancement to the concept and nature of SEPPS were social-inclusion services. Social-inclusion services are non-fee-based social-welfare services that directly assist the poor and their families in a way that immediately meets their basic needs or permits them to immediately improve their quality of life. Basic social services

(especially education and health) and community services (e.g. community-based systems for water, health and sanitation, natural resource management and disaster risk reduction) were part of the main services provided to the poor by 38% of the SEPPS surveyed. They came in the form of benefits provided by the SEPPS to the poor and/or the families of the poor who were their workers, suppliers, clients and, in the case of cooperatives, their members, or as programmes in the communities where they reside.

4. Stakeholder Engagement Models

The Philippine SEPPS Study tracked and analysed the actual roles and role changes of the different groups of poor involved in the SEPPS over a period of 15 to 38 years (depending on the enterprises analysed).

The roles performed by the poor in the SEPPS and in their environment and the changes that these roles underwent over time—and which were made possible by transactional and transformational services—may be seen as indicative of how the poor are engaged as stakeholders in these enterprises. In other words, the various ways in which SEPPS engage the poor may be considered as indicative of their stakeholder engagement strategies.

An overall cross-case analysis of the SEPPS studied suggested the existence of three models of stakeholder engagement among the poor, each with a different impact: control, collaboration and empowerment (see Table 12.3). This typology builds on earlier studies on stakeholder engagement models, focusing on corporations, but which only conceived of two models—namely control and collaboration (Sloan 2009).

While the control model was noted as usual and acceptable among corporations (Sloan 2009), it was considered by the Philippine SEPPS Study as a form of mission drift among SEPPS. This was exemplified by the case of Tahanan at a point in its history when its business-minded managerial team hired persons with disability as passive beneficiaries, just to give them jobs. By so doing, Tahanan met the expectations of mainstream traders, who demanded the lowest price and the longest possible working hours to meet volume and quality requirements of products for export. After a period of crisis, during which it was forced to shut down, Tahanan recovered from this mission drift by capacitating selected persons with disabilities from among the rank-and-file staff to become supervisors and managers (individually directed transformational services) and by putting in place systems and task-related trainings for workers (transactional services), while simultaneously shifting its production to educational toys for schools and the Department of Education. All these changes enabled the enterprise to shift from a control model to a collaboration model.

The empowerment model of stakeholder involvement was considered by the Philippine SEPPS Study as distinct from the other two models

Table 12.3 Models of stakeholder engagement among SEPPS

<i>Dimension</i>	<i>Control model</i>	<i>Collaboration model</i>	<i>Empowerment model</i>
Focus of the enterprise	Purposive engagement with the poor to improve their quality of life	Purposive engagement with the poor to improve their quality of life	Purposive engagement with the poor to improve their quality of life
Managerial orientation towards the poor	Poor considered as passive beneficiaries	Poor considered as transactional partners	Poor considered as transformational partners
Key engagement processes	Monitoring, listening, telling	Collaborating, partnering, learning	Enabling, empowering
Nature of roles and capabilities developed among the poor	Passive workers, suppliers or clients	Proactive workers, suppliers or clients Partners in social enterprise and value chain management	Empowered workers, suppliers, clients and/or owners Organised partners in poverty reduction and community, sector and/or societal transformation
Nature of programmes/ services and structures/ delivery systems involving the poor	Limited to fee-based transactional services	Transactional services including capability building to ensure effective performance in transactional roles (fee-based and non-fee-based) Delivery system of transactional services integrated into operating systems	Dedicated programmes to enable effective performance in transactional and transformational roles Distinct delivery system for transformational services Distinct structures and systems set up to enable effective performance in transformational roles

(Continued)

Table 12.3 (Continued)

<i>Dimension</i>	<i>Control model</i>	<i>Collaboration model</i>	<i>Empowerment model</i>
Impact on the poor	Limited, with risk of fostering subservience and dependency and thus leading to hardening of social exclusion	Access to social and/or economic services leading to social inclusion Access dependent on continuing relationship with the social enterprise Increases in incomes may not be sufficient to overcome income poverty	Significant outcomes in overcoming capability deprivation and income poverty Outcomes derived from the relationship with the social enterprise and organised initiatives of the poor themselves
Case(s) illustrating the model	Tahanan (control model dominant during development stage)	Tahanan (during initiation and renewal stages) Upland Marketing Alter Trade (initiation stage for sugar farmers and banana growers; development stage for banana growers) Lamac MPC Cordova MPC	Alter Trade (development to renewal stage for sugar farmers; renewal stage for banana growers); PWD Fed (initiation, development and renewal stages)

Source: Dacanay (2012b)

and only observable among SEPPS. The empowerment model had the greatest qualitative impact in moving the poor out of income poverty and capability deprivation. This model was exemplified by the case of Alter Trade in its engagement with its sugar farmer partners beyond the initiation stage.

Prior to the intervention of Alter Trade, in 1987, assetless sugar workers were in slave-like conditions in big sugar estates, with no opportunity to go to school beyond the primary or elementary levels. As agrarian-reform beneficiaries (ARBs), they had just been awarded small tracts of land by the government, but the government had no capacity to provide the much-needed support services to most ARBs to make their lands productive, as confirmed by a 2007 government study that showed that only 3% of ARBs in the province had been able to access support services.

In this context, Alter Trade provided a comprehensive set of transactional services, including appropriate technology to allow the conversion to organic farming, affordable credit and an assured market operating according to the principles of fair trade. Alter Trade also provided sustained transformational services in the form of organisational capability building support, and developed ARB cooperatives and associations, intended to become not only capable suppliers of certified organic and fair trade sugar cane but also vehicles for promoting farm and income diversification, asset build-up and management, and community development planning and implementation. Moreover, Alter Trade facilitated the representation of these partner producers in the foundation's board of trustees and assisted in federating them, in 2009, into the Negros Organic Fair Trade Association (NOFTA).

NOFTA was a manifestation of a significant level of empowerment of the sugar farmers: it became an equal partner of Alter Trade in organising other ARBs and small producers to practice sustainable agriculture and fair trade. The eighteen sugar producer partner organisations in NOFTA had an aggregate membership of 820 farmers, representing about 1% of ARBs in the province. In 2008, these cooperatives and associations of producers were deemed to be at different stages of development: two had become "organisations practicing social entrepreneurship"; four had become "entrepreneurial farmers' organisations", and 12 had become "self-help groups". This assessment was based on a development indexing tool that defined three development stages on the basis of five elements, namely the entities' organisational cohesion and development, capacity to engage in the market, income diversification among members, contribution to community and sector development, and financial growth and sustainability.

An external impact study carried out in 2009 showed that 93.5% of sugar farmers lived below the poverty threshold before their partnership with Alter Trade; when the study was conducted, 32% of sugar

farmers were already above the poverty threshold, 13% were at the poverty threshold and 55% had moved from extreme poverty to food sufficiency. Another external impact study, using social return on investment, showed that every Philippine peso invested in sugar farmers' activities in the period from 2002 to 2007 generated a blended value of PHP13.

As for the collaboration model, it tends to have a larger scope in terms of providing the poor with access to services, jobs and markets, but less qualitative impact than the empowerment model in terms of holistically building their capability to improve their quality of life and overcome poverty.

The collaboration model was exemplified by Upland Marketing, which provided a comprehensive set of transactional services in the form of product development, marketing and financing to about 3,000 small producers of food, mostly agrarian-reform beneficiaries, indigenous peoples and fishers, spread across 60 community-based enterprises nationwide. A majority of the small producers who were organised into cooperatives were producers of organic rice and muscovado sugar. Upland Marketing mainly assisted these cooperatives in developing their production capacity to achieve the levels of quality and quantity required by mainstream supermarket outlets. Much of the impact attributable to Upland Marketing related to access to technologies and markets leading to increased incomes, consistent with Upland Marketing's mandate—namely to be the intermediary marketing arm of a group of non-governmental organisations, with a holistic strategy to serve upland, lowland and coastal communities.

Interestingly, it was also the collaboration model that Alter Trade exemplified in its long years of engagement with its partner banana producers, which resulted in their accessing technologies, markets and increased incomes. Recognising the gap between its intended and realised strategy in engaging their partner banana producers, Alter Trade decided, during the strategic planning process it implemented in 2008, to shift to the empowerment model.

As exemplified by the aforementioned stories of Tahanan, Alter Trade and Upland Marketing, overcoming a mission drift (by shifting away from the control model to the collaboration model) or shifting from the collaboration model to the empowerment model in order to achieve greater impact entailed the following:

- a change of managerial orientation towards the poor, with corresponding changes in engagement processes;
- providing transactional services to make the poor more effective in performing transactional roles, and offering individually directed transformational services to enable selected individuals to become leaders, supervisors and managers; and

- providing a combination of individually directed and group-directed transformational services—on top of transactional services—to enable the poor to become empowered decision makers and actors in their own development.

Elements of the empowerment model may be considered as part of the defining features of “socio-economic initiatives which belong neither to the traditional private for-profit sector nor to the public sector [but to a sector] which is often called the non-profit sector or the social economy” (Defourny 2001: 1). Cooperatives, mutual-type organisations and associations which have historically made up the social economy adhere to “a democratic decision-making process” involving members and based on the principle of “one member, one vote” (Defourny 2001: 7). This is carried over into social entrepreneurship literature, particularly by scholars of the social economy school. “Mutual social enterprises” have been characterised by social economy scholars as adhering to a democratic decision-making process (Spear *et al.* 2010). These scholars, as exemplified by Defourny and Nyssens (2008: 202), define social enterprises as not-for-profit private organisations that “rely on a collective dynamics, often involving various types of stakeholders in their governing bodies”.

While collective dynamics and representation of the poor as stakeholders in governing bodies can be noted in SEPPS, the distinctive feature of the empowerment model of stakeholder engagement is its giving primary importance to assisting the poor, who are coming from a state of capability deprivation (Sen 1999), in acquiring the knowledge, skills and confidence to become equal partners of the enabling stakeholders in the development process. Through transformational services delivered by the SEPPS, the poor go through a learning process of giving meaning to the democratic exercise of the “one person, one vote” principle and of collective self-governance to become such equal partners, as exemplified by NOFTA and its members in the Alter Trade case.

5. Institutionalisation Process of SEPPS in the Philippines

On February 16, 2012, social entrepreneurs and leaders of major national networks and resource institutions of social enterprises established the Poverty Reduction through Social Entrepreneurship (PRESENT 2015) Coalition. Since then, the PRESENT Coalition has been engaged in both legislative and executive lobbying efforts towards the recognition of SEPPS as partners of the government in poverty reduction and the institutionalisation of a Poverty Reduction through Social Entrepreneurship Programme.

The PRESENT Bill as proposed by the PRESENT Coalition (see Dacanay 2013: 273) indeed features a Programme that is focused on the development of strategic economic subsectors with potential for growth and

where poverty groups are concentrated. The poor are expected to benefit the most from subsector development and growth through their effective participation as workers, suppliers, clients and/or owners of social enterprises and as partners in economic and social development. Substantive poverty reduction is envisioned as an outcome.

The proposed law seeks to provide priority support and incentives to social enterprises with the poor as primary stakeholders in these strategic economic subsectors. Cognizant of the various legal forms that these organisations have taken—cooperatives; non-stock, non-profit corporations; stock for-profit corporations; or a combination of these forms—the proposed Act provides for the qualification of these organisations as social enterprises to avail of support services and incentives from the state.

The support programme includes:

- the provision of accessible non-collateralised loans to these social enterprises, guaranteed by a pool of funds set up for such purpose;
- the setting up of a comprehensive insurance system to reduce the vulnerability of these social enterprises to climate change and natural calamities;
- the provision of resources for comprehensive capacity development for these social enterprises, enablers of social enterprises and their partners among the poor;
- a proactive social enterprise market development programme, promoting the principles of fair trade;
- a research and development programme involving strategic economic subsectors, appropriate social enterprise technologies and innovations in democratising access to quality basic social services; and
- the mainstreaming of social entrepreneurship in the educational system at all levels to ensure strategic human resource development.

Incentives for social enterprises with the poor as primary stakeholders shall include:

- preferential treatment in government procurement, including coverage of their performance bonds;
- tax exemptions and tax breaks; and
- cash incentives equivalent to at least 25% of the minimum wage for social enterprises employing persons with disabilities.

As of October 30, 2018, the PRESENT Coalition had obtained the support of three of the 24 members of the Senate (Upper House) and nineteen of the 290 members of the House of Representatives (Lower House) as principal and co-authors of various versions of the PRESENT Bill (Philippine Senate and Philippine House of Representatives 2018). The

Coalition has a long way to go in negotiating the provisions of a responsive legislative measure that is acceptable by a majority of both houses of Congress: some of the most controversial bills passed by the Congress have taken more than 10 years of lobbying efforts. 2017 is the fifth year since the first PRESENT Bill was filed. A welcome development has been the inclusion of the PRESENT Bill as a priority legislative measure in the Philippine Development Plan 2017–2022, designed by the National Economic and Development Authority (National Economic and Development Authority 2017: 134).

In response to Typhoon Haiyan in 2013, one of the strongest typhoons that hit the Philippines, members of the PRESENT Coalition and other stakeholders of the social enterprise sector came together to set up, in March 2014, a platform called Reconstruction Initiative through Social Enterprise (RISE) (ISEA—Institute for Social Entrepreneurship in Asia 2014). RISE was envisioned as a multi-stakeholder effort to build back better local economies through social enterprise development. One of the main strategies to be pursued was social entrepreneurship oriented subsector development, similar to what has been envisioned in the PRESENT Bill. With the support of Oxfam, ISEA undertook another action research process, which resulted in the “Five-Year Strategic Development and Investment Plans” for three strategic subsectors in Eastern Samar, one of the poorest of the Haiyan-devastated provinces. These three economic subsectors were the seaweed, native chicken and naturally grown rice subsectors, in which a significant number of poor farmer and fisher households are active. The Five-Year Strategic Development and Investment Plans were designed based on the results of action research carried out by ISEA in partnership with two of its members in the Philippines.

The Five-Year Development and Investment Plan for the Seaweed Subsector (ISEA—Institute for Social Entrepreneurship in Asia 2015a), for example, envisions increasing the number of seaweed producers from 837 to 2,037, and increasing the productivity and annual income of these farmers to PHP110,000—which would represent a 60% increase on current levels of income and would push these households above what is officially considered as the income poverty threshold. Based on this plan, the target outreach of 2,037 seaweed producer-households would entail an investment of PHP27,000 per household over a five-year period. Even though the estimated investment still needs to be refined, it is way below the 2013 government cost estimate for creating one job in labour-intensive industries (by way of comparison, the National Economic Development Authority estimates that creating one job in agribusiness would cost PHP220,000). What this indicates is the potential of the Poverty Reduction through Social Entrepreneurship Programme to achieve a reduction of income poverty among poor households in a particularly effective and efficient way.

The PRESENT Coalition and its efforts to institutionalise SEPPS may be appreciated as a response to the Philippine development paradox: indeed, the situation in the country is characterised simultaneously by worsening inequality and widespread poverty, on the one hand, and economic growth, on the other.

To illustrate this development paradox, one could review the Philippines' performance in meeting the Millennium Development Goals of cutting by half the incidence of extreme poverty and hunger by 2015. According to the Philippines 5th Progress Report on the Millennium Development Goals (United Nations Development Programme 2014), the country's progress in reducing poverty has been slow. The Philippine Statistics Authority (2016) put poverty incidence among Filipinos in the first semester of 2015 at 26.3%, a far cry from the target of 17.2% by 2015. The 5th Progress Report highlighted that the high economic growth in the years preceding the report (the growth of 7.3% registered in 2010 was the highest in over 30 years) had the characteristic of "jobless growth", going hand in hand with rising inequalities, especially in rural areas. It is interesting to study who is really benefiting from such growth. During the 2013–2014 period, poverty incidence during the first semester was recorded by the Philippine Statistics Authority (2015) as increasing from 24.6% to 25.8%. During the same period, Forbes Magazine reported an increase in the net worth of the 50 richest families, from 14% to 26% of the Gross Domestic Product (Diola 2015). This shows that the growth in GDP disproportionately benefited the 50 richest families, who increased their net worth as a percentage of GDP by 12%, while 1.2% of the total population, or about 1.2 million people, joined the ranks of the poor.

Overall, the National Statistical Coordination Board estimated that, in 2012, the bottom 20% of the population accounted, in terms of income, for only 6% of the total national income, while the upper 20% accounted for nearly 50% of the total national income (Torres 2013).

The development paradox is a driver fuelling the growth and institutionalisation of SEPPS in the Philippines. The institutionalisation of these initiatives, as responses to the failure of state and market institutions to meet the needs of the poor, should necessarily entail innovations that would engage state and market institutions in a process of transformation. Under such circumstances, the lobbying for the PRESENT Law and efforts to demonstrate the potential of the PRESENT Programme appear to be critical to the institutionalisation process.

Concluding Remarks: Dual Role of SEPPS in Building a Plural Philippine Economy

SEPPS are a significant model of social enterprise in response to rising inequality and widespread poverty in a context of economic growth in the Philippines. SEPPS operating under the collaboration model engage

the poor mainly as transactional partners, ensuring the poor's social inclusion in the Philippine economy. Other SEPPS, particularly those that pursue the empowerment model of stakeholder engagement, involve the poor as transactional and transformational partners, enabling them to move out of income poverty and capability deprivation to become key actors in Philippine economic development.

The institutionalisation process of SEPPS in the Philippines has been a bottom-up process, catalysed by a group of SEPPS practitioners and supporters organised in the Poverty Reduction through Social Entrepreneurship (PRESENT 2015) Coalition. This institutionalisation process is characterised, on the one hand, by policy advocacy and development, directed at the legislative and executive branches of government, and aiming to bring these institutions to enact a law and put in place a programme to recognise and support SEPPS. On the other hand, it is characterised by a complementary process of developing platforms for cooperation, with a view to demonstrating how the National PRESENT Programme, as envisioned by the proposed law, could help support and scale up the impact of social enterprises as vehicles for poverty reduction.

The institutionalisation of SEPPS as a dynamic process of transformation of state and market institutions may be further appreciated as a process of building a plural Philippine economy, wherein market principles operate side by side with the principles of redistribution and reciprocity (Laville 2010). Considering their nature as responses to state and market failures and their being hybrid organisations pursuing change in markets and the economy, SEPPS may be seen as playing a dual role. On one hand, SEPPS may be appreciated as leading actors in building a strong social economy, guided by the principles of reciprocity and redistribution. On the other hand, SEPPS may be appreciated as catalysing the process of giving value to social and environmental costs and returns and providing benchmarks for the pursuit of inclusive and ethical markets.

Notes

- 1 This was cited by microfinance institutions in the Philippines that utilise the Progress out of Poverty Index (PPI) as a tool in their respective organisations.
- 2 Agrarian-reform beneficiaries (ARBs) are beneficiaries of the Comprehensive Agrarian Reform Law (CARL), which distributed land to landless farmers and agricultural workers.
- 3 The Philippine peso (PHP) is the country's official currency. In 2007, one US dollar (US\$1) was equivalent to PHP46.15. In the period from 2007 to 2012, the exchange rate of 1 US dollar (US\$1) ranged from PHP43.28 to PHP47.64.

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13 Dependent Interdependence

Government/Non-Profit Relationship in Human Services in China

Yuanfeng Zhang

Introduction

According to Defourny and Nyssens (2016), who classify social enterprises (hereafter referred to as “SE”) into four major models, namely the entrepreneurial non-profit (ENP) model, the social cooperative (SC) model, the social business (SB) model and the public-sector social enterprise (PSE) model, entrepreneurial non-profit organisations can be viewed as a certain type of social enterprise. However, both concepts of “non-profit organisation”¹ and “social enterprise” are quite new in China.

In China, the dissemination of the concept of non-profit organisation started in the 1990s, though associations and foundations had re-emerged in the late 1970s and early 1980s already. As for the concept of social enterprise, it was imported in China at the beginning of the 21st century. Two passionate books about social enterprise—*Banker to the Poor*, by Muhammad Yunus, and *How to Change the World: Social Entrepreneurs and the Power of New Ideas*, by David Bornstein, both published in Chinese in 2006—greatly increased the awareness of the concept of “social enterprise” in the country. In 2011, the government of Beijing City mentioned “social enterprise” in a policy document: this might be the first time this concept was used by the Chinese government. In 2015, the China Charity Fair (CCF) in Shenzhen initiated a certification programme for social enterprises. Basically, the CCF defines social enterprises as businesses or non-profit organisations which are operated according to commercial principles, are characterised by social innovation and aim to provide sustainable solutions to social problems.² In recent years, as the concept spread, more and more non-profit organisations, welfare enterprises, cooperatives, community development organisations and businesses have started claiming to be social enterprises.

Overall, the concept of non-profit organisation is relatively better established than that of social enterprise, for which a common definition and supporting public policies are still lacking.

With the rapid growth of non-profit organisations in China in the past four decades, government/non-profits relationships have become

an important subject of research in the field of state/society relations. Some observers try to interpret the government/non-profits relationships in China within the theoretical paradigm of civil society and corporatism (Fisher *et al.* 2012), but some other researchers, especially Chinese scholars, try to throw off the shackles of this civil society/corporatism framework and develop new theories, such as those of “dependent autonomy” (Lu 2009) and “administrative absorption of society” (Kang and Han 2007) to explain the rise of non-profit organisations in China since the reform and opening up in 1978.

But although these theories may be highly useful to interpret the relationship between the Chinese government and associations (i.e. member-serving NPOs), they are not so helpful when it comes to understanding the relationship between the Chinese government and service-providing NPOs, because whereas the former relation is more about the structure of the political system, the latter is rather about the arrangement of the provision of public services. As the non-profit sector increasingly becomes, in modern welfare states, a partner of the government in the provision of public services, a new governance paradigm of public/private partnership has come into being. For example, in the US, most human services are delivered by non-profit organisations with financial support from the government (Salamon 2002).

In China, the participation of NPOs in the provision of human services has broken the monopoly of public institutions, just like the rise of private enterprises has changed the monopoly position of state-owned enterprises (SOEs). But the non-profit sector is not strong enough to be an equal partner of the Chinese government in the field of human services. We thus put forward the concept of “dependent interdependence” to describe the current relationship between the government and service-oriented NPOs in China. This relationship is indeed asymmetric, as the non-profit sector is in its infant stage and the Chinese government holds the whip hand. Thus, the questions are: How does this dependent interdependence relationship come into being in human services? What tools has the Chinese government used to manage this relationship and what are the responses of non-profits? What are the key characteristics of this relationship? And in what direction will this relationship be moving in the future?

In this chapter, we examine these government/non-profits relations in human services in China. Section 1 provides a brief historical review of the government/non-profits relations in China. Section 2 presents a broad overview of the definition and classification of Chinese non-profit organisations, calling attention to the diverse types of institutions that belong to this sector. Section 3 then examines NPOs involved in the provision of human services and their relations with the Chinese government, highlighting the fairly dramatic shifts that have occurred as the state seeks to adjust to the significant contributions that NPOs are making, while

struggling to retain a degree of control over them. Section 4 then analyses the government/non-profits relationship through the lens of the “tools approach”, noting the variety of tools through which government now connects to the non-profit sector. Finally, we summarise the key characteristics of this “dependent interdependence” in government/non-profits relationships. A conclusion then pulls these observations together and ventures some projections on the future course of government/non-profits relations in China.

1. A Historical Review of Government/Non-Profits Relations in China

As a social origin of the non-profit sector, private philanthropy has existed in China for thousands of years. Deeply ingrained in Confucianism, Buddhism, Daoism and other ancient Chinese classical thoughts, its main concerns have been in rescuing infants, helping the elderly, promoting education, providing medical help and offering funeral assistance. Following the penetration of China through military conquest, Christian influences entered the country in the mid-19th century. In order to attract Chinese people to Christianity, Christian churches set up hospitals, schools, orphanages and soup kitchens. The involvement of Western institutions and their influence in China were extremely controversial at the beginning, but they gradually became accepted by both the government and the social elites, who created Chinese domestic charitable organisations, following the Western model, in the late 19th and early 20th centuries (Zhou and Zeng 2006: 343).

Since the People’s Republic of China was founded in 1949, government-run public institutions (*shiyè danwèi*) have been set up to provide public services, just like state-owned enterprises (SOEs) have been created to produce goods. Between 1949 and 1978, private organisations were prohibited; during the Cultural Revolution era (1966–1976), even some of the public institutions ceased operation. Since 1978, when China put an end to the ten-year turmoil of the Cultural Revolution and initiated a new period of reform and opening up, the recovery and development of the non-profit sector have made up part of the huge gap between the demand for and the supply of human services.

The Chinese government faces a dilemma regarding how much constraint to impose on and how much autonomy to allow the non-profit sector. On the one hand, the government believes that the resources brought in and the services provided by the non-profit sector will help the government improve its legitimacy. On the other hand, the government remains on alert to avoid political risks such as those associated with the Tiananmen student movement of the late 1980s or the “colour revolutions” that took place in several societies in the early 2000s (Ma 2006: 47).

The development of the Chinese non-profit sector has experienced ups and downs, due to the fluctuation of the political atmosphere since 1978, but by and large, the attitude of the Chinese government toward private non-profit organisations has undergone a major evolution, from distrust to relative trust, from restriction to encouragement, and from exclusion to cooperation. Though it continues to dominate society, the Chinese government has increasingly recognised the positive roles that NPOs can play in human services and philanthropic undertakings. Through a series of incremental steps, the government has gradually opened the door to the official recognition of NPOs, lifted the tight oversight they were under, and begun to offer tangible support, especially to NPOs providing human services.

2. An Overview of the Non-Profit Sector in China

During the past four decades, the non-profit sector has been growing rapidly, though its contribution to employment and economic growth does not exceed 1%, which is very limited compared with developed countries. In this part, we will discuss the definition and classification of non-profit organisations in China, then move on to the scale of the non-profit sector and the fields of activities of NPOs in the country.

2.1. Definition and Classification of NPOs in China

China's NPOs do not quite fit the definition of such organisations provided in the *United Nations Handbook on Nonprofit Institutions (UN NPI Handbook)*. True, they are organisations. But they are hardly fully private, since many of them are affiliated with state institutions. It is claimed that they are non-profit-distributing, but some of them do not strictly comply with this rule. Moreover, they are hardly fully self-governing and fully non-compulsory. Indeed, Chinese non-profits occupy an ambiguous grey zone between governmental and truly private institutions, blending elements of government control and institutional autonomy.

The classification of NPOs reflects this ambiguity of definition. In the broadest sense, China's NPOs could basically be classified into three categories, according to whether they are legally registered, unregistered, or registration-exempt. At the same time, depending on their relationship with the government, they could be classified into government-organised NGOs (GONGOs) and grassroots NPOs (see Table 13.1). GONGOs are built and funded by the government, and their staff are often on the government payroll. Grassroots NPOs are created by citizens, receive little in terms of government subsidies and are staffed by private employees.

The classification into GONGOs and grassroots NPOs may be helpful for westerners to understand non-profits in China, but it does not match the classification used by the Chinese government, which makes

Table 13.1 Classification of NPOs in China

Registration status Degree of government control	Registered	Unregistered/Exempt
High	Registered GONGOs	Unregistered/Exempt GONGOs
Low	Registered grassroots NPOs	Unregistered grassroots NPOs

it difficult to use in portraying the sector statistically. Therefore, we will discuss NPOs using the classification based on their registration status.

Registered NPOs are those NPOs registered with the Ministry of Civil Affairs (MCA) and the Department of Civil Affairs offices at lower levels of government. Registered NPOs include three categories: social associations (*shehui tuanti*), civilian-run non-enterprise units (*minban feiqiye danwei*) and foundations. Social associations are close to *member-serving organisations*, while civilian-run non-enterprise units (CNEUs) are close to *service-providing organisations*.

Unregistered NPOs refer to those that are not registered with the administrations of Civil Affairs. The registration status of NPOs is partly related to the dual government management system in China. Under this system, every registered NPO must come under the control of two state entities, i.e. a registration administration and a professional management unit. Administrations of Civil Affairs are in charge of the registration and supervision of NPOs. Professional management units, which are government agencies or government-authorized agencies, are responsible for providing professional guidance to NPOs. Some unregistered NPOs are secondary organisations affiliated to government agencies or public institutions, such as student associations in colleges. Some NPOs remain unregistered because it is difficult for them to find qualified agencies that agree to be their professional management unit. In addition to this, many grassroots non-profit organisations remain unregistered simply because they are very small and do not want to bother with registration.

The dual management system has been partly terminated since 2013: four specific categories of NPOs (namely trade associations and chambers of commerce; philanthropic organisations; scientific and technological organisations; and community-based service-providing organisations) can now apply for registration directly with the administration of Civil Affairs, without the approval of a professional management unit. However, the dual management system still applies to the NPOs that were registered before 2013 as well as to NPOs that do not belong to one of the four abovementioned categories. Based on the Law on Administration of Activities of Overseas Nongovernmental Organisations in Mainland

China, enacted in 2016, a new dual management system has been set up for overseas NPOs operating in mainland China, which are required to register with the Administrations of Public Security and accept guidance of the professional management units.

Beside registered and unregistered non-profit organisations, there is a special type of organisation that enjoys *registration-exempt* status. These organisations are called *mass organisations*; they were established by the Communist Party and the government.³ There is considerable debate over whether these registration-exempt GONGOs should be included in the non-profit sector, because they are closely intertwined with the party and government system.

2.2. Scale of the Non-Profit Sector and Fields of Activities of Registered NPOs

Though the rise of non-profits started in 1978, the government administration system in charge of the registration and regulation of NPOs was only set up in 1987. The MCA thus started to publish statistics about NPOs in 1988 (see Figure 13.1). As of the end of 2016, there were some 662,000 registered NPOs in China in total, of which 329,000 were social associations, 329,000 were civilian-run non-enterprise units (CNEUs) and 4,787 were foundations.

As shown in Figure 13.1, the number of registered NPOs has kept growing since 1988, though it had experienced a short downturn in the late 1990s due to the administrative “rectification campaign” that was conducted between 1997 and 1999 and during which organisations found

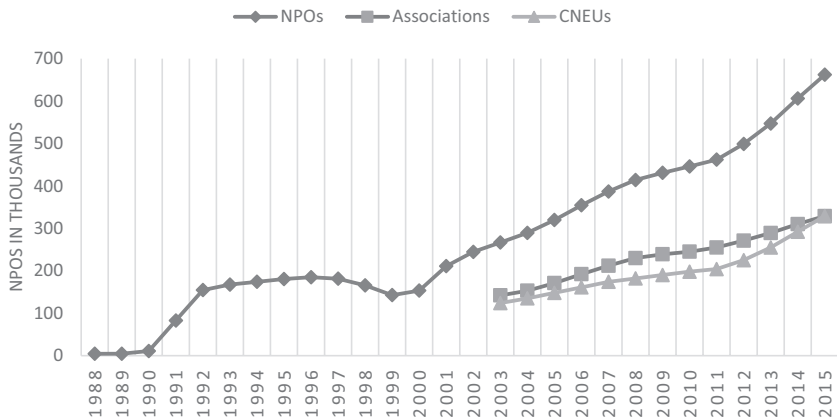


Figure 13.1 Registered non-profit organisations in China, 1988–2015 (in thousands)

Sources: Ministry of Civil Affairs of China (2013: 5, 2014, 2015, 2016).

to have acted contrary to government policy were summarily suspended or terminated. This rectification campaign was accompanied by the issuance, in 1998, of two important regulations on NPOs: the Amendment of Regulations on the Registration and Management of Social Associations (*shetuan dengji guanli tiaoli*) and the Provisional Regulations on the Registration and Management of Civilian-run Non-Enterprise Units (*minban feiqiye danwei dengji guanli zanxing tiaoli*). The current three-category statistical system of NPOs was set up when foundations started to be counted as an independent category, after the Regulations on Administration of Foundations (*jijinhui guanli tiaoli*) was passed in 2004. As Figure 13.1 shows, the number of CNEUs has kept growing faster than that of associations in recent years and caught up with that of associations in 2015. However, the majority of registered NPOs are small-sized, and a percentage of them are “sleeping”, i.e. they are not running regular programmes.

In order to shed further light on the composition of the Chinese non-profit sector, the MCA developed a new statistical classification system, which was implemented in 2007.⁴ The system provides statistics by categories about associations and civilian-run non-enterprise units respectively. As Figure 13.2 shows, most CNEUs participate in providing

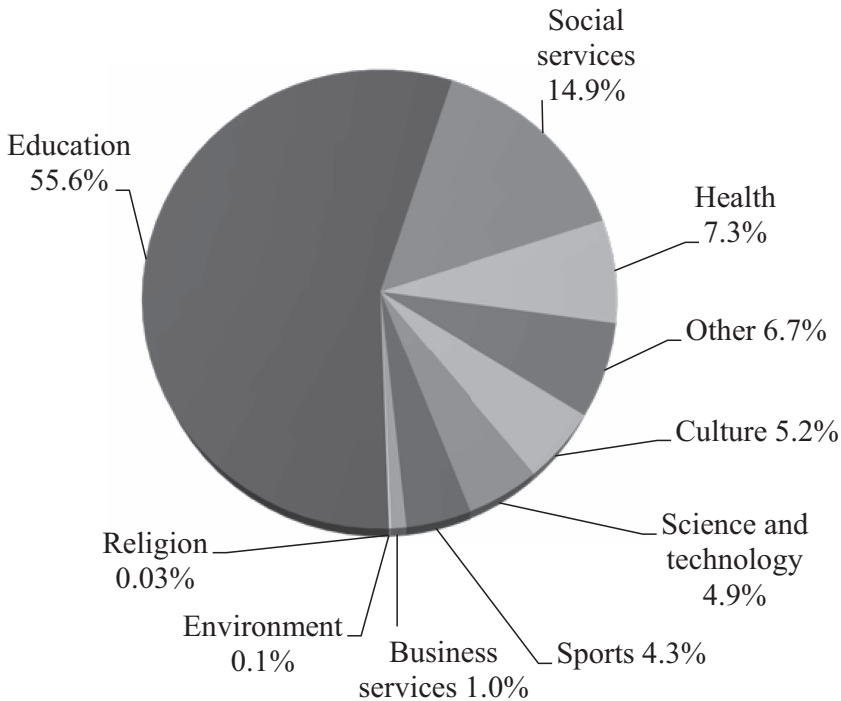


Figure 13.2 Civilian-run non-enterprise units in China by field of activity (2015)
Source: Ministry of Civil Affairs of China (2015).

services in the fields of technology, education, health, social services, culture and sports. The top focus of CNEUs is education, which accounts for more than half of the units, followed by social services and health care, which respectively account for 14.9% and 7.3%. In this classification system, social-service NPOs are defined as non-profit organisations providing services in social welfare, disaster rescue and relief, social security and social affairs.

As far as social associations are concerned, the top three fields of activities in China are agriculture, social services and business services, as shown in Figure 13.3. Social associations in the field of agriculture are mainly farmers' organisations, such as fruit and vegetable growers' associations. Social services is again the second major field of activity, with a percentage similar to that of CNEUs for the same field. Business service associations are NPOs which provide professional services such as consulting services and accounting services.

Foundations in China are grouped into *public foundations*, which can solicit donations from the public, and *non-public foundations*, which cannot solicit donations from the public. Non-public foundations have been growing rapidly as the expanding economy leads to the emergence of wealthy citizens who choose to use their wealth for philanthropic purposes. By the end of 2015, there were 4,784 foundations registered in



Figure 13.3 Social associations in China by field of activity (2015)

Source: Ministry of Civil Affairs of China (2015).

China—1,548 public foundations, 3,198 non-public foundations and 38 foreign foundations.

Overall, the number of non-profit organisations has kept increasing in China since 1978. Human services have become a major focus of all three categories of NPOs. According to statistics issued by the central government, 66% of the kindergartens, nearly 30% of colleges and 16% of hospitals are registered as CNEUs. In 2015, the whole non-profit sector hired 7.3 million full-time employees, which is nearly a quarter of the number of employees in public institutions. In addition, the Chinese government claims, in its recent policies, that it will depend more on and provide more support to NPOs delivering human services.

3. NPOs Engaged in the Delivery of Human Services

As mentioned above, before non-profit organisations became involved in the provision of human services, these services had been provided in China in a monopolistic way by public institutions affiliated with government agencies and by mass organisations. This system began to experience more constraints after 1978 (Saich 2008). Dozens of millions of people were left without social protection. According to the National Statistics Bureau of China, the groups in need include about 80 million people in extremely strained economic circumstances; nearly 200 million senior citizens, aged 60 and above; about 150 million migrant workers and their dozens of millions of left-behind dependents; about 80 million persons with disabilities; about two million vagrant juveniles; about half a million orphans; nearly one and a half million drug abusers; close to one million AIDS patients—and the list can be extended. Even with the assistance of mass organisations, the Chinese government could not meet the needs of all these population groups.

Most NPOs active in the area of human services cooperate with the government and mass organisations in the delivery of services. To make sense of the respective roles of the government and the non-profit sector in the various fields of human services, we examine, in the following sections, five major subfields in some more detail: education of children, services for the elderly, medical assistance, services for migrant workers and services for persons with disabilities.

3.1. NPOs Engaged in the Education of Children

Chinese people have a long tradition of valuing children and their education. So, when NPOs began to be involved in human services, their first breakthrough was in the field of assistance to the education of children, especially in rural areas. Although it is unknown exactly how many NPOs are involved in education promotion in rural areas, what is certain is that, together, these organisations have a great potential to fill in the service gaps left by the government and the market.

The most influential programmes in this field are run by NPOs with a strong governmental background. The most well-known example is Project Hope, initiated in 1989 by China Youth Development Foundation (CYDF), which in turn had been created by a former official of the Central Committee of the Communist Youth League. As of 2013, Project Hope had built 18,335 Hope Primary Schools. Another example is that of the Chinese Youth Volunteers Association (CYVA), which is affiliated with the Communist Youth League; CYVA runs a long-term volunteer teaching programme whose costs are covered by the Communist Youth League.

Beside these GONGOS, grassroots and international NPOs are also active in providing support to disadvantaged rural children. For example, with the financial support of the Narada Foundation (*nandu gongyi jijinhui*), the New Citizen Programme (NCP) provides services for migrant workers' children. Zhou (2012) identified 464 NPOs working for the promotion of compulsory education in rural areas of China. The biggest category among these NPOs was that of grassroots organisations (37.5%), followed by organisations with governmental background (16.4%), university background (15.5%) and corporate background (12.9%). International non-governmental organisations (INGOs), such as Save the Children, Action Aid International or World Vision, are also actively involved in promoting rural education in China.

3.2. NPOs Involved in Services for the Elderly

The rapid aging of the population and the lack of public support for frail elders open up new opportunities for NPOs in China. Indeed, the government-run welfare senior homes cannot satisfy the diversified demands. And notwithstanding the cherished value of filial piety, Chinese families are finding it harder than in the past to care for infirm parents: for one thing, families are now smaller, due to the family planning policy, and for another, the increasing level of female participation in the workforce is also weakening families' parental care capabilities.

Most NPOs providing services for the elderly are located in cities. Using tax exemptions and preferential utility charges as inducements, the government encourages NPOs to meet the shortfall in elderly services. A research on 137 non-state elderly care homes in Guangzhou, Tianjin and Shanghai found that 81.5% were registered as civilian-run non-enterprise units, 11.1% were registered as business enterprises and the remaining 7.4% had other types of registration (Wong and Tang 2006).

3.3. NPOs Providing Medical Assistance

Social assistance is part of the social security system which the Chinese government has been building since the mid-1980s. The current social

security system includes social insurance, social assistance and social welfare programmes. social insurance and social welfare programmes are run by the Chinese government,⁵ while NPOs are active in social assistance programmes, which include medical assistance, education assistance, housing assistance and legal assistance.

The field of medical assistance offers a good illustration of the way in which NPOs are involved in social assistance programmes. Indeed, beside government-run organisations, such as the Red Cross and China Charity Federation, more and more private NPOs, especially private foundations, are involved in medical assistance. Most of these foundations adopt one of two typical models: the “action-alone model”, or the “collaboration model”. In the first model, foundations raise money from donors and distribute this money directly to patients from poor families. The Care for Patients with Serious Disease Foundation (*dabing guan'ai yibai jijin*), for example, provides financial aid directly to the beneficiaries. In the second model, the foundations cooperate with public and private medical institutions to provide medical services. For instance, the Angel Family of Funds, created by individuals and managed by the Red Cross, raises money and then buys and donates medical equipment and medicines to designated hospitals and other medical institutions, which provide free medical services to poor children who suffer specific diseases.

3.4. NPOs Serving the Migrant Workers

During the past four decades, which were characterised by rapid industrialisation and urbanisation, 1% of the Chinese population moved from villages to cities each year. Compared with urban residents, migrant farmers find it difficult to gain access to employment, housing, basic health care, education for their children and other public services, due to China's household registration system (*hukou*)⁶ and the entrenched rural-urban divide (Ngok 2012). Thus, NPOs working in China's cities have become a source of support for the migrant workers.

There were 5.4 million migrant workers in Beijing and 4.67 million in Shanghai in 2007 (Hsu 2012). Research found different models of NPO developing in Beijing and Shanghai. In the case of Shanghai, university students and the original residents have a much more significant role in the development of NPOs; these organisations are mainly local community development groups, which work with migrant workers to ensure their gradual integration into the city and to improve the community as a whole. By contrast, NPOs in Beijing are often established by migrant individuals themselves. For example, Home for Migrant Women (*dagongmei zhijia*), which aims to facilitate the empowerment of women migrant workers, was created by a migrant woman in 1996.

3.5. NPOs Serving Persons With Disabilities

In the area of human services for persons with disabilities, NPOs play a complementary role, while a mass organisation, the Federation of Persons with Disabilities (FPD), plays the dominant role. A branch of FPD in Wuhan City, for example, manages a comprehensive network, with 152 sub-branches at sub-district (*jiedao*) level and 3,193 centres in communities. This network provides day care, rehabilitation training, job training and recreation services for persons with disabilities in its jurisdiction. Grassroots NPOs in this field are also concentrated in cities; the Stars and Rain Institute for Autism, in Beijing, and the Qingqingcao Rehabilitation & Education for Brain Paralysis, in Baoji City (Shanxi Province), are illustrative examples in this regard.

In general, NPOs have been gaining more institutional space in the field of human services because the demands are so huge that it has become clear that the Chinese government would not be able to meet the challenge alone. Cooperation with government and mass organisations is a practical choice for most of the NPOs to obtain legitimacy and gain access to clients and resources. A new phenomenon that is currently being observed in China is that the influence of the non-profit sector on public policy is increasing. A well-known example hereof is the fact that in 2011, the central government launched the Nutrition Improvement Plan for Rural Students in the Compulsory Education Stage, which covers 26 million students in 680 counties, nine months after a non-profit organisation had initiated the Free Lunch Programme for students from low-income families in underdeveloped rural areas.

In the next section, we will examine the tools used by the Chinese government to manage its relations with NPOs.

4. Tools of Action in Government/Non-Profits Relations

As defined by Salamon (2002), a government tool, or a tool of public action, is “an identifiable method through which collective action is structured to address a public problem”. The Chinese government uses tax preferences, subsidies, purchase-of-service contracts, land use and interest subsidies to provide support to NPOs. However, government support is limited, and does not cover the majority of non-profit organisations. According to a survey of civilian-run non-enterprise units carried out in 2011 by the Development Studies Centre of the State Council, only 43.6% of respondents reported that they had ever enjoyed a tax preference. Access to other government tools is even more limited, as shown in Figure 13.4. We will discuss these government tools one by one.

4.1. Tax Preferences

Tax preferences include tax preferences for both NPOs and donors. Tax preferences for NPOs cover income tax, value-added tax, customs duties,

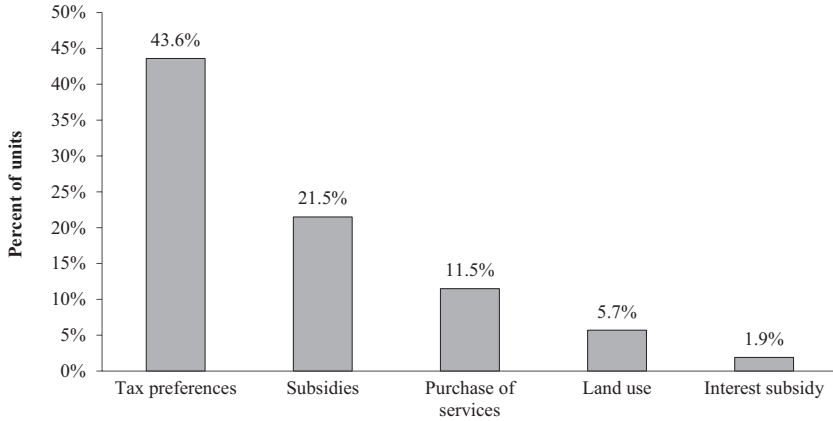


Figure 13.4 Percentage of CNEUs reporting access to various government tools
Source: Development Studies Centre of the State Council (2011: 10).

etc. Tax preferences for donors mainly take the form of income tax deductions. In general, the tax-bearing ratio of NPOs in China is much lower than that of businesses, but higher than that of government-run public institutions in the same fields.

The majority of laws and regulations related to tax preferences have been issued since 2007, which constitutes a watershed in the development of NPO tax preference policies in China. Under these laws:

- the income of qualified non-profit organisations is exempt from taxation;
- charitable donations made by an enterprise are allowed to be deducted up to 12% of its total annual profits;
- individual contributions donated to educational and other public welfare undertakings may be deducted from a taxpayer's taxable income up to 30% of the taxable income;
- companies, other enterprises and individuals having donated assets to public welfare undertakings can enjoy preferential treatment concerning enterprise or personal income tax; and
- various types of services, such as nursing services, medical services, educational services and admission fees for cultural events are exempt from business tax.

However, tax preference policies have not been carried out efficiently and effectively because of the fragmentation of policies, the lack of coordination among administrations, and the complicated procedures for claiming tax reductions. The qualification of the income eligible for

tax preferences must be approved by the administrations of Finance, Tax and Civil Affairs. Due to the lack of clear and convenient procedures, few donors really apply for and enjoy income tax deductions for donations. Similarly, the criteria for non-profits to qualify for tax exemptions are so convoluted that few organisations can actually take advantage of them.

4.2. *Government Purchase-of-Service Contracts (POS)*

Local governments started purchasing services from NPOs in the mid-1990s. The first case was registered in Shanghai in 1995. But despite the implementation of pilot programmes in this field, human services were not included under the Government Procurement Law as eligible for purchase-for-service arrangements until 2013, when the General Office of the State Council issued a set of guidelines allowing such service contracting with the social sector.

Although purchase-of-service contracting seems a promising government tool in the field of human services, it remains quite marginal in government procurement programmes in China. The main sources of funding are fragmented financial funds for special purposes, venture philanthropy, and public welfare funds of welfare lotteries, rather than the mainstream public finance budget system. Most purchase-of-service cases are not based on a competitive purchase process because, in many fields, there are not enough qualified competitors yet (Huang 2013: 153). In some cities, local branches of mass organisations such as the Youth League and the Federation of Persons with Disabilities are delegated by the local governments to purchase human services in the specific field in which the mass organisation dominates.

4.3. *Subsidies and Vouchers*

Subsidies currently constitute a popular government tool in fields such as elderly services, education and job training. For example, many cities provide RMB 100–500 per bed monthly to private non-profit senior homes. Recently, subsidies have also been granted for the construction of senior homes. Deng (2010) estimated that government subsidies accounted for nearly 10% of the total revenues of all non-profit organisations. The sources of revenues of social associations include membership dues, government subsidies and charitable donations (which respectively represent 60%, 20% and 20% of these revenues). Civilian-run non-enterprise units get more than 90% of their revenues from service fees, while government subsidies contribute only 3% to their revenues (Huang 2013). Foundations raise 90% of their revenues from donations, while government subsidies account for the remaining 10% (China Foundation Centre 2014).

The subsidies granted by the Chinese government to NPOs have two specific features: First, the Chinese government grants more subsidies to associations (which, as mentioned above, are in general rather member-serving organisations) than to (usually service-providing) civilian-run non-enterprise units—unlike what is the case in most developed countries, where the largest share of the government’s financial support is provided to service-oriented organisations. Secondly, the more “government background” a non-profit organisation has, the more subsidies it gets. For example, because public foundations in general have stronger government background than private foundations, 70 to 80% of government subsidies to foundations flow into the public foundations, according to the China Foundation Centre.

In some areas, vouchers have become a new alternative to subsidies. The local governments give vouchers to entitled beneficiaries, who then use the vouchers to pay service providers designated by the governments, and the providers are reimbursed by the governments. Such a voucher system was for example used for allocating compulsory schooling resources in the Changxing County of Zhejiang Province and Tongling City of Anhui Province. In a district in Beijing, the local government provides different subsidies in the form of vouchers to residents aged 60 and above.

4.4. Other Government Tools

Beside the government tools discussed above, the other tools used by the Chinese government include land use rights, venture philanthropy and non-profit incubators.

Land use rights is a special government tool based on the public land ownership system. In China, urban land is state-owned, while rural land is collectively owned by villages. City governments can thus provide land for free or at low cost for NPOs to build facilities. Some private colleges, schools, hospitals and senior homes enjoy land use rights granted by local governments.

Venture philanthropy is a new tool that has been gaining visibility recently. It borrows concepts and techniques from venture-capital finance and business management and applies them to achieving philanthropic goals. Though most commonly used by foundations and businesses, since 2010, venture philanthropy has been picked up by local governments. Typically, the local governments sponsor venture philanthropy competitions, the winners of which are awarded an amount of money to start their innovative programmes (Huang 2013: 161).

NPO incubators can almost be considered as a “fashion” currently followed by many local governments in China. By using this tool, local governments provide start-up non-profits with a bundle of benefits, which typically include a small amount of start-up grant, free office space, free training and tax preferences.

In general, financial support from the Chinese government to NPOs remains limited, regardless of the tools considered. Tax preferences constitute one of the most popular government tools, but more than half of NPOs are not entitled to these advantages. Subsidies are an “old” tool, while the voucher system is still new to many local governments. Purchase-of-service contracting has become the most attractive tool to the Chinese government recently. But although the local governments have developed multiple sources of funding for the purchase of services, stable funding sources for this aim have not yet been set up within the framework of public finance. Venture philanthropy and NPO incubators are novelties, the effects of which still need to be tested in the future.

Conclusion and Discussion

Though non-profit organisations are still playing a secondary and complementary role in the provision of human services in China, during the past four decades, they have been changing the human services provision system, which was hitherto dominated by public institutions affiliated to the government and by mass organisations. We use the expression “dependent interdependence” to describe this government/non-profit relationship, whereby we mean that the Chinese government depends on NPOs to make up for the big gap between the demand for and supply of human services, while NPOs depend on the government to obtain a legal status, broaden their access to the clients and gain acceptance and trust on the part of the general public. This interdependence is asymmetric, to the extent that the Chinese government occupies a dominant position in defining the scope and depth of the relationship.

Both sides of this dependent interdependence—namely the government and NPOs—contribute to its formation. It constitutes an effective response to the needs for human services left unmet by the Chinese government, which is trying to transform itself from an economy-oriented government to a service-oriented government. It is also an entrepreneurial process, whereby the traditional Chinese philanthropy culture meets the concept of non-profit organisation, which is imported from abroad, and triggers social entrepreneurship among Chinese people.

This government/non-profits relationship has three basic characteristics. Firstly, it refers to the relations between NPOs providing human services and an extended government system, including the government agencies, mass organisations and their affiliated public institutions. As mentioned above, many NPOs were created by former staff of the government, who run the organisations in cooperation with their former employers. Secondly, NPOs providing human services depend on the government more for the improvement of their institutional environment than for their financial resources. As mentioned in the section about government tools, government funding contributes only a very limited share

of the total revenue of these organisations. Thirdly, the allocation of these limited resources is unequal. This complicated relationship system works as a patronage system, in which the government, mass organisations and public organisations act as NPOs' patrons. The NPOs that have closer relationships with more powerful and resourceful patrons get more resources and other benefits. However, this relationship is currently changing: the Chinese government is beginning to turn away from this kind of patronage-like relations with NPOs and trying to allocate resources more impartially by replacing the traditional administrative tools with more market-oriented tools, such as contracts.

Will the non-profit sector become an equal partner of the government in human service provision in the near future? The answer depends on whether China will meet the challenges to reform its public-service provision system and improve its non-profit institutional system.

The Chinese government has started to implement a difficult reform of the human service provision system by adding human service functions to mass organisations, beside their ideological functions, and by restructuring some of the public institutions into non-profits (just like it is restructuring some of the SOEs into private enterprises, with a view to building a market economy). At the same time, improving the non-profit system is another uphill task, considering that the majority of NPOs are small-sized and underfunded; some of them do not even fully comply with the rule of non-profit distributing. Moreover, the public trust toward non-profits is much lower than towards the government, because NPOs generally lag behind the government in terms of resources, capacity, accountability and reputation. Moreover, paternalism prevails in many NPOs, as boards often do not function very well.

The number of NPOs providing human services will keep increasing as more new non-profits are set up or result from the transformation of current public institutions. However, in the foreseeable future, on its way toward a government/non-profits partnership, this dependent interdependence relationship will most likely be maintained in some way if the Chinese government keeps seeking to retain a degree of control over non-profit organisations.

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Notes

- 1 Non-profit organisations (NPOs) are currently officially called “social organisations” (*shehui zuzhi*) in China.
- 2 For the full CCF definition, see Chapter 2 in the present book.
- 3 Organisations with registration-exempt status include 23 mass organisations (*quntuan zuzhi*), eight of which participate in the Chinese People’s Political Consultative Conference (CPCC) and the other fifteen in the National People’s Congress (NPC), and more than two hundred privileged associations at the provincial level. The eight mass organisations taking part in the CPCC are: All-China Federation of Trade Unions, The Communist Youth League of China, All-China Youth Federation, All-China Women’s Federation, China Association for Science and Technology, All-China Federation of Returned Overseas Chinese, All-China Federation of Taiwan Compatriots and All-China Federation of Industry & Commerce.
- 4 This system classifies NPOs into five categories and fourteen subcategories. The five categories are: economy, scientific research, social undertakings, charity and comprehensive activities. The fourteen subcategories are: industrial and commercial services, agriculture and rural development, scientific research, education, health care, culture, sports, environment, human services, law, religion, professions and vocational organisations, international and foreign organisations, and others.
- 5 The social insurance programmes in China include: endowment insurance, unemployment insurance, medical insurance, maternity insurance and occupational injury insurance (or work-related insurance). Social welfare programmes in China provide funds and services to ensure the livelihood of specific senior citizens, orphans and persons with disabilities who are in extraordinarily straitened circumstances.
- 6 The *hukou* system was set up in the early 1950s in China. Every Chinese person has a *hukou* (household registration record) showing whether they belong to rural or non-rural China. The system results in “attaching” citizens to their place of origin and allocating social resources to them based on their *hukou*. The *hukou* system has been under reform since the 1980s.

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Part III

**Comparative Analyses
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14 Religious Influences on Social Enterprise in Asia

Observations in Cambodia, Malaysia and South Korea

*Isaac Lyne, Jieun Ryu, Yong Yuan Teh
and Tetsuya Morita*

Introduction: Religion and “Business”

A cursory examination of literature shows that religion and business are historically intertwined, with particular effects on society. It is widely acknowledged, for instance, that religious church and mission organisations have traditionally blended social purpose with their proselytisation to pursue holistic transformation in the societies they serve (cf. Samuel and Sugden 1999). Alongside Max Weber’s accounts of Calvinist Protestant values driving the entrepreneurial spirit toward the development of capitalist economies, Spear (2010) also writes about strong mutual trust in Quaker groups that was historically harnessed for entrepreneurial pursuits, transcending the religious domain. Traditional Islamic practices of *zakat* (the annual donation of a percentage of one’s income to religious institutions), while being charitable, have also historically supported business, because mosques have always provided facilities for traders (Ahmed 1999). Additionally, interest-free Islamic finance, which is as old as the religion itself, is traditionally viewed as a means to support social and economic development, premised on long-term, ethical relations between local financiers and business (Ahmed 1999: 58). Meanwhile, Buddhist economics (arising from “Right Livelihood”, a component of the “Noble Eightfold Path”) targets systemic economic issues by promoting balanced consumption, frugality and rewarding vocation (Mendis 1994: 196–9), and it has become a basis for reinvesting resources into communities and fostering resilience (van Willenswaard 2015).

Since the business/religion relationship is strongly driven by ethos, this relationship appears as an interesting and relevant issue in the case of social enterprises (hereafter SEs), which are value-driven initiatives. This chapter takes a look at the influence of religion on SEs in East Asia—the most religiously diverse region of the world (Pew Research Center 2014). We start by analysing the influence of religion on international development discourse in recent decades, considering that major international development institutions have increasingly embraced SE as part of “sustainable development” (Power *et al.* 2012). We then narrow the

discussion to nuanced specificities by considering institutional perspectives, finding value in a text by James (1993) as the basis for a theoretical framework. We proceed with a presentation of the research that was carried out, including a summary of the methodology used, before describing three case studies that illustrate the influence of different religions on SEs: Christian Protestant influence, in South Korea; Islamic influence, in Malaysia; and Buddhist influence, in Cambodia. Our specific research questions are:

How does the institutional influence of religion impact on social enterprises' strategies for successfully achieving social goals and organisational sustainability? And how is this affected in turn by variations in religious heterogeneity and national income status?

Our findings (which challenge, to some extent, Estelle James' conclusions) are that a wider range of dependent variables than religious heterogeneity and level of economic development need to be considered in order to identify the strategies of faith-based SEs and the reasons why religious organisations engage in social entrepreneurship. Religious conservatism is just as significant as heterogeneity, for instance, while religious organisations in communities recovering from trauma in a low-income country may prioritise the renewal of faith alongside the need to provide services.

1. The Significance of Religion in “Development” and the “Social Economy”

In general, all religions encourage engagement in society, and this is recognised as a force for societal development because it harnesses moral imperatives, pro-social motives and shared values towards tackling poverty and social exclusion (Martin *et al.* 2007).¹ Moreover, in the process of making development programmes *actually work*, it is argued that people's spiritual and physical needs often have to be viewed interconnectedly, not least because faith is a lens through which many of the world's poor understand their poverty (Bradley 2009). Quite simply, religion cannot be ignored as a developmental force, because of its outreach and the extensive resources that it mobilises (Deneulin 2013). Consequentially, from the mid-1990s onward, international development institutions, in pursuit of new avenues for effectiveness, turned (albeit quite briefly) from secular postures towards “dialogue” with faith organisations; such evolution culminated in the “World Faiths Development Dialogue” (WFDD) (Haynes 2013).² Reciprocally, traditional religious worldviews across continents have been broadened by the pursuit of new practical applications of religious texts, promoting new institutional logics that encourage entrepreneurship and receptiveness to partnerships (Ataide 2012; Evers and Laville 2004). Accordingly, faith-based work in the social economy

is a contemporary illustration of the way in which religious influence extends beyond the place of worship to embrace the whole of human life (Biscotti and Biggart 2014). Notably, while studies find the influence of religion on general entrepreneurship not to be very significant, according to Keynes (2007, cited in Ataide 2012: 179) “religious sects continue to motivate, and provide strong links to legitimacy and resources for social entrepreneurs”.

2. Religion and SEs Viewed From Institutional Perspectives

Existing literature on the complex institutional context facing faith-based SE focuses largely on issues of legitimacy (Ataide 2012; Spear 2010). Legitimacy, succinctly put, is an important resource for SEs, which helps them attract various other resources from supportive actors. Sometimes, legitimacy can allow enterprises to obtain different kinds of state subsidies; however, according to James (1993), religious enterprises are supposedly more concerned with recruiting more followers than with obtaining tax subsidies and similar resources. This is not to say that legitimacy as a means to acquire resources is not important for religiously influenced SEs, but it does suggest that the meaning of legitimacy and “legitimacy-seeking behaviours” enacted for instance through institution building and stakeholder engagement (Mason *et al.* 2007) are all quite specific.

Arguably, the way in which religion impacts institutional development in terms of justifications for existence, perceived roles and particular status as cultural symbols or icons is more visible from socially constructed perspectives (Ataide 2012: 193). Supportive literature defines “institutional logics” as “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence” (Thornton and Ocasio 1999: 804). Following social constructivist ontology, at the nexus of religion and enterprise, one finds faith-driven social entrepreneurship, influencing cultural change within social institutions. This drive toward cultural change is born from the desire to seek out fundamental (or “innovative”) changes, as opposed to piecemeal ones. Combining enterprise and religion is for example seen as a way to target “human capabilities”, improving people’s freedom and promoting social change in the process (Mugabi 2003). This has been internationally popularised by “Business As Mission” (BAM), a form of social business serving as a strategy for missionary evangelising via market-driven mission/job creation and the creation of social value (Borquist and de Bruin 2016). In theory, such missionary work is suited to entrepreneurship because it provides more autonomy for practitioners than non-governmental organisations, which rely on international aid (Bradley

2009). However, the fact that BAM is bound in a specific Christian culture and practised dominantly (to date) by expatriate missionaries in low-income countries (Bradley 2009: 229) underlines a point that has long been clear: entrepreneurship is generally “culture-bound”, and universal frameworks are not very useful from an analytical point of view (Dana and Dana 2005: 81). In contrast to BAM, for instance, from an Islamic perspective, SEs in today’s world might be seen as “intermediary institutions” that add more innovation to the practice of *zakat* and enhance its social value through strategies to empower the poor (Mulyaningsih and Ramadani 2017).

In summary, from a socially constructed perspective, regardless of the global outreach of well-financed models of religion-influenced enterprise,³ there is reason to believe that combinations of nationally embedded influences will promote or inspire different strategies for gaining legitimacy among religious social enterprises with more local origins.

A hypothetical differentiation of institutional context and legitimacy for SE in accordance with religious influence is provided by James (1993), who evaluates the private-public mix of education provision across different countries. James finds that in low-income countries, demand for non-state services is quite simply driven by meagre public budgets. In countries that have achieved a certain level of economic development, the demand for and supply of education by non-profit organisations is driven by cultural and religious heterogeneity. On the demand side, consumers with specific tastes may choose a denominational non-state provider. Meanwhile, in a competitive, multi-denominational context, the supply side is driven by the desire of religious denominations to attract followers. In such contexts, extending activities from the place of worship into public-service provision is a defensive strategy, enacted to maintain or increase the congregation. The potential market return is less of a concern than for conventional business, given that different resources (including gifts and volunteering) can be mobilised to reduce costs. In summary, according to James, “founders are interested in maximising faith rather than pecuniary profits” (James 1993: 577).

James’ analysis provides a good hypothetical platform for analysing SE in East Asia, where the level of economic development and the extent of cultural and religious heterogeneity vary considerably among countries. In this book chapter, we compare cases in the Republic of Korea (hereafter “South Korea”), a “high-income” country; in Malaysia, an “upper-middle-income” country; and in Cambodia, a “lower-middle-income” country (that was, until mid-2016, a “low-income” country), according to World Bank (2017) measurements. South Korea and Malaysia can be historically considered as religiously heterogeneous nations, while Cambodia is one of the most religiously homogenous nations in East Asia.

3. Research Presentation

3.1. Relevance of the Research Question

Institutional logics perspectives help to examine tensions within hybrid organisations, which necessarily embrace conflicting logics (Battilana and Lee 2014). In the earlier respect, taking into account religious logics further expands the range of logics to be examined. This could also undermine to some extent the notion that the institutional logics of private benefit and social good are incompatible, by depicting this hybridity as a natural state when situated in a particular (i.e. religious) context. In the recent development of institutional logics perspectives, further investigation of the logic of religion has also been called for in relation to “inter-institutional systems” constituted by markets, bureaucracies, communities, professional associations, family and church (Tracey 2012). It is thus certainly of academic interest to examine how different forms of organisation have traditionally engaged with religious logic and how this is changing in the world today. For example, faith-driven business in Europe and Latin America has a long and well-documented history of combining the logics of markets with religion (Spear 2010: 39–42). However, to date, most examples of religious influences on enterprise have been drawn from outside of Asia. With a view to exploring these influences in markedly distinct entrepreneurial environments (cf. Dana 1999), this chapter examines three cases of faith-based SE, respectively in South Korea, Malaysia and Cambodia.

3.2. Methodology

Our central objective is to draw out contextualised theoretical implications of religious influence on SEs. We pay particular attention to embeddedness in the national institutional context of religion. In Cambodia and Malaysia, for instance, we would not be inclined to analyse BAM, regardless of its profile, because the national religious context is not highly supportive of Christianity and we thus instead choose to respectively analyse one social enterprise influenced by Buddhism and another influenced by Islam. We are also concerned with narratives that underpin the social enterprise’s sense of identity and the basis for its relationship with employees and/or beneficiaries; following Moss *et al.* (2011: 806), we accordingly pay attention to mission statements, while being aware that such material cannot be taken at face value. For the purpose of this paper, we opt for an exploratory case study approach because of the lack of existing comparative studies of SE in Asia from a religious perspective. Given that SE is always situated in context, emerging in response to particular and varied challenges, it is also suitable to investigate specific

enterprises in detail, in order to draw out and interpret underlying issues in each case, including how these enterprises mobilise support and resources. In summary, the limits of generalisation from case studies are offset by the depth of understanding that they generate.

3.3. Cases Studied

South Korea and the Loving Line Empathy Shops

South Korea has vigorous religious traditions. Historically, Buddhism and Confucianism have influenced Korean society and culture since the time of the Baekje Kingdom (57 BC) (Hong 1980). In post-war Korea, Mahāyānist Buddhism was the largest religion for 30 years, but it has recently been overtaken by Protestant Christianity, which, according to Kim (2000), has expanded ever since its introduction in 1884 by American Protestant missionaries. This author writes that “the number of Protestant Christians [in South Korea] has increased faster than in any other country in Asia” (Kim 2000: 117). According to the Korean Statistical Information Service (2015), roughly 44% of the population identify with a religion: 19.7% identify as Protestant Christians; 15.5%, as Mahāyānist Buddhists; and 7.9%, as Catholic Christians. Since 2011, the Korea Social Enterprise Promotion Agency (KOSEA) has worked with Buddhist, Protestant and Catholic SE support organisations. These include the “Christianity Social Enterprise Support Centre” (CSESC), established by numerous Protestant Christianity Churches and NGOs. CESC has initiated SE academies and forums and helped to establish SEs by purchasing products and providing practical support and resources, with the explicit aim of propagating religion through activities (CSESC 2017; Ministry of Employment and Labour 2017). In this context, the case study chosen—namely the “Loving Line Empathy Shops”—is of interest for exploring SE in an advanced institutional context, where levels of economic development and cultural and religious heterogeneity provide a strong basis for testing James’ (1993) hypotheses pertaining to competitive congregation building. Beyond this, there is also fertile ground for analysis of hybrid institutional logics and responding to the call for research on the way religious organisations take shape within “inter-institutional systems” (Tracey 2012).

The first Loving Line Empathy Shop was established in South Korea in 2002, in partnership with Onnuri Church.⁴ Loving Line adheres to “the ministry of community movement and love which will enable people to have empathy, beyond sympathy, toward neighbours”. It is also mentioned that the Empathy Shop “draws a biblical economic model which transforms a polarised capitalism to community capitalism and revives the community economy”.⁵

Empathy Shops are similar to charity shops; they collect second-hand or stocked items at lower prices and resell them at a profit. One hundred percent of profit is donated to social projects helping vulnerable people in South Korea and other countries. In the first instance, the establishment provided assistance to a project run by a Swiss woman who sent Mongolian quilts to North Korea to help people who struggled to cope with the cold weather. A group from the Onnuri Church organised charity bazaars, and their success led to the first Empathy Shop officially opening on Onnuri Church premises in 2003 (Shim 2009). The Church also offers human resources. The Onnuri Church is one of the biggest Protestant churches in South Korea, and the Empathy Shop has benefited from the support of this church's volunteers. Some members of the church volunteered to design the logo and poster, and to decorate the interior of the shop. After the opening of the shop, church members also volunteered to run the shop, cleaning and selling the items.

Nowadays, Loving Line has physical shops in Seoul and an online shop.⁶ The enterprise receives a 25% commission on sales, which is used to support community-based social entrepreneurs. The focus is not on providing social services directly, but instead on supporting service providers through finance and better networks (Shim 2009). Moreover, revenues support study groups on "community capitalism". Shim *et al.* (2008) define community capitalism as "an economic system which puts sharing into action through innovative business activities", while the Onnuri Church expresses that it embodies "a puritan ethic which emphasises that the sanctity of labour and occupations are callings from God".⁷

The Loving Line Empathy Shops are not a government-certified SE in South Korea. The founder, Dr. Sang-dal Shim, did not even realise that their activities could be considered as SE activities in the manner that government legislation describes. He started the first Empathy Shop "just to help people" (Interview, June 1, 2014) and realised only later that such initiatives could be referred to as "social enterprise".

Dr. Sang-dal Shim views a social enterprise as an organisation which practices community capitalism by helping the neighbours, with good will or/and empathy, regardless of its certification. Furthermore, legitimacy is derived less from religious beliefs than it is from market forces. Loving Line has innovated and modernised its stores and online sales in response to customer preferences. This has involved retailing partnerships with the private sector, and one of the central factors for Loving Line's success has been challenging stereotypical views about Empathy Shops as retailers of cheap, inferior and second-hand goods (Shim 2009: 49). The case of the Empathy Shops is meaningful because it is legitimated by sound business principles applied to religious values, thus belying the notion that religious organisations should not have economic objectives. The founder of the Empathy Shops mentions that they "had to convince members of

the Church that social entrepreneurial activities [could] help the Church do its social role—helping the neighbours” (Interview, June 2014). Loving Line also clearly acknowledges that churches have good resources for social entrepreneurial activities, such as facilities, volunteers and networks of church members.

In summary, although the government’s institutional influences are powerful in South Korea, the Loving Line has defined its organisational form and activities based on its own understandings, rather than being “co-opted” by the certification system. For the Loving Line Empathy Shops, working with people who have a similar sense of mission is more important than benefiting from subsidies. Sustaining the Empathy Shops without relying on government subsidies for certified social enterprises was possible not only because the founding members strongly believed in people’s empathy for each other, but also because they identified and used the potential of the Church itself as a powerful source of resources—access to big markets, volunteers and member networks.

Malaysia and the Baitul Fiqh Welfare Home

Malaysia is historically a multi-cultural, religiously plural nation. Islam was brought to Malaysia in the 13th century by Sufis and traders. While the country was predominantly Muslim by the 15th century, Muslim Malays coexisted with Buddhist and Hindu influences (Abdul Hamid 2013; Camilleri 2013). The equilibrium was disrupted by British colonial rule, in the 19th and 20th century, when the introduction of Chinese and Indian migrants into mines and rubber plantations fostered cultural and religious cleavages, while Christianity was strengthened (Camilleri 2013: 226–7). Today 60% of the Malaysian population are Muslims, 19% are Buddhist (dominantly Mahāyānist), 9% are Christians and 6% are Hindus (Yaacob 2011: 167). Scholars observe that moderate Islam and the culture of religious dialogue have recently been displaced by a conservative “One Malaysia” discourse, indicating a rise in “religious nationalism” in place of ethnic nationalism (Abdul Hamid 2013: 14–15; Camilleri 2013: 236). Nonetheless, Malaysia is a religiously heterogeneous country, where the level of economic development allows people choices. In such contexts, James (1993) expresses that competitive aspects of recruiting followers constitute the main driver of religious non-profit service provision. What is of interest here is to consider whether religious conservatism, specific social demographics being catered for and the types of services that a social enterprise offers are variables to be considered alongside competition. Indeed, it is also worth considering whether there are circumstances where the type of competitive congregation-seeking activities that James brings attention to cease to be applicable at all.

Baitul Fiqh Welfare Home (BFWH) is an NGO set up in 2005 to provide shelter for Muslim women in need. Baitul Fiqh means “house of Islamic

jurisprudence". Since its incorporation, BFWH has helped to deliver over 300 babies of unwed mothers, sheltered more than 700 abused women and found homes for over 300 abandoned adolescent women. BFWH also operates a food bank and weekly soup kitchen for the homeless. The founder of BFWH, Haliza Abd Halim, previously worked for a Christian NGO serving vulnerable pregnant women; a referral to deliver a Muslim baby and the realisation of the lack of Muslim NGOs in this field gave her the impetus to launch BFWH (Tho 2009). Baitul Fiqh SE sells the cakes and cookies which it bakes, generating sufficient income to pay for the rental of the shelter premises operated by the organisation. The baking programme started because a volunteer chef taught staff baking skills. Baitul Fiqh also sold second-hand goods, as well as toys donated as gifts in kind by large companies, but it stopped this activity due to lack of manpower.

The religious belief underpinning BFWH's commercial activities is that working to get one's funding is better than asking others for money. However, the organisation's main source of revenue is still grants and donations from corporations, individuals and mosques—although contributions from the latter are not significant, compared to donations overall. As far as human capital is concerned, the NGO relies both on paid staff and volunteers. One challenge BFWH faces, when seeking to raise donations and attract Muslim volunteers, is the fact that its social mission is often perceived negatively. Some Muslims sense that helping BFWH beneficiaries means condoning pregnancy out of wedlock or entails risks of becoming religiously corrupted by sinful acts that hinder one's personal progress to paradise. At the institutional level, mosques are less keen to donate because their giving is usually allocated to purposes traditionally prescribed for *zakat* contributions, such as support to religious schools, the poor and needy (Nadzri *et al.* 2012). However, the founder does report one sermon where the local Imam said that Baitul Fiqh served a good cause and encouraged Islamic devotees to help. There has been no other notable religious institutional assistance, except for guidance from officers of the Ministry of Furtherance of Islam in Malaysia (*Jabatan Kemajuan Islam Malaysia*, or JAKIM) relating to acceptable practices and procedures in events such as deaths of beneficiaries or divorce.

In order to achieve its organisational goals, BFWH embeds the Muslim faith in its key avenues of work with beneficiaries. Counselling and group support are based on Muslim principles and, on a daily basis, beneficiaries communally participate in the five Muslim prayers, with core messages relating to repentance and kindness to others. In its external communication, the organisation incorporates Muslim sayings. According to online information, BFWH was established to "create and administer a custody or protection centre for teenage girls who were involved in social ills, and help poor single mothers, orphans, potential converts,

and those who have fallen away from the faith”.⁸ The founder considers that it was her family (rather than the mosque) that had the most decisive religious influence on her initiative. For instance, it was her father, rather than the Imam, who told her not to charge beneficiaries for the assistance offered. Her immediate family does not hold positions in mosques; however, her great-grand-father played an important religious role in the state, while her cousins completed Islamic studies overseas to become *Ustaz* (or “religious scholars”). She occasionally asks these cousins for religious advice and clarification about Islamic principles.

BTWH committee members are all Muslims, and some of them are religious scholars. However, the organisation is not spiritually accountable to any formal religious institution. In terms of governance, the organisation is administratively accountable to the police, welfare department and Muslim religion council as far as its social work is concerned. In terms of external assistance, the organisation works with government agencies as well as with NGOs (by cross-referring cases) of other faiths. It seems that formal accountability to other stakeholders in the community, including service users, is not high. There are no formal mechanisms in place for giving them a role in decision making either. The founder justifies this on the basis that, in the past, committee members in the community have tried to push their own agendas rather than supporting the organisation or the causes it pursues. The founder of Baitul Fiqh Welfare Home considers the organisation to be accountable by demonstrating success according to two criteria: first, the sustainable operation of the organisation, so that beneficiaries can have successful stories, such as being integrated back into society with jobs and continuing to practise Islam; secondly, the absence of negative views held against the organisation itself. These criteria or signs of success are related to the founder’s belief that Allah will continue to guide the organisation.

This case is meaningful for three reasons. First, the central religious influence in this case comes from the founder’s family rather than from formal institutions, such as mosques. Her immediate and extended family, rather than societal expectations, serves as a religious compass. As a consequence, compared to other religiously affiliated organisations, she enjoys greater freedom to pursue specific social needs; this also creates more avenues for social innovation and entrepreneurship. However, a deterring factor is the lack of human capital. Secondly, obtaining the support of religious clerics is not easy, because of the stigmatisation of the beneficiaries, who are often considered as the victims of their own sinful acts. In this regard, the support of fellow organisations in the same sector was important in the initial stage. Thirdly, there is cross-assistance between the organisation and NGOs of other religions; cooperation is thus not limited to enterprises of the same faith. The importance of serving beneficiaries is thus prioritised over religious affiliation.

Cambodia and Buddhism for Social Development Action

It is thought that Indian migration brought Khmers (the majority Cambodian ethnic group) into contact with Buddhism in the 5th century (Harris 2008: 4–5). Mahāyānist Buddhism was widely mixed with Hinduism by the 10th century (Harris 2008: 17–18). By the 14th century, most Khmers had adopted Theravāda Buddhism, mainly via interaction with inhabitants of the Thai central plain, although travelling Burmese and Ceylonese missionaries also played a role (Chandler 2008: 81). In the late 20th century, Cambodia was notoriously engulfed in successive conflicts and traumas, including the Maoist Khmer Rouge period, when religious institutions were annihilated.⁹ However, Theravāda Buddhism has proven remarkably resilient. Today, 95% of the Cambodian population are Theravāda Buddhists, while less than 3% are Cham Muslims and Christianity is practiced by less than 2% of Cambodians (Peou 2017: 36–37). Religious heterogeneity in Cambodia is thus comparatively low. The case study of a Theravāda SE that follows is interesting to the extent that, following James' (1993) analysis, the question remains open of whether recruiting followers is significant or whether (given the relatively low level of economic development) more immediate necessities, related to deficits in services, tend to take precedence.

Buddhism for Social Development Action (BSDA) is a community development NGO based in Kampong Cham Province, in Eastern Cambodia; it was established in 2005 by seven monks using their own resources. In 2007, BSDA gained funding for a project supported by the United Nations Office on Drugs and Crime, and it has since expanded with aid-funded programmes/projects addressing health, HIV/AIDS, youth empowerment, vocational training and children's education. BSDA uses land and buildings owned by the local pagoda (Wat Nokor Bachaey) to run some activities. BSDA has also integrated SEs into its programmes, including:

- the SMILE vocational training restaurant—a work integration enterprise initiated in 2009 with US\$10,000 of capital contributed by BSDA's largest donor (EcoSolidar, an International NGO which is based in Switzerland). SMILE provides vocational training for fifteen youth at a time. It attracts tourists in Kampong Cham and is the principal outlet for BSDA's weaving enterprise, which manufactures traditional Cambodian scarves (*kroma*). Twenty percent of profits go to BSDA's social programmes;
- the Angkor Language School (ALS), which teaches English and Chinese each evening, using local school facilities. ALS grew by mobilising volunteer teachers (including monks). Fees vary between US\$1.5 and US\$3 per month. Net profits are marginal, but ALS sustainably

provides affordable language tuition to more than 600 children and young adults from surrounding villages and creates part-time work for 20 teachers;

- the BSDA traditional dance enterprise, which enables children from poor families to gain incomes by performing for tourists and at local weddings and festivities. Seventy percent of revenues are shared among performers to sustain their school attendance. The enterprise is run in the spirit of boosting children's confidence and pride in Cambodian culture, and teaching solidarity.

As far as the founding narrative of Buddhism for Social Development Action is concerned, the text in BSDA's promotional documents (including every Annual Report between 2011 and 2015) and on BSDA's website (www.bsda-cambodia.org/who-we-are/) is worth quoting:

The community felt that monks would preach altruism in theory but hardly ever practice it. Deeply hurt, seven monks founded the organisation, financing it privately throughout the first three years until their work was noticed and international donors started to provide funding.

The first element of this foundational narrative concerns Buddhism as a force for mutual assistance, intertwined with restoring the reputation of Buddhist monks. In interviews with five remaining founding members in 2013, these same concerns arose prominently. The chief executive explained: "We wanted a holistic approach. Income was not important, we wanted to provide training and promote accountability". This is echoed in strategic plans, which feature consistent emphasis on the Buddhist principle of *Mettā*—the cultivation of boundless, selfless love and compassion, as opposed to friendliness based on self-interest. *Mettā* is commensurate with self-sacrifice, and here the second element in BSDA's foundational narrative emerges: a period of self-sacrifice, when the monks financed work with their own small resources (mostly money from performing Buddhist chanting called *smot*). In a group discussion, this period of self-sacrifice and struggle was also narrated by two founding members. However, the concluding outcome (and third part of the narrative in the quoted passage), i.e. the intervention of international donors, might be read in two ways:

- it reveals BSDA's need to resort to external aid and BSDA's usefulness to international development NGOs that seek to spend significant sums of money on programmes in Cambodia by enrolling local "implementing partners" (see also Courtney 2007); or
- institutional donor support can be considered as the ultimate recognition of BSDA's important work and potential to deliver larger-scale programmes through the channels it created.

In the latter of the above readings, international aid brought self-sacrifice to an end, allowing BSDA's staff the moderate consumption of some of the economic value generated by their hard work. This could be read, from the point of view of Buddhist morality, as the "middle-way" between hedonism and suffering (asceticism)—i.e. some desires should be satisfied, but it is preferable to desire little (Kolm 1995: 239).

To some observers, Buddhist monks initiating SEs may typify "engaged" (or "socially engaged") Buddhism—a term implying a reformist stance, as it also implies attending to the social and political conditions of worldly suffering rather than to the mind alone (Harvey 2000: 12–13). The origins of engaged Buddhism remain contested, but a heuristic distinction between modernist (to which it is generally attributed) and traditionalist interpretations is nonetheless maintained in well-regarded scholarship (Queen 2003: 15). Moreover, in aid-dependent Cambodia, this distinction is pertinent because international aid to Buddhist organisations has been allocated exclusively to programmes based on socially engaged Buddhism that move in a modernist direction, in accordance with the objective of strengthening civil society (Harris 2008: 212).

Traditionalists in the Cambodian *sangha* (the "monastic community" of monks and nuns, or the "Buddhist order") tend to claim that monks should dis-engage from secular affairs in order to reflect properly on the path to enlightenment. This is countered by modernists, who express that one's journey into the next life is determined by meritorious acts in the present life (Sreang 2008: 247). However, there is also a political dimension to the question, because the traditionalist Cambodian *sangha* has been co-opted at the highest level by political elites since the 1980s. The *sangha* discourages the participation of monks in the development of a civil society separate from political power, and says little or nothing about institutional corruption (Harris 2008: 216–20; Sreang 2008: 245–9).¹⁰ Tellingly, BSDA's contra-position is reflected in campaigns for accountability, launched through a network of affiliated monks, while founder members have also worked with Transparency International.

From an institutional perspective, it is clear then that influences on BSDA are national, transnational and multi-faceted. Whether BSDA attracts donor aid because of its modernist, socially engaged disposition or whether BSDA alertly developed this posture to attract such funding is not entirely clear. However, BSDA has strongly exercised agency while determining its strategies. The chief executive explained for instance that EcoSolidar was reticent when approached for funds to establish the SMILE restaurant. EcoSolidar was only interested in charitable work but was finally persuaded that an entrepreneurial approach to vocational training would be more holistic. Most recently, BSDA has registered its SEs into a formal business that allows members to hold shares. In summary, BSDA enacts legitimacy-seeking behaviour in different ways, combining activities that suit the ethos of engaged Buddhist practices of care

for communities with a credible business model while at the same time (out of necessity) remaining mindful of the needs and priorities of international aid agencies.

3.4. Findings

Religion is considered a prominent force for social development and entrepreneurship because it harnesses moral imperatives and pro-social motives (Ataide 2012; Martin *et al.* 2007). Motivations underlying the creation and operation of the SEs analysed in this chapter concur with this. The Loving Line Empathy Shops in South Korea are motivated by a religious work ethic and propagate faith as a way to promote entrepreneurialism geared towards equitable local economic development and services. Similarly, Baitul Fiqh was founded on the conviction that religious guidance promotes self-reliance, in this instance as a means to challenging social stigmatisation and exclusion. BSDA puts *Mettā* (authentic loving kindness) into practice through a SE that creates the conditions for youth and community empowerment.

James (1993) predicts that the levels of economic development and government budgets, along with cultural and religious heterogeneity, greatly determine whether and why religious organisations get involved in not-for-profit education provision. In higher-income countries, consumer preferences matter more, and religious heterogeneity drives competition for recruiting followers. By contrast, in low-income countries, religious organisations are driven more by the immediate need for non-state services than by the recruitment of followers. Based on our case studies, we can say that James' hypotheses are also confirmed, to a large extent, in religion-driven SEs—*but not entirely*.

- The Loving Line Empathy Shops are a partner of the Onnuri Church, a megachurch in South Korea that supports social entrepreneurship as a way to propagate faith. This SE does not provide social services directly but supports social entrepreneurs who do so in their respective neighbourhoods. It actively promotes its particular ethos of “community capitalism”, as a way to disseminate religious beliefs. This example tends to confirm James' hypothesis that, in a higher-income, religiously heterogeneous country, religious enterprise is mostly concerned with recruiting followers.
- Baitul Fiqh Welfare Home operates in Malaysia, an upper-middle-income country with significant religious and cultural heterogeneity (despite the government lately promoting a Muslim national identity). Partially contradicting James, the drivers behind this SE are somewhat mixed. The organisation provides services that are neglected by the state more for ideological reasons than for economic ones, showing how other factors than the level of economic development

determine an immediate need for non-state services. The organisation is driven by the desire to promote the Muslim faith as a basis for well-being, but it is not competitive in outlook and it works (out of necessity) with non-Muslim faith-based organisations.

- In Cambodia, which was, until recently, a low-income country, BSDA provides vocational training, health and education services. Concurring with James, providing services that are neglected due to low public budgets has become the overriding concern as BSDA has grown through access to financial aid. But the priority of providing services does not mean that congregational support is not a *raison d'être*. Maintaining the integrity of Buddhism is integral to BSDA's narrative, despite the fact that Cambodia is religiously homogenous. In summary, BSDA is in the business of *maintaining* the legitimacy of religion through social engagement, in a context where it has been damaged by repression and then co-optation, rather than competing for legitimacy with other religious denominations.

In the recent development of institutional logics perspectives, there have been calls for investigation of religious logics in relation to “inter-institutional systems” (constituted by markets, bureaucracies, communities, professional associations, family and Church) (Thornton *et al.* 2012; Tracey 2012). The case studies presented here also contribute to such investigation across different contexts.

The Loving Line Empathy Shops seek legitimacy foremost as a market actor. A core strategy of this SE to achieve its goals is to change the public perception of Empathy Shops by responding to consumer preferences through innovative online retail, in partnership with the private sector. The SE uses revenues to support its social mission, but it would be incorrect to think that business is only a means to an end. Rather, in a way that reminds of the historic Protestant business ethos (Spear 2010), the principle of “community capitalism” implemented here states that entrepreneurship is *the explicit enactment* of religious work ethic, embedded in good governance. This reconciliation of faith and business lets the Loving Line SE seek its legitimacy in the market, while maintaining legitimacy among supportive actors who facilitate access to resources, including volunteers and church facilities. It is particularly interesting to note that, while the government provides a framework for SE accreditation, Loving Line declines it. It seems that the desire for autonomy outweighs the resources and subsidies that the state is offering. Whether this is due to wariness of co-optation, the desire to choose workers with compatible religious ethos or a conviction that subsidies are anathema to the ethos of “community capitalism” (and by extension to Loving Line's religious ethos) is unclear. Possibly all three factors play a role. In this instance, religious logic is more easily reconciled with the logic of markets than with that of bureaucracy.

Baitul Fiqh Welfare Home seeks legitimacy foremost as a welfare service provider, while religious teachings are used as a pathway to well-being. The existence of the commercial bakery does not mean that BFWH seeks legitimacy prominently in the market. Rather, from a religious perspective, independence is considered the most ethical path to social change, and trade allows the organisation to act in accordance with this idea. Baitul Fiqh's accountability to government agencies and to the Muslim Religion Council shows that bureaucratic legitimacy is important, despite there being no significant access to resources from the mosque. Notably, community logic does not feature strongly (perhaps due to prominent bureaucratic logic) and the empowerment of individuals, rather than communities, is the main objective. BFWH also notably works against the grain of contemporary religious nationalism by partnering with organisations of other faiths. This practical approach mobilises more resources towards meeting its constituency's needs, again reflecting that legitimacy comes foremost from professional service provision. This is commensurate with Ataide's (2012) claim that "socio-religious entrepreneurs" put social missions first and proselytising second—thereby standing in contrast to secular social entrepreneurs, whose first interest is also their social mission but whose secondary interest tends to be impacting public policy (Ataide 2012: 185–6). In the case of BFWH, the freedom to pursue social aims is significantly enhanced by the founder taking religious influences from the family rather than from the mosque. This makes the prominent organisational logic of Baitul Fiqh an inter-institutional blend of family, professional, bureaucratic and faith-driven logics, with institutionalised religious logic and market logic having less prominence.

While BSDA does not compete to recruit followers, competition of another form has significantly driven the formation of a socially engaged Buddhist identity: namely competition between NGOs for international aid. BSDA's more recent market orientation has intensified with formal business registration, but this is also reflective of the competition for aid, which increases the need for diversified revenues. Market legitimacy has been imperative for maintaining the success of the SMILE restaurant over time (the restaurant ranks highest among the restaurants in Kampong Cham on the "TripAdvisor" website). At the same time, the restaurant functions as a work integration enterprise, employing workers from the surrounding villages, which shows that the logic of BSDA remains embedded in communities. Indeed, this particular logic gives BSDA a legitimacy that allows it to mobilise the goodwill of volunteers and enables the ongoing use of local school buildings for the SE's language school. Meanwhile, the ongoing use of the pagoda grounds for the dancing enterprise and for the vocational training and social programme delivery bear testimony to BSDA's institutional legitimacy as a faith-based organisation (even though BSDA is at odds with upper echelons of the *sangha*). In summary, it seems that a holistic ethos, in accordance with

the principles of “right livelihood” and asceticism, which are essential to Buddhist economics (Mendis 1994; van Willenswaard 2015) and allow for the investment of resources into sustainable ventures, are the variables underpinning BSDA’s incorporation of religious logics into “inter-institutional systems”.

Conclusion

Case studies in this chapter show how social entrepreneurship, just like other types of entrepreneurship, is culture-bound; as a consequence, universal frameworks possess only limited analytical value (Dana and Dana 2005). Our findings partially support James’ (1993) hypotheses pertaining to religious schooling in the non-profit sector. The findings call for nuanced understandings, taking into account a wider range of contextual variables than income status and religious/cultural heterogeneity, to understand strategies adopted by religiously motivated SEs. In Malaysia, a religiously diverse upper-middle-income country, the social goals of Baitul Fiqh appear as more important than recruiting followers. Furthermore, it is social conservatism, rather than public budgets, that determines the need for service provision. In Cambodia, while meagre public budgets heighten the motivation to provide services, maintaining the integrity of religious faith was the primary impetus for initiating BSDA. Moreover, socially engaged Buddhism simultaneously enacts a specific religious ethos and strategies for organisational sustainability. In summary, BSDA’s religious identity is overdetermined by multiple inputs at the local, national and international levels. The Loving Line Empathy Shops do give credence to James’ (1993) hypothesis pertaining to competition for the recruitment of followers. This enterprise guards its own autonomy closely, suggesting a strong desire to keep the religious ideals intact. Even where engagement with bureaucracy might leverage competitive advantages concerning outreach to a wider congregation, there is wariness of co-optation and dilution. This insight is important; it reminds of the inability of faith organisations and development agencies to resolve tensions between them—an inability that precipitated a decline in the World Faiths Development Dialogue, after much promise at the start of the millennium (Haynes 2013). This is a cautionary note for development practitioners who would want to integrate faith-driven SEs into other bureaucratic institutional frameworks, although, in our data, Baitul Fiqh shows that there are circumstances where the reconciliation of religion and bureaucracy is possible.

Notes

- 1 Pro-social motives and shared values could be considered as manifestations of “social capital”, which has been a prevalent (although contested) part of the developmental discourse for more than 20 years (Fine 2001).

- 2 Mutual apprehension has since constrained these relationships and WFDD has retreated to becoming a small initiative based in Georgetown University, in the US (cf. Haynes 2013: 59–63).
- 3 BAM is well known in Cambodia as “freedom businesses” that fight sexual trafficking and violence against women (Marshall 2012).
- 4 The Onnuri Church is one of the megachurches in South Korea (a megachurch is a Protestant Christian church having over 2,000 people in average weekend attendance). In 2011, the attendance of the Onnuri Church exceeded 75,000 people.
- 5 <http://sjm.onnuri.org/love-chain/>
- 6 <http://storefarm.naver.com/empathyshop>
- 7 <http://sjm.onnuri.org/love-chain/>
- 8 <http://baitulfiqh.com/tentang-baitul-fiqh/>
- 9 Prior to the Khmer Rouge period (1975–1979), there were more than 62,000 monks in Cambodia, in 3,000 monasteries. More than 25,000 monks were put to death during the Khmer Rouge period, and less than 100 monks remained in robes by the end of it (see Harris 1999: 67; Harris 2008: 179).
- 10 In the early 1980s, leaders of the defected Khmer Rouge who (with Vietnamese military support) ousted the Khmer Rouge regime and who still remain in political power today, started reconstructing the *sangha* as a way of strengthening their legitimacy and extending patronage in order to cement their political power (cf. Harris 2008: 193–200).

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15 Social Enterprises and Agricultural Value Chains in Southeast Asia

Marie Lisa Dacanay

Introduction

A large number of the poor in developing countries in Southeast Asia are marginalised women and men small-scale producers in farming, fishing and indigenous communities. This is why previous studies on social enterprises with the poor as primary stakeholders (SEPPS) have noted that many of them are undertaking interventions in agricultural value chains (AVCs). Agricultural value chains are vertical networks of economic actors who buy from and sell to each other as they perform various functions to produce and deliver agricultural products or services to end markets.

Previous studies undertaken by the author on SEPPS¹ have shown that they are hybrid organisations (Doherty *et al.* 2014) that have evolved as a response to poverty and inequality in developing countries.

This chapter shares the results of a research study carried out by the Institute for Social Entrepreneurship in Asia (ISEA) on SEPPS in AVCs in Southeast Asia.² The research studied a purposive sample of eight best practices of SEPPS in AVCs from four countries—the Philippines, Indonesia, Thailand and Vietnam. This purposive sample of eight SEPPS was chosen from a long list of best practices that demonstrated significant impact on small-scale producers, especially women, in their respective agricultural value-chain interventions.

The main question that the research study answered was the following:

What can stakeholders in agricultural value-chain interventions learn from best practices of social enterprises that have demonstrated significant impact in transforming the lives of women and men small-scale producers in Southeast Asia?

A set of “Benchmarks for Transformational Partnerships and Women’s Economic Empowerment in Agricultural Value Chains” were synthesised from a cross-case analysis of the eight best practices studied. This chapter shares the most important elements contained in this set of benchmarks.

After explaining the methodology and selection of cases in Section 1, Sections 2–6 discuss various elements of the benchmark practices that have significantly contributed to transforming the lives of women and men small-scale producers, as synthesised from the cases.

The author concludes that the benchmark practices synthesised by the research study are important guideposts for social enterprises in agricultural value chains to avoid mission drift as they manage their hybridity. The benchmarks are likewise a relevant contribution to the discourse on inclusive and sustainable agriculture as well as on how agricultural value-chain interventions could be made a pathway towards the Sustainable Development Goals.

1. Methodology and Selection of Cases

The research started with a rapid appraisal, in the four countries covered, of agricultural value-chain (AVC) interventions initiated by social enterprises with the poor as primary stakeholders (SEPPS). Through key informant interviews among organisations that had studied, implemented or supported social enterprises in AVC interventions and a review of literature, a long list of social enterprises in the covered countries was generated. These social enterprises had initiated interventions in various agricultural value chains that were recognised by at least one previous study or by at least one key informant as a best or significant practice in terms of scale of intervention and/or depth of impact on women and men small-scale producers.

From this long list, a short list of five cases was chosen for each country through triangulation. The five cases chosen were the top five most cited as best or significant practices by two or more types of key informants from governmental and non-governmental development agencies, the academe, social enterprise resource institutions and other social enterprises, and in some cases, they were also cited as best or significant practices by past studies. The five cases per country were then ranked according to their relative scale and depth of impact on women and men small-scale producers. The two highest ranking case subjects who were willing to participate in the study were the final cases chosen in each country.

Research teams were deployed to undertake the study using a common set of guidelines and guide questions. The research teams were composed of in-house researchers of social enterprise resource institutions such as Bina Swadaya and Dompot Dhuafa in Indonesia; the Centre for Social Initiatives Promotion in Vietnam; the Institute for Social Entrepreneurship in Asia in the Philippines; and research associates from academic institutions contracted by Change Fusion in Thailand. The overall research was led by the author.

According to a terminology developed by ISEA in a past study, the case subjects leading the value-chain interventions were a combination

of “evolving” and “developed” SEPPS (i.e. respectively initiatives still in the process of evolving towards a level of maturity, and initiatives having reached this level; see ISEA—Institute for Social Entrepreneurship in Asia 2015). The most developed SEPPS were found in the Philippines and Thailand.

Table 15.1 presents the selected social enterprise value-chain interventions studied, with data on the main market segments they serve and the number of small producers and women engaged.

The number of producers or households engaged in each of the value chains studied ranged from 200 to over 30,000. The initiatives in the lower range in terms of number of producers/households engaged were community-based social enterprises. Those in the upper range were intermediary social enterprises that worked with community-based social enterprises or producer groups. The age of the social enterprises studied ranged between 2 and 23 years.

The next sections discuss the main elements that have been found by the study to significantly contribute to transforming the lives of small-scale producers, especially women, in agricultural value chains and beyond.

2. Promotion of Community-Based Innovations and Appropriate Technology

In all the cases, without exception, technologies and innovations that were appropriate, culturally sensitive and ecologically sound were introduced. In the process, the women and men small-scale producers were assisted to increase their productivity and incomes. In seven out of the eight cases, organic or sustainable agriculture or fishery technologies were introduced; in five of the cases, these were accompanied by a corresponding certification system—Global GAP or Good Agricultural Practice Standard for DVIC, in Vietnam; organic certification for KSU Jatirogo, in Indonesia, and for Green Net, in Thailand; organic and fair trade certification by Fairtrade Labelling Organisation (FLO-CERT) and by Fair Trade Marketing Organisation-Fairtrade Philippines for Alter Trade/NOFTA, in the Philippines; and Blue Brand Certification for Fish-erfolk Enterprise and Lemon Farm, in Thailand.

These technologies and innovations did not only enable the effective participation of women and men small-scale producers; they also resulted in an increase of the benefits these producers derived from the value chains, and they enabled the small-scale producers to become stakeholders in the promotion of sustainable consumption and production systems.

Bote Central (Philippines) introduced a coffee-processing technology package which made possible the setting up of community-based coffee enterprises that could process, roast and market their own brands of coffee. This is exemplified by Kape Maramag, owned by the women

Table 15.1 Social enterprise value-chain interventions studied, PROSE-GRAISEA

<i>Country/Social enterprise leading intervention (year of establishment)</i>	<i>Value chain</i>	<i>Market segment served</i>	<i>No. of small producers or households engaged in value chain</i>	<i>No. (and share) of women among small producers engaged in value chain</i>
1. Alter Trade Foundation Inc. (1997) and Negros Organic Fair Trade Association (2009), PHILIPPINES	Muscovado sugar ¹	Local market (Negros Occidental province) and Metro Manila; International market—Germany (FLO-CERT)	729 farmers	311 women (43%)
2. Bote Central (2002) & Philippine Coffee Alliance, or PCA (2013), PHILIPPINES	Coffee	Domestic (institutional; retail—middle class and upwards) and export	34,221 farming households engaged by 51 community-based coffee enterprises (CBCEs)	At least 18 CBCEs (i.e. 35% of the 51 CBCEs) are women-led. ² 50–100% of the small producers engaged by the 2 CBCEs studied were women.
3. KSU Jatirogo, a multipurpose cooperative (2008), INDONESIA	Organic coconut sap sugar	International market (Japan, Europe and Canada; certified organic) Domestic market (Jogyakarta)	1,731 farming households	1,731 women (100%) are engaged by the cooperative; of these, 119 (7%) are heads of households and, as such, are members of the cooperative. ³
4. P.T. Karya Masyarakat Mandiri (KMM), a subsidiary of Dompot Dhuafa (2012) and ISM Sinar Abadi Cooperative, INDONESIA	Green mussel	Middle-class consumers in Indonesia	200 small producers ⁴	Of the 200 small producers, 90 (45%) are women. In one community, 30 women were directly engaged as members of the ISM Sinar Abadi Cooperative.

(Continued)

Table 15.1 (Continued)

<i>Country/Social enterprise leading intervention (year of establishment)</i>	<i>Value chain</i>	<i>Market segment served</i>	<i>No. of small producers or households engaged in value chain</i>	<i>No. (and share) of women among small producers engaged in value chain</i>
5. Hiep Khanh Tea Joint-Stock Company, or HITEACO (2007), VIETNAM	Tea	Export market, particularly Middle East and Europe	1,000 households	600 women (60%)
6. Dragon Vietnam Investment Company, or DVIC (2012), VIETNAM	Ginger and gac ^s (fresh and processed)	Middle East (Turkey, Dubai), Asia (Indonesia, Bangladesh, Pakistan and Nepal) and Europe (The Netherlands); GLOBALG.A.P. standard Domestic market	2,000 smallholder producers	1,000 women (50%)
7. Lemon Farm Cooperative ⁶ (1999) and Fisherfolk Enterprise (created by the Association of Thai Fisherfolk Federation) ⁷ (2014), THAILAND	Blue Brand Certified fish and seafood (90% frozen)	Consumers in Bangkok, reached through Lemon Farm's 11 grocery outlets; Blue Brand Certified (fresh, responsibly fished and formaldehyde-free) Local consumers, reached through Fisherfolk Shops in four provinces	50 small-scale fisher groups with a base of 4,000 fisherfolk household members 160 fisher members of Fisherfolk Enterprise	2,400 women (60%) 96 women members of Fisherfolk Enterprise (60%)

8. GreenNet ⁸ Cooperative (1993) and Earth Net Foundation (2000), THAILAND	Certified organic fish and seafood (fresh and processed)	Organic and fair trade market in Bangkok, reached through seven online and nine event-based physical markets; certified organic fish, the first in Thailand	400 small fishers organised in Community Fish Markets	160 women (40%)
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Source: ISEA—Institute for Social Entrepreneurship in Asia (2017)

- 1 Since 2014, Negros Organic Fair Trade Association (NOFTA), the federation of small producer partners of Alter Trade Foundation Inc, accepted four new associations of small producers engaged in the production of vegetable, rice and fish.
- 2 No data are available on the breakdown by gender of farming household representatives engaged by CBCEs. Data on women-led CBCEs is from the first 20 CBCEs who participated in the Kape't Buhay Programme of the Philippine Coffee Alliance.
- 3 KSU Jatirogo's policy is to have heads of farming households as members of their cooperative. Culturally, household heads are usually men; women become the household head only if their husbands have died or have abandoned them.
- 4 KMM engages a total of 2,400 farmers in various value chains. The mussel value chain was chosen because of the pioneering engagement of women as members of a cooperative.
- 5 Gac is a crop that is rich in vitamin A, used as an ingredient by pharmaceutical companies. Locals add gac when cooking rice.
- 6 Lemon Farm Cooperative is co-owned by 28,000 consumer and producer households and serves as major market channel for 3,000 organic (certified through Peer Guarantee System) and natural agricultural products. The fish value chain was chosen for the study because of the significant number of women participants.
- 7 The Association of Thai Fisherfolk Federation has about 5,000 small-scale fisher members.
- 8 Green Net is also engaged in other fair trade value chains, such as rice and coffee, but their engagement in the fish value chain was chosen as focus because of the significant participation of women.

farmers of the Rural Improvement Club Maramag; and by Kape Dulangan, which is owned by a joint venture of the Kulaman Manobo Dulangan Organisation and TRICOM, a non-governmental organisation assisting the Manobo Dulangan tribe with their ancestral domain claims and development plans. Under the “Coffee for Life” (*Kape’t Buhay*) programme promoted by Bote Central in partnership with the Philippine Coffee Alliance, women and men coffee farmers were taught the selective harvesting technique, which consists in choosing only mature coffee fruit for harvesting, rather than indiscriminately harvesting all coffee fruit, be they mature or not (strip harvesting technique). Harvesting only the mature coffee fruit results in higher quality, yield and prices for their coffee. The *Kape’t Buhay* programme also encouraged coffee farmers to shift from chemical-based coffee farming to organic farming. Having witnessed the development of Kape Dulangan, TRICOM raised awareness about the benefits of organic fertiliser and facilitated organic fertiliser production, integrating this in their intervention.

DVIC (Vietnam) prioritised poor households from ethnic minorities and mountainous regions, organising them into interest groups of farming households to help them diversify their production, from just planting rice and corn to also producing ginger and gac, thus enabling these farmers to become their partner suppliers for these products. DVIC signed contracts with these interest groups, usually composed of 10–30 women and men farmers, assuring them that they would buy all their produce at flexible market rates but with a minimum purchase price, so as to protect the farmers when market prices went down. DVIC provided input support, training as well as continuing technical staff support and guidance about soil preparation, planting, caring, fertilising, protection and harvesting. They promoted sustainable agriculture and forestry, in the process teaching the households biological composting and the non-usage of herbicides, in accordance with the requirements of the Global GAP (Good Agricultural Practice) standards.

With a view to enabling women from coconut farming communities to gain better access to markets, KSU Jatirogo (Indonesia) assisted their shift from producing “batok”³ and rough brown sugar for local markets to producing organic coconut sap sugar for export. KSU Jatirogo introduced innovations in the form of better technology at the level of households and a community-based central processing unit (CPU). The CPU is a structure managed by the women involved in the organic coconut sap production and marketing enterprise project; it is part of the KSU Jatirogo cooperative, whose members are mainly the men who are recognised as the heads of the coconut farming households.⁴ The CPU does not only serve as KSU Jatirogo’s community-based marketing arm, but also as a facilitator and controller in the implementation of the traceability

system required for their organic certification process. The CPU saved the women about three hours of walking to the local market where they used to sell, twice a week, the “batok” they made. KSU Jatirogo also introduced a healthy and energy-saving furnace with a specially manufactured wok. The furnace was designed to make fuel use more efficient, as the fire was protected from dying easily and the furnace conserved heat. Compared to the traditional wok, the new wok was thicker, made from more durable raw material and it had a better conductivity. The use of the new wok allowed the women to cook the palm sap more quickly and to produce cleaner brown sugar. The energy-saving furnace and special wok also provided a healthier working and living environment for the women and their families, as it produced less smoke and was designed with an exhaust system.

The Lemon Farm Cooperative (Thailand), with its Bangkok chain of groceries for organic products, provides a stable market for the Fisherfolk Enterprise, an initiative of the Association of Thai Fisherfolk Federation, which brings together 5,000 members in the South of the country. With the assistance of Oxfam, the Fisherfolk Enterprise introduced the Blue Brand Certification system, an assurance system that guarantees product quality to consumers and ensures sustainable management of the fishing waters by the producers. The Blue Brand Certification enabled the Fisherfolk Enterprise members to get a premium price (20% higher than the normal price) for their naturally harvested and formalin-free seafood products. The Fisherfolk Enterprise set up a community-based model for consolidating⁵ and processing fish, founded on local ownership and accountability among the fisher members. The Fisherfolk Enterprise established a community-based central processing unit (CPU) that provides an accessible place for the women fishers to process the seafood, using local knowledge and capacity. The CPU introduced an efficient standardised process that saves working hours for women in the community. The last step introduced in the standardised process was the use of a fill-seal machine to complete the packaging required to justify the higher sales price.

All the cases were oriented toward enabling women and men small-scale producers to organise into effective supplier communities, serving new or growing markets linked to promoting healthy food and ethical lifestyles. Healthy and ethical lifestyles are at the heart of promoting sustainable consumption and production. The cases show how the social enterprises analysed valued the health and welfare of both consumers and small producers, and the protection of the environment that sustains their enterprise and livelihood systems. These were given paramount importance in their choice of products, in their choice of production and processing technologies as well as in their branding and choice of markets served.

3. Sustained Provision of Transactional and Transformational Services

In previous studies (Dacanay 2012; ISEA—Institute for Social Entrepreneurship in Asia 2015), social enterprises with the poor as primary stakeholders have been found to provide or to facilitate the provision of two types of services to small-scale producers, consistent with their hybrid character: transactional and transformational services.⁶

In all the cases studied, these two types of services were provided, at varying levels and to varying degrees over time. The most developed SEPPS had distinct delivery systems, programmes or partners to ensure the provision of transformational services. Critical transformational services that were delivered by all the SEPPS, except by the evolving SEPPS in Vietnam, were the organisation of the women and men small producers into self-governing organisations and their sustained capacity building, which both paved the way towards their empowerment.

While the evolving SEPPS, particularly in Vietnam (DVIC and HITEACO), did not have a distinct delivery system for transformational services, their transactional services appeared to be both transactional and transformational in nature. By introducing bio-fertilisers, sustainable agriculture technologies and GAP Certification, they did not just ensure the quality of the produce required by their chosen markets, but they also assisted the small producers in becoming change agents for the promotion of sustainable consumption and production and “stewards” of the natural resource base that sustains their livelihoods. In the same way, the nature of the services provided by the other social enterprises when they assisted their producer partners in obtaining organic, fair trade and Blue Brand certification can also be considered to be hybrid—both transactional and transformational.

Figure 15.1 shows the variety of transactional and transformational services provided to the small producers and their organisations by the analysed social enterprises and their partners.

The analysed cases in the Philippines and Thailand offered examples of social enterprise led value-chain interventions consistently providing a comprehensive combination of transactional and transformational services, which strategically resulted in different levels of economic empowerment of small producers.

Two broad types of initiatives can easily be distinguished. The first type corresponds to those initiatives that started out as part of or were linked to a broader development programme, implemented by a civil-society organisation (which provided the transformational services), and which, in partnership with an established social enterprise, ensured access to technologies or markets for their small partner producers. The second type corresponds to those initiatives that were part of a multi-organisational social enterprise system that assigned different roles of providing transactional or transformational services to the various members of the system.

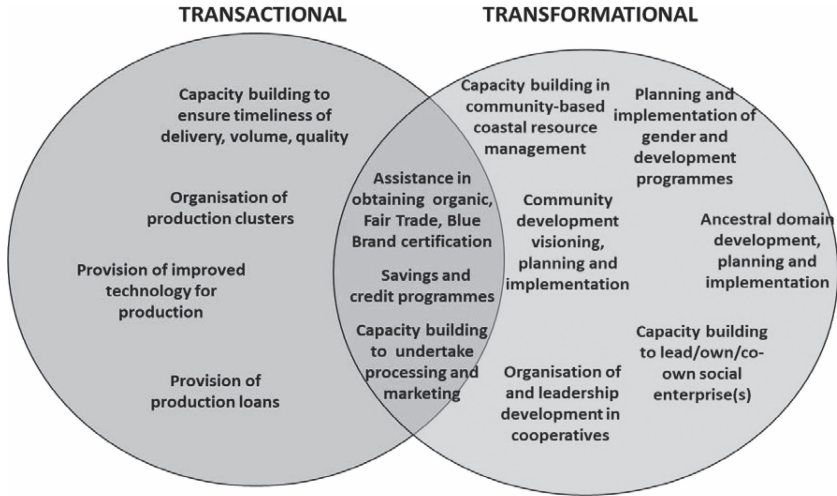


Figure 15.1 Transactional and transformational services provided to small producers by social enterprises and their partners in agricultural value chains

Source: ISEA—Institute for Social Entrepreneurship in Asia (2017)

The first type is exemplified by the Association of Thai Fisherfolk Federation (ATFF), which set up the Fisherfolk Enterprise as its socio-economic arm to give better financial returns to fishers engaged in community-based coastal resource management initiatives and in public campaigns to support sustainable fisheries. With the support of Oxfam, the ATFF and the Fisherfolk Enterprise developed a formalin-free fish value chain and a system for Blue Brand Certification. In order to reach consumers, they partnered with Lemon Farm, an established social enterprise with a grocery chain in Bangkok that provides market access to small producers of organic and natural products.

The second type is illustrated by Alter Trade Foundation Inc. (Philippines), which, at its inception, was set up by Alter Trade Corporation to provide transformational services to the farmers. The sustained provision of a combination of transactional and transformational services by Alter Trade is exemplary. In the beginning, Alter Trade Corporation provided the marketing services, while the Foundation focused on delivering the transformational services to enable the agricultural workers to become entrepreneurial farmers and leaders and members of self-governing producers' organisations. Alter Trade Foundation Inc. introduced block farming and a bio-organic conversion programme with support from Bread for the World (Germany). The aim was to jumpstart the engagement of formerly landless agricultural workers in sugar estates, who

had become small owners of land under the Comprehensive Agrarian Reform Programme. Block farming and organic agriculture helped the farmers achieve the scale and quality of muscovado sugar required for export to fair trade markets in Europe. This was followed through with a comprehensive programme called “Sustainable Agriculture for Sustainable Community” (SASC), which provided technology, financing and capacity-building interventions to ensure that the small producers would become effective supplier communities for organic sugar cane. Through SASC, the women and men sugar farmers were organised into cooperatives and associations, which were in turn federated into the Negros Organic Fair Trade Association. These organisations became vehicles for promoting crop and income diversification as well as for undertaking community development visioning, planning and implementation. Over a period of 20 years, these small-producer households became actors in their own development and equal partners of Alter Trade in the promotion of sustainable agriculture and fair trade among other small producers. Government agencies such as the Sugar Regulatory Administration and the Department of Agriculture have recognised the Alter Trade model as worthy of replication.

What is evident in the cases from the Philippines and Thailand is the fact that the internal and external partnerships played a critical role in the effective and sustained provision of transactional and transformational services. These two types of services have very different logics and require very different delivery systems. As shown by the cases, efficiently delivering such services in a sustained way over time requires either multi-organisational social enterprise systems or external partnerships.

4. Dedicated Investments Promoting Women’s Participation and Empowerment

Based on the cases studied, it appears that there were three interrelated elements in the selection of value chains and value chain development practices that enhanced women’s participation and empowerment. First, the value chains chosen for intervention had a transformative potential for women. Secondly, the approaches and strategies employed in the value-chain intervention were transparent, followed an accountable system of governance, and increased women’s participation and capabilities. Thirdly, increased participation and capabilities resulted in significant contributions of women to household incomes, greater control over resources and decisions, and improvements in their welfare and position in households, communities and the value chain.

In all eight cases, the chosen value chains had significant market potential and were identified as value chains where women could play significant roles and could achieve significant increase in income for the household. This is in contrast to other value-chain interventions involving women,

which only allowed them to gain a very small amount, or at best, a supplementary source to the main source of household income. In this sense, the value chains chosen may be characterised as having transformative potential for empowering women small producers.

However, the impact on women's empowerment observed in the different cases analysed indicates that the realisation of such transformative potential depends on whether the approaches and strategies for the engagement of the small producers are gender-responsive or gender-transformative and translate into concrete gains in terms of women's economic empowerment.

Based on the cases surveyed, there were two approaches and strategies that were gender-transformative. One was an approach and strategy where a gender and development programme was consciously implemented from the beginning, in the context of organising and engaging mixed groups of women and men small producers. Such an approach was observed in two cases, namely Alter Trade Foundation Inc./Negros Organic Fair Trade Association and TRICOM/KMDO/SKCVI. In both cases, the targets of the value-chain interventions were mixed groups of women and men with a patriarchal culture baseline, where women were considered subordinates of men. In both cases, women's empowerment was evident as a result of the interventions, with women assuming leadership positions in the community-based social enterprises and enjoying the same opportunities and benefits as their male counterparts. The other gender-transformative approach and strategy focused on organising and engaging only women into groups of small producers, with a gender and development programme introduced at a later stage of consolidation. Such an approach was implemented by RIC Maramag (Philippines).

On the other hand, one approach/strategy was identified as gender-responsive: women were consciously sought out as equally representing their households as production partners in the value chain. The cases of HITEACO and DVIC (Vietnam) were cases where women were recognised as representatives of households on an equal footing with men.

These various cases indicated that the enhanced role of women in decision making was made possible not only because the women were making more significant contributions to the household income, but also as a result of the new knowledge they had acquired, which allowed them to exercise a bigger influence in farm planning and community affairs.

The significant contribution of women to the household income and the new knowledge they had brought in were also noted to have had a positive impact on household food security and income and to have created conditions for change in power relations at the level of the household and the community to varying degrees.

These best practices shown by some of the cases studied indicate that different types of interventions engaging women in agricultural

value chains have a differentiated impact on women and their economic empowerment. Three main insights stand out:

- First, the Alter Trade and TRICOM/KMDO/SKCVI interventions bear testimony to the fact that, in order to achieve women's economic empowerment, implementing a conscious gender-transformative programme from the start of agricultural value-chain interventions, targeting mixed groups of women and men, is of critical importance.
- The second insight relates to the enhancing power of a conscious gender-transformative programme to fully realise women's economic empowerment in value-chain interventions where the sole participants are women. This was positively manifested by the case of RIC Maramag.
- Thirdly, it is apparent that recognising women as legitimate or as equally important representatives of households and ensuring mechanisms for their participation is of significant importance, as demonstrated by the cases of HITEACO and DVIC.

5. Building Resilience and Increasing Small Producers' Share of the Added Value Created

Models of corporate-led agricultural value-chain interventions tend to focus mainly on developing the capacity of small producers as suppliers of raw materials or semi-finished products needed by the core business of the corporation. The intent is to engage small producers as contract farmers, contract growers or producers of inputs required by these corporations. This model of creating shared value, while providing access to markets and some benefits to small producers, has been under scrutiny by thought leaders who would like to see agricultural value-chain interventions contribute more to addressing poverty and inequality. Citing the experience in the global value chain of cocoa, Oxfam's private-sector adviser Erinch Sahan points out that, in the 1980s, cocoa farmers used to get 16% of the value of a chocolate bar; today, they get less than 6%. Sahan proposes to measure the share of value that small producers get from the agricultural value chain as an important part of assessing agricultural value-chain interventions of companies that wish to contribute to the Sustainable Development Goals of zero poverty and reduced inequality (Sahan 2016).

In six of the cases (with the exception of the cases from Vietnam), the small producers and women were assisted to set up their own cooperatives or community-based social enterprises or to become co-owners of social enterprises. In the process, the small producers and women were enabled to take over functions in the value chain such as input provision, semi-processing and processing, consolidation, distribution and marketing. This evolution enabled the small producers and women not only to

have a better position in the value chain but also, over time, to increase their share of the added value created.

The Kape't Buhay Programme of the Philippine Coffee Alliance, introduced by Bote Central and implemented through partnerships with civil society organisations (such as TRICOM and Catholic Relief Services) and government agencies (such as the Department of Agriculture), enabled indigenous people (organised into the Kulaman Manobo Dulangan Organisation) and an all-women farmers' organisation, the Rural Improvement Club Maramag, to become not only effective suppliers of coffee beans but also key stakeholders in coffee processing and marketing, as manifested by their selling their own brands of coffee. Assuming that all the coffee produced by their partner small producers is processed and sold by these social enterprises to local markets, as in the case of the KMDO, TRICOM and the Sultan Kudarat Coffee Ventures, 100% of the added value being created by the social enterprise value chain is retained by the small-scale producers and the organisations that support them. However, this could still be nuanced by carrying out an analysis in terms of the percentage going directly to the small-producer households.

The concept of measuring the small producers' share of added value is key to addressing inequality and is at the heart of the distributive enterprise philosophy of SEPPS.

At the same time, in the current context of climate change and unexpected occurrences of natural, social and economic disasters, increasing the small producers' share of added value through agricultural value-chain interventions would not be sustainable unless these producers are prepared to face these disasters and have the resilience or capability to bounce back.

Alter Trade and NOFTA (Philippines) offer an example of resilience over more than 20 years. From the beginning, Alter Trade was a response to the economic crisis that caused hunger among landless agricultural workers in sugar estates that were abandoned by big land owners in the mid-1980s, when the Philippines' sugar export quota to the United States was lowered. The agricultural workers, who were awarded lands through the agrarian-reform programme of the government, were trained by Alter Trade to become the entrepreneurial farmer-leaders and members of NOFTA. NOFTA members use sustainable agriculture technologies that lower production cost and reliance on external inputs as well as sustain soil health and productivity.

The farmer cooperatives and associations federated into NOFTA also became vehicles for the diversification of crops and income sources, with a view to ensuring food security and preventing dependence on a single income source. The diversification of crops and income sources put an end to what used to be an annual cycle of hunger, referred to as "*Tiempo Muerto*", or dead season, because during the period between April and August, i.e. between the planting season of sugar cane and the harvesting

season, sugar cane workers and small producers had no other sources of livelihood.

Alter Trade and NOFTA have likewise weathered an organisational crisis whereby the corporation that used to be their marketing arm broke away—a crisis which they transformed into an opportunity to set up NOFTA Fair Trade Haus as their marketing arm, which is 60% owned by the small producers. All NOFTA members have also taken part in training workshops on climate change and disaster risk reduction (CCDRR), mitigation and adaptation, and have developed contingency plans in response to future disasters.

6. Empowerment With Measurable Outcomes of Transformation

As manifested by the cases studied, the process of economic empowerment of women and men small-scale producers who are starting from a position of marginalisation may be characterised as encompassing three critical elements. The first is enabling them to own, control or have access to land, fishing waters, capital, technology and other productive resources. The second is assisting them in gaining power or influence in decision-making processes in households, communities, value chains, markets, communities and other relevant arenas of decision making. The third is building their capacity to sustainably use and manage such productive resources and to take part in decision-making processes to improve their quality of life and that of their community and their living environments.

Critical to this process of empowerment is organising the women and men small producers and enabling them to have self-governing institutions—which usually take the form of cooperatives or associations. For producers, these cooperatives or associations become instruments for planning and implementing their own interventions as stakeholders, not only in the value chain where they are situated, but also in the development process of their households, communities and sectors.

Dompot Dhuafa's KMM (Indonesia) developed the “Mustahik Move to Muzaki” (M3) initiative, an innovative empowerment programme that engaged women mussel strippers, who were receivers (*mustahik*) of *Zakat*,⁷ to become givers (*muzaki*) of *Zakat*. The pilot intervention provided assistance to 30 households to become owners of three *bagans* (the means of production for green mussels) each. Women mussel strippers from these households were also organised and capacitated to become entrepreneurial leaders and members of ISM Sinar Abadi Cooperative, which manages the collection, processing and trading of the green mussels.

The case that best exemplifies a full process of empowerment, over a period of about 20 years, is that of Alter Trade Foundation Inc. (Philippines). Over this 20-year period, Alter Trade consciously developed its

partner producer associations and cooperatives and the Negros Organic Fair Trade Association (NOFTA) into self-governing institutions, planning and implementing their own interventions in and beyond the value chain of sugar. The producers' associations and cooperatives were enabled to lead processes of crop and income diversification and community development visioning, planning and implementation. As a result, these producer communities, in partnership with Alter Trade and NOFTA, have achieved food security, demonstrated resilience and moved out of poverty, in the process also becoming actors in the development of their respective communities and of the sector of farmers and small producers as a whole.

The four cases studied in the Philippines and Thailand were value-chain interventions that were part of a holistic process of assisting the marginalised producers to secure their claim over land or control over their municipal fishing grounds and to sustainably manage these resources, with a view to improving their quality of life and that of their communities as well as their living environment.

This is exemplified by the case of sugar workers who became agrarian-reform beneficiaries and were assisted by Alter Trade (Philippines), which offered comprehensive support services to make the lands productive. This is also exemplified by the case of the Kulaman Manobo Dulangan Organisation (Philippines), whose coffee value-chain intervention, in partnership with TRICOM, was part of the Ancestral Domain Development Plan of the Kulaman Manobo tribe. Both Alter Trade and TRICOM promote sustainable agriculture technologies.

In the case of Green Net (Thailand), the organisation's assistance in securing organic fishery certification for its partner communities to effectively serve Bangkok markets was part of a broader multi-stakeholder platform aiming to implement community-based coastal resource management and promote sustainable fishery. This was manifested by their efforts to create local Community Fish Markets (CFMs) and to undertake the "Save our Sea-Save our Fish" public campaign. By engaging their partner fishers in securing organic fishery certification, by implementing the "Save our Sea-Save our Fish" public campaign and by setting up the CFMs, Green Net catalysed the emergence of community actors supporting good and responsible fishing practices, which respect the rights of communities and small-scale producers to sustainably manage and protect their fishing grounds.

The aforementioned holistic empowerment processes have resulted in observable outcomes, which indicate that transformational change has occurred at various levels.

At the household level, observable outcomes included:

- increased food security for households, with a significant share of such increased security resulting from increased participation in and contribution to productive work on the part of women;

- increased amount and diversity of sources of household income, with a significant share of such improvement resulting from the increased contribution of women to the diversification of household economic activities;
- improved control over and access to land, fishery, capital, technology and other productive resources on the part of households;
- increased capacity and role of women in decision making about household economic activities, including farm planning and the combination of economic activities to be undertaken by the women; and
- increased participation of men in the performance of unpaid care work and in supporting women in their productive work.

At the level of individual women, observable outcomes included:

- increased self-esteem and awareness of one's capacities and potentials;
- increased time and opportunities for rest, relaxation and socialisation;
- expanded role in decision making in the household and as leaders and members of organisations; and
- expanded role and better recognition of these women's contribution to productive and community work.

At the level of producers' organisations, communities, value chains and economic subsectors, observable outcomes included:

- expanded choices (directly attributable to the intervention) in the economic activities undertaken by small producers and women;
- equal opportunities for women and men in terms of self-development and to avail of the economic and social benefits derived from productive activities;
- enhanced capacity of producers' organisations in terms of self-management and contribution to community and sectoral development;
- increased share of value reaped by women and men small-scale producers in the value chain; and
- enhanced roles and improved position of the small producers' organisations in the performance of various functions in the value chain.

But despite the variety of these observable positive outcomes, most of the social enterprises studied did not have any established system for measuring them. Among the cases, only Alter Trade Foundation Inc. and Bote Central, in the Philippines, and KMM, in Indonesia, had initiated efforts to develop measurement systems or tools. Such tools included the use of simple proxy measures, Development Indexing (DI) and Social Return on Investment (SROI).

Alter Trade Foundation Inc.'s monitoring of their partners' movement out of poverty showed that over a period of 20 years (as of

December 2015), 100% of their 729 partner producers had achieved self-sufficiency and 80% had moved out of income poverty. Over a shorter period of time (two years), KMM's M3 had resulted in 30 women owning productive assets of three to five *bagans* each, with an overall increase in household income from IDR600–900,000 per month before the implementation of the M3 initiative to IDR2.9–5.8 million per month, above the provincial minimum wage of IDR2.3 million.

In terms of Development Indexing, the Alter Trade Foundation crafted a Partner People's Organisation Development Index (PPO-DI) that they use to monitor the level of empowerment of their partner producers. The PPO-DI is essentially a score card that includes six elements: organisational cohesion and development; capacity to engage the market (i.e. capacity to effectively and efficiently provide the quantity and quality of products required by the chosen customers); practice of sustainable agriculture; diversification of members' income; contribution to community and sectoral development; and financial growth and sustainability. The score card allows to assess the level of development of producer communities, from "self-help groups" to "entrepreneurial farmers' organisations" and then to "organisations practicing social entrepreneurship" (the highest level of development on this scale). It is when producers' associations become "organisations practicing social entrepreneurship" or social enterprises themselves that the small producers are considered to have become fully empowered.

Conclusion

As demonstrated by the eight cases of social enterprise best practices chosen from the four countries covered by the benchmarking study, agricultural value-chain interventions have shown a greater depth of impact and a higher level of sustainability when they engaged a critical mass of women and men small-scale producers in *strategic transformational partnerships* that:

- promote appropriate technology and community-based innovations that are friendly to women and men small-scale producers, and contribute to sustainable consumption and production;
- progressively enable, over time, women and men small-scale producers to reap a bigger share of the value created in the agricultural value chain, while building up their resilience to natural, social and economic disasters;
- pave the way for the empowerment of women and men small-scale producers, enabling them to become actors in their own development and that of their community and sector, and to become stewards of the natural resource base that sustains their livelihoods;
- provide a combination of transactional and transformational services to women and men small-scale producers to enable them to

participate more effectively in the value chain and in equitable and sustainable community/sectoral development;

- proactively choose value chains and invest in transparent and accountable value-chain development practices that enhance women's participation and empowerment;
- produce significant and measurable outcomes in terms of transformational change at the level of small-scale producers, especially women, at the level of households and communities, and at the level of value chains and subsectors.

These are the key elements of what the Institute for Social Entrepreneurship in Asia (ISEA) calls the “Benchmarks for Transformational Partnerships and Women's Economic Empowerment in Agricultural Value Chains”, or BTP WEE in AVCs (ISEA—Institute for Social Entrepreneurship in Asia 2017).

Some scholars, such as Doherty *et al.* (2014), have identified hybridity as the defining characteristic of social enterprises. This is so because social enterprises pursue a dual mission, striving to achieve both financial sustainability and a social purpose. In studying the tensions resulting from hybridity, these scholars have identified mission drift and legitimacy as important challenges faced by social enterprises.

In this context, the BTP WEE in AVCs may be appreciated as a framework for social enterprises in agricultural value chains to manage the challenges of hybridity. By using the benchmarks as guideposts, these enterprises would avoid mission drift and sustain their character as transformational partners to their most important primary stakeholders—namely the women and men small-scale producers, their households and their communities.

The Southeast Asian Regional Centre for Graduate Study and Research in Agriculture (SEARCA) had identified “Inclusive and Sustainable Agricultural and Rural Development” (ISARD) as its focal theme. Through a study based on 111 cases in four countries (Indonesia, Myanmar, the Philippines and Vietnam), SEARCA found that, although governments across the Association of Southeast Asian (ASEAN) countries were making efforts to support inclusive agribusiness, these efforts were disjointed and not directed at key constraints in the value chains (Manalili 2015; ISEA—Institute for Social Entrepreneurship in Asia 2016). Previous studies on agricultural value-chain interventions in the region had also revealed mixed results in terms of outcomes for farmers (Dunn 2014; Asian Development Bank 2013). In this context, the ISEA study may also be appreciated as a contribution to the discourse on inclusive agriculture that is useful not only for social enterprises but also for other stakeholders engaged in agricultural value-chain interventions.

ISEA considers that the benchmarks are not only meaningful in terms of social inclusion, but that they also constitute a pathway to sustainability.

ISEA argues that practitioners in agricultural value chains that would adhere to the benchmarks could directly contribute to many of the inter-related Sustainable Development Goals (SDGs) that the General Assembly of the United Nations committed to achieve by 2030. These SDGs include, among other goals, no poverty, zero hunger and reduced inequalities; decent work and inclusive economic growth; inclusive and sustainable industrialisation and innovation; sustainable consumption and production as well as sustainable communities; partnerships to achieve the SDGs; and women's economic empowerment as a cross-cutting goal (United Nations 2015).

As shown by the present study and by the way in which its results are being utilised by ISEA and its partners, social enterprises are sources of innovation and best practices in terms of how partnerships with small-scale producers could become transformational as a pathway to sustainability in agricultural value chains.

Notes

- 1 For information about the genesis of the concept, see Chapter 12, about the Philippines, in the present book.
- 2 The study was an output of a project, undertaken in 2015–2017, entitled “Promoting Social Enterprises” (PROSE), which was part of a broader initiative led by Oxfam, with funding support from the Swedish Embassy in Bangkok under the Gender-transformative and Responsible Agribusiness Investments in Southeast Asia (GRAISEA) programme. This chapter is based mainly on the findings contained in an integrative working paper, written by the author for ISEA, that synthesised the results of the PROSE-GRAISEA study.
- 3 “Batok” is a form of solid brown sugar, a usual product made from coconut sap and sold to local markets in the rural areas.
- 4 The Indonesian law on cooperatives does not have an explicit provision prohibiting or encouraging women to be members of cooperatives. The policy of some agricultural cooperatives such as KSU Jatirogo is to have household heads as members. As has been pointed out, culturally, household heads are usually the men. Consequently, these cooperatives' members are, in an overwhelming majority of cases, men. Most of the women who manage and are part of the CPU are technically not members but are considered part of the households represented mainly by the men.
- 5 “Consolidation” refers to the function, in the value chain, of buying from many producers or processors/semi-processors to achieve the volume required for trading or distribution.
- 6 For a definition of transactional and transformational services, see Chapter 12, Section 3 in the present book.
- 7 *Zakat* is the practice of giving alms to the poor and the needy, which is obligatory for every adult Muslim of sound mind and means.

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16 Asian Social Enterprise Models in a Worldwide Perspective

*Jacques Defourny, Marthe Nyssens and
Olivier Brolis*

Introduction

It is now well acknowledged that the notion of social enterprise (SE) simultaneously emerged in North America and Western Europe and had only a very limited audience in other parts of the world, like in Asia, before 2010 or so. As shown in the introduction of this book, however, this does not mean that research initiatives did not exist to describe and analyse “non-conventional” economic initiatives and organisations in Asian countries. On the contrary, various other conceptual approaches were used to study “non-governmental organisations” (NGOs), “non-profit organisations” (NPOs), “third-sector organisations” (TSOs) or, more broadly, the “social economy”, as a large umbrella encompassing NPOs and cooperatives. Several of these works were strongly supported by international scientific networks, such as the International Society for Third-Sector Research (ISTR), which has had an Asian-Pacific regional branch since 1999.¹ The Johns Hopkins Comparative Nonprofit Sector Project (CNP), which focused on the identification and analysis of the non-profit sector worldwide, also played a critical role in some Asian countries.

Regarding the concept of social enterprise, it started to be used in Asia by a few pioneering and isolated scholars, who often relied on conceptions imported from the US or the European Union, as was clearly demonstrated for Japan by Tsukamoto and Nishimura (2009). Ground-breaking Asian researchers who helped to introduce the notion of social enterprise in the region include Han (2001) and No (2001), who contributed to making South Korea a pioneering country in this regard;² Dacanay (2004), who presented “social enterprise stories in Asia”; Tanimoto (2006) in Japan; Wong and Tang (2006/2007) and Ding (2007) in China; and Kuan (2007) in Taiwan. Sometimes, the notions of social entrepreneur and social entrepreneurship were introduced before the social enterprise concept as such, for instance by Morato (1994) in the Philippines and by Prabhu (1999) in India. Some international foundations and institutions, like the British Council, also played an active role, through programmes promoting social entrepreneurship.

In this chapter, we adopted the generic conception of social enterprise used in the “International Comparative Social Enterprise Models (ICSEM) Project”. We wanted to avoid any *a priori* definition of social enterprise and, on the contrary, we sought to encompass the wide spectrum of organisations that combine an entrepreneurial dynamic to provide services or goods with the primacy of their social aims. As explained in the introduction of this book, the SE notion has been used in the ICSEM Project as a heuristic tool, with a view to better understanding this type of organisation. Indeed, most researchers today seem to acknowledge the impossibility of a unified definition of social enterprise. A main challenge in this field of research has then become to grasp the diversity of SE types. In such a perspective, many empirical descriptive studies have been carried out in the last decade. Some of them consisted in thorough “case studies”, through which various aspects of such diversity could be analysed and even theorised. Beyond such specific issues, however, the comparative analysis of SE types or models still lacked strongly integrated theoretical foundations and, even more, empirical surveys that would enable researchers to statistically test typologies of SE models; this was all the more true at the international level, as empirical relevance should be sought in this case beyond national borders.

This chapter aims precisely at addressing the lack of a typology of SE models that would combine three key strengths: (1) it would be rooted in sound theoretical grounds, allowing for a wide diversity of SE models within each country and across countries; (2) it would be supported by strong empirical evidence, provided by statistical exploitation of the data resulting from a survey carried out in the same way in various countries; and (3) it would highlight the specificities of Asian SE models in a world-wide perspective.

In such a threefold ambitious perspective, this chapter is built on three major steps. While acknowledging the gaps that characterise existing SE classifications, we first propose a theoretical framework to identify a few major SE models, relying on two building blocks: on the one hand, “principles of interest”, as key driving forces at work in various parts of the economy and as matrices from which SE dynamics can emerge; and, on the other hand, “resource mixes”, as a central dimension of social enterprise, acknowledged by many authors. In a second major section, we start by examining a first source of empirical evidence about SE in Eastern Asia, which we confront with this theory-based typology. We then present a second source of empirical evidence, namely the database that resulted from the unique survey carried out in 2015 and 2016 on 721 social enterprises in some 43 countries across the world, in the framework of the ICSEM Project.³ In a third major section, we discuss the results obtained through the exploitation of this dataset and we compare the results at the world level with those obtained at the Asian level which, as will be shown, provide some strong support to our international typology of SE models.

1. Theorising the Diversity of SE Models

What is at stake with SE typologies is not just a wide, although simplified, view of the various types or models of social enterprise; nor is it a “struggle” against too much diversity. It is first and foremost a question of uncovering and acknowledging the fact that today, a wide range of entrepreneurial initiatives, generally private and primarily driven by social aims, actually address social or societal challenges.

Although relying on the sole observation of cases in the US context, Dees argued, as soon as in the late 1990s, that the level of market reliance should be seen as the most relevant criterion to build a classification of SE types. For him, social enterprises can be presented along a single-dimensional continuum between two extremes, corresponding respectively to a “purely philanthropic” pole and a “purely commercial” one (Dees 1996, 1998). However, Dees does not just refer to the market in terms of incomes from sales. Instead, he actually develops market principles (and philanthropic principles at the other extreme) in terms of motives, methods and goals, and he argues that most social enterprises combine commercial and philanthropic elements in a productive balance. The major strength of Dees’ SE spectrum is that its many sources of variations pave the way for an infinite number of operational SE models. It is therefore not surprising that many authors refer to this spectrum (Peattie and Morley 2008), to adapted versions of the latter (Nicholls 2006) or to a critical analysis of it (Seanor and Meaton 2007; Young and Lecy 2014). The other side of the coin is that such multiple variations along a single continuous axis do not really help to define groups or categories of social enterprises. From the point of view of Dees’ spectrum, all social enterprises can be seen as “intermediate organisations”, and they may all be labelled as “hybrids” (Doherty *et al.* 2014).

Besides some attempts carried out before the early 2010s,⁴ only a few authors have made attempts, more recently, to conceptualise and/or theorise diversity in the SE field. At the national level, these efforts had mainly taken place in countries that had experienced specific and strong public or private strategies promoting social enterprise and social entrepreneurship. The best example is provided by the United Kingdom, which combines strong third-sector traditions (with mutual and cooperative organisations as well as charities) with brand new developments in the last fifteen years in terms of SE promotion by public authorities and various other bodies. In such context, Spear *et al.* (2009) identified four types of social enterprise, according to their origins and development paths. Much more recently, focusing mainly on the US SE landscape, Young *et al.* (2016) proposed the metaphor of a “social enterprise zoo”, in which different types of animals seek different things, behave differently and may (or may not) interact with one another in both competitive and complementary ways . . . just like social enterprises, which combine social and market goals in substantially different ways.

When it comes to international comparative works, most of them were hitherto based on conceptualisations and/or policy frameworks shaped by specific national or regional contexts. For instance, Kerlin (2006) and Defourny and Nyssens (2010) mainly focused on comparisons of conceptual approaches of social enterprise in Europe and the United States. At a broad macro level, Kerlin (2009, 2015, 2017) adopted an institutional perspective, developing a macro-institutional framework and identifying key features of macro, meso and micro institutions in various countries to suggest how any set of cultural, socio-economic and regulatory institutions tends to shape a specific major SE model per country (or sub-region). But although appealing from a theoretical point of view, Kerlin's approach did not provide foundations to theorise the diversity of SE types within individual countries (or regions).

In the Asian context, a few authors, like Tsukamoto and Nishimura (2009) for Japan, Kuan (2007) for Taiwan and Eum (2008) for South Korea, made early attempts to classify the SE types they observed in their countries. Chan *et al.* (2007) undertook an "exploratory comparative study" of SE types in Hong Kong, Taiwan and Shanghai. However, the strongest impetus to comparative research on SE models came in 2008 from a research project that was launched jointly by the EMES International Research Network and an informal group of East Asian scholars from China, Hong Kong, Japan, South Korea and Taiwan. Within this project, which proved to be a seminal initiative, all researchers designed and applied a common approach with a view to identifying and analysing the various SE types or models in their respective countries. Three major outputs came out of this collective dynamic. First, an International Conference on Social Enterprise in Asia (ICSEA) was organised in Taipei in 2010 to discuss papers presenting SE landscapes in the various participating countries, and this event paved the way for subsequent "ICSEA", held every two years in other countries. Secondly, the papers produced within the project were published in a special issue of the *Social Enterprise Journal*, under the title "Social Enterprise in Eastern Asia" (Defourny and Kuan 2011).⁵ Thirdly, on the basis of these detailed country overviews, sharing a common structure, Defourny and Kim (2011) put forward a first typology of "emerging SE models" in Eastern Asia.⁶ We will come back to this work later.

1.1. Three "Principles of Interest" as a Cornerstone

Considering that social enterprises are often seen as belonging to the "third sector" or are somehow related to the latter (Defourny 2014), we chose to build our analysis upon some of the strongest theoretical frameworks focusing on the very identity of non-profit organisations or the third sector, such as those proposed by Hansmann (1996) and Gui (1991). The analytical framework we designed on this basis led us to

consider three distinct major drivers or “principles of interest” that can be found in the overall economy:⁷ the general interest (GI), the mutual interest (MI) and the capital interest (CI), which we derive directly from the ownership types theorised by Gui. We propose to represent them as the vertices of a triangle in which mixes of principles can be also represented along the sides (see Figure 16.1).

Before trying to locate the various SE profiles or types on our graph, let us note that all associations (voluntary organisations) seeking the interest of their members (Gui’s mutual benefit) are located in the “mutual-interest” angle—as are all traditional cooperatives. By contrast, associations (voluntary organisations, charities . . .) seeking a public benefit (as the term is referred to by Gui) are located much closer to the general-interest angle, although not in the vertex itself, as their general interest (the community they serve) is usually not as wide (general) as the one served by the state. On the right-hand side of the triangle, shareholder companies mainly seeking capital interest sometimes develop CSR strategies through which they tend to express a concern for some issues of general interest, though without calling their main profit motive into question. This may be represented as a limited move upward along this side of the triangle.

The lower side of the figure represents a continuum between the cooperative treatment of profits and the capitalist stance on profits. In a cooperative, the search for profit is instrumental to the productive activity and profits are therefore only distributed as dividends with a cap and/or

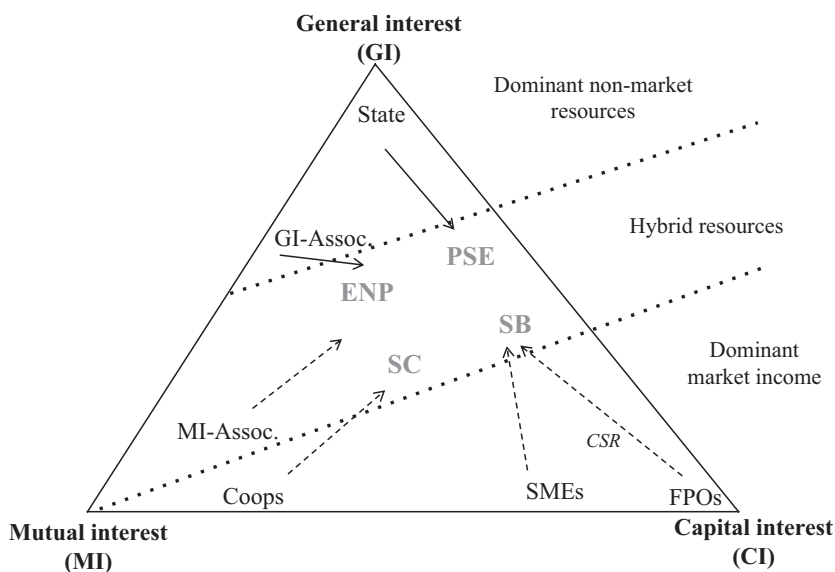


Figure 16.1 Institutional trajectories and resulting SE models

Source: Defourny and Nyssens (2017: 2479).

put into collective reserves with an asset lock; by contrast, distributing profit and increasing the value of their shares are the main goals of shareholding companies. In the case of large listed companies, investors may even consider production activities as instrumental to their quest for the highest short-term returns. Although capitalist as well, many small and medium-sized enterprises, especially family businesses, may balance in a different way the search for profits and non-financial goals (Zellweger *et al.* 2013).

1.2. Market Reliance and the Resource Mix as Central Issues

A good deal of the literature and discourses on social enterprise underline a significant move towards market activities as a distinctive feature of social enterprise. When it comes to identifying operating social enterprises, many observers look at the proportion of market income and might require that at least 50% of resources come from market sales, like in various surveys carried out in the United Kingdom.

We have shown elsewhere (Defourny and Nyssens 2010) that such a stance is often far from the field reality in many countries, and that it is not shared by all schools of thought. However, we fully acknowledge the fact that the degree of market reliance is a major issue in the debate and we certainly do not want to avoid it.

Therefore, we have drawn two dotted lines across our triangle to take into account the various combinations of resource types (market income, public grants, philanthropic resources), establishing a distinction between situations in which market income dominates, those in which non-market resources (public funding, voluntary resources) dominate, and those in which a resource mix (hybrid resources) is preferred with a view to better balancing the social mission and the financial sustainability (see Figure 16.1). It should be noted that the lower dotted line also divides the “mutual interest” angle: cooperatives are enterprises operating mainly on the market and they appear below the line, as do all enterprises earning all or the bulk of their income from the market; on the contrary, mutual-interest associations, like sport clubs and other leisure voluntary organisations, generally rely on a mix of market resources (member fees, sales at a bar or cafeteria) and other resources, such as volunteering and public contributions in the form of sport infrastructures and other indoor or outdoor facilities.

1.3. Institutional Trajectories Generating SE Models

On the basis of our triangle, we represented how various “institutional trajectories” in the whole economy may generate SE models (Defourny and Nyssens 2017).

As shown in Figure 16.1, SE models (in grey) emerge from six traditional models through two distinct institutional trajectories:

1. The first type of logic generating social enterprises can be observed among non-profit or public organisations experiencing a downward move *towards marketisation* (solid-line arrows):
 - The **entrepreneurial non-profit (ENP) model** gathers all non-profit organisations, most often general-interest associations (GI-Assoc.), that are developing any type of earned income activities in support of their social mission.
 - The **public sector social enterprise (PSE) model** results from a movement towards the marketisation of public services which embraces “public-sector spin-offs”. These SEs are usually launched by local public bodies, sometimes in partnership with third-sector organisations, to provide services which are outsourced (such as care services) or new services (such as those offered by work integration social enterprises—WISEs).
2. The second type of logic corresponds to an upward move of conventional cooperatives and mutual-interest associations *towards a stronger general-interest orientation* (dotted arrows), and such a move may also be observed through some advanced CSR initiatives launched by the traditional business world:
 - The **social cooperative (SC)⁸ model** differs from traditional mutual interest organisations—i.e. cooperatives (Coops) and mutual interest associations (MI-Assoc.)—in that it combines the pursuit of its members’ interests (mutual interest) with the pursuit of the interests of the whole community or of a specific group targeted by the social mission (general interest).
 - The **social business (SB) model** is rooted in a business model driven by shareholders’ (capital) interest, but social businesses mix this logic with a “social entrepreneurial” drive aimed at the creation of a “blended value”, in an effort to balance and better integrate economic and social purposes.

At first sight, when looking at Figure 16.1, the four SE models seem to arise from new dynamics at work in pre-existing organisations. Thus, it may seem that social enterprises cannot be created from scratch. Such an interpretation is clearly misleading as a new (social) enterprise can emerge everywhere in the triangle; its location will depend on its general-interest orientation, and on the way in which the organisation balances social and economic objectives and various types of financial resources.

As suggested above, our typology of SE models is based on some key dimensions, to which we referred as “fundamentals” in Defourny and

Nyssens (2017). We do not pretend that it covers all possible SE cases; especially, we are aware of the many types of hybridity and joint ventures that can be observed in the field.

2. Looking for Empirical Evidence

As we now have a typology of SE models built upon solid theoretical foundations, we want to assess its relevance in Asia. We will do so in two ways, which will prove to be quite complementary.

2.1. *Confronting the Theory-Based Typology to a Field-Based Description of SE Models in East Asia*

As a first step, we will consider the SE models observed and described by Defourny and Kim (2011) as a result of the comparative analysis of social enterprise in five Eastern Asian countries (see Table 16.1). Empirical evidence was not collected at the enterprise level; instead, the researchers identified forms and categories of organisations that might fit more or less closely with their understanding of the notion of social enterprise.

In this table, it is striking to observe strong parallels between the two typologies of SE models. First, the “trading NPO” clearly corresponds to our “entrepreneurial non-profit”, through its emphasis on earned income, and the “non-profit cooperative” stresses the priority of the social mission and a general-interest orientation, like our “social cooperative”. Secondly, the “NPO-FPO partnership”, covering social ventures launched by private companies, appears like a hybrid form combining characteristics of our “social business” and “entrepreneurial non-profit” models. Moreover, three of the four models in our theory-based typology

Table 16.1 Typology of emerging SE models in Eastern Asia

<i>Broad models</i>	<i>Dynamics</i>	<i>Corresponding forms or categories in each East Asian country/territory</i>
A. Trading NPO	NPOs looking for new sources of income or seeking to achieve financial sustainability through the delivery of social services (other than work integration)	<ul style="list-style-type: none"> • Service-providing NPO-<i>hojin, takurojos</i> (Japan) • Fee-for-service initiatives launched by social welfare foundations (Taiwan) • Subsidiaries of NPOs set up to earn market income (Hong Kong) • Fee-charging civilian-run non-enterprise units (China) • Community welfare centres (South Korea)

<i>Broad models</i>	<i>Dynamics</i>	<i>Corresponding forms or categories in each East Asian country/territory</i>
B. WISE	Provision of (stable or temporary) job opportunities with training and/or employment services	<ul style="list-style-type: none"> • Social workshops (<i>kyodoren</i>), workers' collectives, elderly citizens' cooperatives (Japan) • Self-sufficiency enterprises, certified social enterprises (job-provision type) (South Korea) • Affirmative businesses (Taiwan) • NPOs' initiatives for work integration (Hong Kong) • Social welfare enterprises, community-based employment entities (China)
C. Non-profit cooperative	Collective self-employment and innovative responses to unmet needs based on co-operative tradition	<ul style="list-style-type: none"> • Farmers' specialised cooperatives (China) • Workers' collectives, elderly citizens' cooperatives (Japan) • Consumers' medical cooperatives, workers' cooperatives (South Korea) • Social cooperative type initiatives operated by NPOs (Hong Kong, Taiwan)
D. NPO-FPO partnership	Involvement of private companies (or company foundations) to support NPOs or joint initiatives with a social mission	<ul style="list-style-type: none"> • Social (joint) ventures (Hong Kong, Taiwan, South Korea, Japan, China)
E. Community development enterprise	Multi-stakeholder partnerships (between NPOs, FPOs and public entities) promoting participatory local development	<ul style="list-style-type: none"> • Local community development organisations (Taiwan) • Community businesses, rural women entrepreneurship (Japan) • Self-sufficient local community businesses (South Korea) • Farmers' specialised co-operatives (China)

Source: Defourny and Kim (2011: 102).

(namely, the three models we have just cited) find empirical support in forms and categories identified in the five countries or territory (Hong Kong) covered by the study.

We also learn from Table 16.1 that two additional models (B and E) were identified through their social mission rather than through their organisational form. Indeed, the work integration of disadvantaged people appeared so widespread and significant in all five countries that it was deemed relevant to define a “WISE umbrella” (B model). Regarding the “community development” mission (E model), it referred to an active role of the state or local public agencies—a feature that draws our attention as we put forward the hypothesis of the existence of a “public-sector SE” (PSE) model. But in Table 16.1, the state is not presented as launching initiatives on its own; it is rather said to partner, in most cases, with NPOs and FPOs to launch community development initiatives. More generally, this suggests that the state is more likely to get involved in multi-stakeholder initiatives than to act as a sole SE entrepreneur—which only provides limited support to our theory-based PSE model. And more fundamentally, this invites us to consider that the state mostly plays a broader, regulatory role through various types of action which contribute to shaping the SE landscape: providing new legal frameworks for SE, setting up accreditation systems that give access to some types of support, promoting SE through public-procurement mechanisms, developing specific financial tools or fiscal advantages, etc.

2.2. Exploiting the Unique ICSEM Survey and Database on Social Enterprise

In the second phase of the ICSEM Project,⁹ another source of empirical evidence became available to address the lack of reliable datasets at enterprise level and to undertake international comparative analyses: indeed, in-depth information was collected about social enterprises on the basis of a common questionnaire. More precisely, ICSEM research partners interviewed the managers of three to five social enterprises¹⁰ that were deemed emblematic of each SE type identified in each country that had participated in the project’s first phase.

The questionnaire resulted from several rounds of discussion within the “ICSEM research community”; the goal was to design a questionnaire that would be meaningful and relevant in all world regions. Thanks to these efforts, detailed data were collected in a rather homogenous way for 721 social enterprises from 43 countries (see Table 16.2). Needless to say, such a sample is by no way representative of the SE population across the world. Not only is the distribution across continents particularly uneven, with a quasi-absence of Africa; more fundamentally, the whole SE population was simply unknown, as there is no universal

Table 16.2 Number of countries and social enterprises covered by the ICSEM survey

	No. of countries	No. of SEs
Europe	19	328
Latin America	7	162
Asia	9	100
<i>China</i>		6
<i>Hong Kong</i>		11
<i>Indonesia</i>		10
<i>Japan</i>		14
<i>Philippines</i>		5
<i>Singapore</i>		2
<i>South Korea</i>		22
<i>Taiwan</i>		20
<i>Vietnam</i>		10
USA, Canada, Australia, New Zealand	4	45
Africa (Rwanda—South Africa)	2	55
Middle East (Israel, United Arab Emirates)	2	31
Total	43	721

definition of social enterprise. In a few countries where a SE definition does exist, for instance through a law promoting social enterprise, such definition does not generally enable an uncontested mapping and statistical analysis, because such a legal approach is often deemed too large or too narrow.

These limitations do not prevent us from arguing that our overall research strategy, which combines a theoretical typology and a quite demanding bottom-up empirical approach, constitutes a major step toward capturing the diversity of SE models. The next step indeed was to exploit the dataset built through the ICSEM survey in order to see whether it provides, or not, any empirical support to the above typology of SE models, both at the global level and more particularly for Asia.

2.3. A Hierarchical Cluster Analysis (HCA) to Identify Major SE Categories at the Global Level

For the purpose of carrying out a cluster analysis, quantitative and qualitative (nominal and ordinal) variables were extracted from the questionnaire. The ultimate goal was to describe each of the 721 SEs along five major dimensions: (1) general identity (legal form, origin, accreditations); (2) social mission (mission's nature, relation with the SE's main economic activity, price of the goods and services provided, type of innovation); (3) workforce composition (workers and volunteers); (4) financial structure in general and, more precisely, ways in which the SE combines various types of resources; and (5) governance structure and rules regarding

the allocation of profits/surplus. Multiple choices and combinations of several choices were possible for many questions, and we defined 141 variables.

We performed a hierarchical cluster analysis (HCA) at the global level, with all 721 observations.¹¹ At this worldwide level, seven clusters of SE emerged from the HCA, and their careful examination led to the conclusion that three of our four theoretical SE models were strongly supported by this empirical analysis: the entrepreneurial non-profit (ENP) model, the social cooperative (SC) model and the social business (SB) model (Defourny *et al.* 2019a). Also worth noting is the fact that these three models were found in 39 countries out of 43.

3. Findings Regarding SE Models in Asia

At the level of Asia, the number of social enterprises covered by the ICSEM survey was not high enough to perform the same statistical analyses as at the global level. However, we exploited the available data for 100 social enterprises in Asian countries (see Table 16.2) to the largest possible extent, including an analysis in a comparative perspective with the results obtained at the global level. In order to carry out such a comparative analysis, we first have to examine the structure of Table 16.3: the columns correspond to the seven clusters of SE that were identified through the HCA performed at the global level (with the whole sample of SEs). However, data presented in this table are not the results of the HCA performed with the whole sample; instead, we segregated the data on the 100 SEs from Asian countries, and Table 16.3 shows their “contribution” to the seven clusters (columns) for all the considered dimensions (rows of the table).

3.1. *A Dominant Entrepreneurial Non-Profit (ENP) Model With Striking Internal Variations*

Let us look first at the distribution of the 100 SEs observed in Asia among the three major models: in spite of variations among them, the four clusters (4, 5, 6 and 7) corresponding to an “entrepreneurial non-profit” (ENP) model gather exactly the same proportion (57%) of SEs as they do at the world level. This confirms that the non-profit sector is a dominant matrix, in Asia as at the global level, from which SEs emerge and in which they operate.

When analysing these four ENP clusters in more detail, a major result that stands out is the fact that one third of Asian SEs (34%) belong to the “non-profit WISE” clusters (4 and 5), while 23% of SEs belong to clusters 6 and 7, which gather what we may call “multi-purpose entrepreneurial non-profits”; the corresponding figures at the global level are respectively 15% and 42%. In other words, non-profit entrepreneurial initiatives identified as social enterprises in Asia are dealing, much more

Table 16.3 Main features of SE clusters in Asia

<i>Social enterprise models</i>	<i>Social business (SB) model</i>	<i>Social cooperative (SC) model</i>		<i>Entrepreneurial non-profit (ENP) model</i>			
				<i>Work integration non-profits</i>		<i>Multipurpose non-profits</i>	
<i>Cluster No. & dominant type in the cluster</i>	<i>Cluster 1 Small- and medium-sized SB</i>	<i>Cluster 2 Cooperative SE</i>	<i>Cluster 3 Cooperative microfinance SE</i>	<i>Cluster 4 Non-profit-parent-launched WISE</i>	<i>Cluster 5 Non-profit WISE</i>	<i>Cluster 6 Local development ENP</i>	<i>Cluster 7 Health and social services ENP</i>
<i>Number of observations</i>	26	12	5	24	10	15	8
<i>Legal form</i>	In most cases, Ltd companies/sole proprietorship	In most cases, cooperatives		Wide variety of legal forms; sometimes informal	In most cases, NPOs	NPOs, Ltd companies, cooperatives, informal organisations	In most cases, NPOs and foundations
<i>Goods and services provided</i>	Various	Various, among which health and social services	Mainly financial services	Various	Various	Various	In most cases, education, health and social services
<i>Social mission</i>	Various social missions, among which employment generation	Various social missions linked to community development and employment generation	Mainly access to financial services	Work integration	Work integration	Local development, ecology, access to education, capacity building	Equality and empowerment, access to health services, employment generation
<i>Relation between economic activity and social mission</i>	Mission-centric (54%) or mission-related (42%)	Mission-centric (83%)	Mission-centric (60%)	Mission-centric (46%) or mission-related (42%)	Mission-related (100%)	Mainly mission-centric (62%)	Mainly mission-centric (62%)

(Continued)

Table 16.3 (Continued)

<i>Social enterprise models</i>	<i>Social business (SB) model</i>	<i>Social cooperative (SC) model</i>		<i>Entrepreneurial non-profit (ENP) model</i>			
				<i>Work integration non-profits</i>		<i>Multipurpose non-profits</i>	
<i>Cluster No. & dominant type in the cluster</i>	<i>Cluster 1 Small- and medium-sized SB</i>	<i>Cluster 2 Cooperative SE</i>	<i>Cluster 3 Cooperative microfinance SE</i>	<i>Cluster 4 Non-profit-parent-launched WISE</i>	<i>Cluster 5 Non-profit WISE</i>	<i>Cluster 6 Local development ENP</i>	<i>Cluster 7 Health and social services ENP</i>
<i>Economic model</i>	Dominant market income Market sales (92%)	Market sales (86%)	Market sales (58%) Return on investment (22%)	Market sales (82%)	Market sales (60%) Subsidies (34%)	Market sales (41%) Subsidies (30%) Donations (13%)	Market sales (42%) Subsidies (30%) Donations (23%)
<i>Prices applied for the main economic activity and % of SEs applying them</i>	Market price (54%) or below market price (27%)	Market price (42%) or below market price (50%)	Below market price (80%) or free of charge (20%)	Market price (58%) or below market price (25%)	Market price (60%) or below market price (40%)	Free of charge (53%), market price (14%) or below market price (33%)	Free of charge (62%), market price (25%) or below market price (13%)
<i>Governance model</i>	Independent or capitalist	Democratic		Mainly democratic Some independent	Democratic	Mainly democratic Some independent	Democratic
<i>Origin of the SE</i>	One person (46%) or a group of citizens (46%)	In most cases, a TSO (association, cooperative, foundation) (67%)	A group of citizens or a TSO (60%) or one person	In most cases, a TSO (association, foundation, cooperative) as a parent organisation (71%)	A group of citizens (60%) or one person (40%)	In most cases, a group of citizens (53%)	In most cases, a group of citizens or a TSO; or one person (38%)

<i>Multiple stakeholders' board</i>	8%	61%	40%	46%	NA	40%	62%
<i>Ultimate decision-making power</i>	One person (50%) or board (23%) or general assembly (23%)	GA/board (mainly workers and representatives of a wide diversity of other stakeholders)	GA/board (mainly users and managers)	GA/board (managers, experts and representatives of other stakeholders)	GA/board (workers [always], experts, volunteers, donors and citizens)	GA/board (wide diversity of stakeholders) or, in some cases, one person	GA/board (wide diversity of stakeholders)
<i>Rules limiting profit distribution</i>	No (62%)	Yes (100%)		Yes (50%)	Total non-distribution constraint (90%)	Yes (73%)	Yes (62%)
<i>If the SE terminates its activity, net assets go to. . .</i>	Undetermined (38%)	Another SE or NPO (70%)	Members (40%)	Another SE or NPO (25%) or the parent organisation (46%)	Another SE or NPO (90%)	Another SE or NPO (40%)	Various rules
<i>Paid employees (median size of workforce per SE)</i>	8	13	NA	45	30	12	61

frequently than what is the case at the world level, with the issue of work integration of “hard-to-place” workers; and they also deal with this issue more often than with other social and societal challenges. This confirms what had been highlighted by Defourny and Kim (2011) in their typology (see Table 16.1): in Eastern Asia, WISEs are particularly important—to such an extent that these authors had considered that WISEs could be regarded as a SE model of its own, although most other models in their typology were defined on the basis of organisational criteria.

ICSEM data also reveal that various strategies may be adopted to create and manage a WISE. WISEs can choose to operate under a non-profit legal form and to be registered by public authorities in one way or another, thus gaining access to subsidies covering about one third of their budget (cluster 5). Alternatively, and most often, a WISE can be created by a non-profit parent organisation, such as a foundation or an association, which is likely to support it in one way or another. In this case, the WISE itself can take any legal form, adopting the form that is best adapted to the market that generates its income. Such a legal arrangement probably corresponds to some partnerships between for-profit companies (through their foundations) and NPOs, operating as “social joint ventures”, which have been observed throughout Eastern Asia by Defourny and Kim (see Table 16.1).

Regarding multipurpose NPOs (clusters 6 and 7), which represent 23% of all SEs (as compared to 42% at the world level), results suggest that these Asian ENPs have quite specific features regarding their economic model: most of them deliver their services and goods for free, and only a small minority (13% and 25% respectively for clusters 6 and 7) sell their production at market price. Accordingly, they have a very particular resource structure: only some 40% of their budget is covered by market sales; subsidies account for one third of their resources; and donations are particularly significant (23%) for NPOs in cluster 7, which operate in education, health and social services and are much larger (with a median size of 61 paid employees) than those gathered in cluster 6, which deal with local development, ecology and capacity building (and have a median size of 12 employees). It is also worth stressing that, although the share of SEs belonging to these two clusters is higher at the global level (where clusters 6 and 7, as mentioned above, gather 42% of all SEs), the hybrid financial structures and the significant difference in terms of size observed in Asia are also observed for the whole ICSEM sample.

3.2. A Social Cooperative (SC) Model Confronted to Historical Legacy

SEs in cluster 2 display features which are clear signals of a cooperative identity. Not only do they adopt a cooperative legal form, but they also operate almost exclusively on the market, from which they derive 86% of their resources. Moreover, their governance is firmly democratic; a

return on capital is permitted but strictly limited; and there is an asset lock, which means that, in case the cooperative terminates its activity, net assets should go to another SE or NPO. In addition to this typical cooperative profile, several other features are clear indications of the “social” dimension of these initiatives: These SEs’ mission is most often to foster community development and employment creation, especially in disadvantaged areas; more precisely, the services they deliver are mainly related to health (medical cooperatives) and social work, being thereby mission-centric. Moreover, these services are quite often delivered below market price. And finally, various types of stakeholders are associated in the general assembly and in the board, which is a way to protect a “general-interest” orientation.

Although not numerous, cooperatives in cluster 3 represent the very long-lasting tradition of “savings and credit cooperatives”, which constitute a major pillar of the cooperative movement across the world. The cooperatives observed here deserve to be qualified as “social” to the extent that they offer financial services below market price (80%) or even free of charge (20%), in a typical microfinance perspective. This probably explains why only 58% of their resources come from the market, with more than 20% of their resource mix coming from investment revenues.

The two cooperative clusters (2 and 3) represent together only 17% of all observed SEs in Asia, while they gather 24% of SEs at the world level. This comparatively weaker proportion in Asia might be related to the legacy of the communist regimes or dictatorships, which promoted cooperatives as instruments of economic and political control. In several countries, overcoming the negative image that became attached to cooperatives as a result hereof may take a long time. However, quite active and innovative cooperative movements in countries like Japan and South Korea are now deeply rooted in the civil society and serve as a key support for cooperative-type social enterprises, as shown in various chapters in this book. It is also interesting to note that a certain weakness of the social cooperative model in Asia contrasts very strongly with the strength of that model in Latin America, where cooperatives actually dominate the SE landscape. In this region, one can witness the creation of cooperatives by poor people or other disadvantaged groups with the support of social movements promoting a solidarity economy and workers’ empowerment (Defourny *et al.* 2019b).

3.3. A Social Business (SB) Model Strongly Contrasting With the Other Models

The “social business” model (cluster 1) corresponds to a single cluster, which gathers 26% of the 100 observed SEs. What is striking is that the SB model strongly contrasts with all other SE models along most dimensions listed in Table 16.3. First, unlike what is the case for SEs

belonging to the other models, a significant share of these initiatives has been launched by a single person (46%); a similar percentage is only observed in a sub-group of the ENP model (namely among non-profit WISEs). Secondly, most social businesses (75%) adopt the legal form of limited company—a feature which is not frequent at all in the other clusters. In support of their various social missions, they mainly deliver their production at market price, and market sales represent 92% of their resources, which constitutes the highest proportion across all models, although some sub-groups in other models (such as cooperative SEs) also rely heavily on market sales. Social businesses' governance structure is even more specific, and it is quite far from the rules that traditionally prevail in cooperatives and NPOs: the ultimate decision-making power is mainly in the hands of a single person; when there is a board (in 23% of cases), only one category of stakeholder is represented; there is generally no rule limiting profit distribution, and no pre-determined beneficiary of the net assets in case the social enterprise terminates its activities. Finally, let us note that social businesses are quite small enterprises, with a median size of eight paid workers, a feature that is shared with SEs from clusters 2 and 6; this figure is much lower than in clusters 4, 5 and 7, in which the median size ranges from 30 to 61 paid employees.

Conclusion

The main goal of this chapter was to evaluate the relevance for Asia of our theory-based typology of SE models (Figure 16.1); the combination of two distinct and complementary sources of empirical evidence (Defourny and Kim's [2011] study on East Asia, synthesised in Table 16.1, and the ICSEM database on SEs, analysed in Table 16.3) proved to be a key asset in this perspective. We will conclude this chapter by summarising the key elements identified through this twofold analysis.

First, as already underlined, three of our four major SE models found strong empirical support in Asia, whatever the source of empirical evidence considered. The existence of our entrepreneurial non-profit (ENP) model was fully confirmed, as it corresponds to four clusters identified on the basis of the ICSEM database, and to the "trading NPO" model identified earlier in Eastern Asia. Our social cooperative (SC) model closely corresponded to the "non-profit cooperative" in Table 16.1, and it is clearly supported by ICSEM results (two clusters). Finally, a cluster of SEs whose distinctive profile closely matches our social business (SB) model has been identified through the analysis of ICSEM data.

Similar results had also been obtained at the global level, as explained in Defourny *et al.* (2019a). An important finding, more specific to Asia, is the fact that, while earlier work on East Asian countries (including, for example, the study synthesised in Table 16.1) described work integration social enterprises (WISEs) as a model in itself, ICSEM results

show that the work integration of long-term unemployed workers, disabled people or other disadvantaged groups must be seen as a far-reaching social mission that is endorsed, to varying extents, by a wide diversity of social enterprises. Such a perspective sheds a completely new light on this question. Social enterprises such as those in clusters 4 and 5 most probably represent a large majority of WISEs, but SEs from other clusters (mainly clusters 1, 2 and 7) may also make employment generation their sole or primary social mission. In other words, we should look at WISEs as a large spectrum of social enterprises broadly sharing the same social mission and which choose, among SE models, the one or those that best fit their specificities (the profile of the SE's target groups; the types of products or services; the enterprise's economic model; its governance structure; the legal frameworks within which it operates; its stakeholders, etc.). For the sake of clarity, it is possible to consider the "WISE" acronym as a "second-tier qualification" that can be combined with any SE model. In the typology-testing perspective of this chapter, work integration may also be seen as the mission or "field" which best highlights the need for acknowledging and analysing a large diversity of SE models.

Both Table 16.1 (based on Defourny and Kim's study on East Asia, carried out in 2011) and Table 16.3 (based on the analysis of the ICSEM database) highlight another major result: the existence—observable in the field—of many partnerships. Indeed, in all five East Asian countries, SEs corresponding to Defourny and Kim's D and E models (i.e. NPOs supported by private companies or their foundations and NPOs partnering with FPOs and local public agencies in a dynamic of local community development) could be identified. In the ICSEM survey, partnerships appeared as a defining feature of a whole cluster (cluster 4), which gathers various types of WISE supported by a non-profit parent organisation. Partnerships were also reflected in the multi-stakeholder structure of the SEs' governing bodies (such as their boards).

Regarding the place and role of the state, our results suggest that the latter may tend to get involved in the setting up and the governance of some SEs, but generally not as the sole entrepreneur. Should this be taken to mean that our fourth theory-based SE model, namely the "public or quasi-public" SE model, should be forgotten? We are of the view that, on the contrary, there are at least two reasons why this question requires further research. First, in fields requiring heavy investment, such as social housing, the state might take the lead in an entrepreneurial stance and generate a "public or quasi-public" SE dynamic. Secondly, such undertakings might have been overlooked by ICSEM researchers on the basis of SE conceptions focusing on initiatives launched by citizens, civil-society organisations or individual social entrepreneurs. For now, however, in Asia like at the world level, the main contribution of the state in the field of SE certainly lies in the design and implementation of various policy instruments promoting SE development.

Notes

- 1 As to the concept of social economy, it has been mainly promoted in Asia by the CIRIEC, through its Japanese section. Such attempts to highlight close connections between the NPO tradition and the cooperative tradition in Japan also found support in a conceptualisation of the “non-profit-cooperative sector” (Tomizawa and Kawaguchi 1997).
- 2 South Korea was the first Asian country that passed a law to promote SE development (in 2006).
- 3 See the introductory chapter to the present volume.
- 4 For instance, Alter (2007) also focuses on the place and role of market logics to put forward a typology based on mission orientation, the nature of target markets and the degree of integration of business activities in social programmes.
- 5 As already mentioned in the introduction of this book, the SEJ special issue included contributions by Yu (2011) for China, Chan *et al.* (2011) for Hong Kong and Taiwan, Laratta *et al.* (2011) for Japan, and Bidet and Eum (2011) for South Korea.
- 6 Santos *et al.* (2009) have also been among the pioneering authors trying to describe the emergence of SE in Asia. However, they did not try to identify any SE models; instead, they simply illustrated the various issues they developed (legal frameworks, supporting organisations and policies, future perspectives) through short descriptions of cases in a few southeastern Asian countries.
- 7 Developments leading to this analytical framework have been presented in previous works (especially Defourny and Nyssens 2017).
- 8 The “social cooperative” concept made its first appearance in the very early 1990s in Europe to refer to new cooperative-like initiatives which were emerging to respond to unmet social needs through the development of economic activities.
- 9 See the introductory chapter to the present volume.
- 10 In a few countries, like the Philippines, Singapore and China, this number was smaller for various reasons; in particular, in some cases, important questions could not be answered.
- 11 All methodological details can be found in Defourny *et al.* (2019a); this article also provides comments on all the results obtained at the world level.

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Conclusion

Main Highlights About Social Enterprise in Asia

Eric Bidet and Jacques Defourny

This book likely represents one of the most extensive descriptions so far of the reality of social enterprise in large parts of Asia. It provides an insight into the diversity and complexity of social enterprise in this region, showing that this entrepreneurial form is developing everywhere but still remains under construction and in constant transformation. The various contributions to the volume document the main features and concrete forms of SE models in ten Asian countries, and they help identify the specific forms of social enterprise or specific important issues with which social enterprises deal in Asia. This volume also helps assess whether it can be argued that there is an Asian conception of social enterprise, with specific features or with a specific combination of features, that make it different from other conceptions—in particular, the European one, which is strongly embedded in welfare policies, and the American one, which is closely related to the idea of reliance on market resources (Defourny and Nyssens 2010). This book does not pretend to bring a definitive answer to this question, but it allows us to highlight some special “colours” of social enterprise in Asia.

Specific Legal Frameworks That Are Still Embryonic

Legal frameworks available for social enterprise and public policies tailored for their promotion appear to have achieved very different levels of development and to be designed in very different ways across countries. Most countries do have a legal framework for non-profit organisations and for cooperatives, but only few have adopted a specific legal framework explicitly targeting social enterprise, and none offers a full and distinct legal status for social enterprise. Therefore, many social enterprises operate under the non-profit or the cooperative legal form, sometimes within a legal framework especially designed for non-profit cooperatives (which are frequently referred to as “social cooperatives”). Everywhere, however, there are also conventional firms, registered for example as limited-liability companies, but which pursue a social aim. This diversity of

situations reflects different attitudes towards social enterprise and different stages of development of the latter.

The 2006 Law for the Promotion of Social Enterprise in Korea seems to be among the earliest forms of legal recognition of social enterprise in Asia. It certainly is one of the most developed schemes supporting their development; this is all the more true that it generated other supplementary schemes also targeting social enterprise. More recently, in 2015, Thailand enacted a Social Enterprise Promotion Bill, which provides a formal definition of social enterprise. Also in 2015, China witnessed the emergence of a certification scheme for social enterprise, which is supported by several research institutes and practitioners in the Chinese social sector. As for the situation in the Philippines, a Bill for Poverty Reduction through Social Entrepreneurship (the so-called “PRESENT Bill”) has been under discussion for a few years in the country. In Japan, on the contrary, as in several other Asian countries, there is neither a common definition of social enterprise nor any specific public policy to promote it.

Considering specific legal recognition as one of the strongest indicators of institutionalisation, social enterprises appear to be little institutionalised in Asia. In most countries of this region, however, some type of support, and sometimes a definition of social enterprise, are somehow included in a larger legal framework, targeting cooperatives or enterprises at large. However, it may also be stated that the different legal—or at least official—texts dealing with social enterprise, although they concern organisational forms located outside the boundaries of the non-profit sector, are all inspired by private entrepreneurial forms where the distribution of profits is either strongly limited or fully prohibited.

Social Inclusion and Care Provision as Key Social Missions

Many social enterprises have their roots in a transformation of traditional solidarity patterns that results in a general tendency to externalise social services outside the familial sphere and/or to reduce the scope of public solidarity (especially in former or reformed Communist countries). Examples show that the social mission of social enterprises is quite systematically related to one or more of the following fields and challenges: work integration of disadvantaged groups, provision of social services and community development. In countries like Japan and South Korea, which are facing a rapid ageing of their population, social enterprises are even involved and officially identified in recently established long-term care insurance schemes as appropriate service providers.

Job creation is a major goal for many social enterprises. Our survey shows that this goal may be related either with the poverty/inclusion issue or with the care-provision/well-being issue. The various contributions

to the present volume allow, however, to outline a stronger orientation, among Asian countries, towards the poverty/inclusion issue, based on an idea of social enterprise as addressing the bottom of the economic pyramid or the share of the population that may be considered as poor. Analysing data from the point of view of Paugam's (2005) typology, it appears that this orientation is naturally stronger in countries where poverty may be qualified as "integrated", i.e. where large sections of the population are poor and the poor are therefore not strongly stigmatised by society (Cambodia, Indonesia, Vietnam, India and the Philippines), but it is also an important orientation in the most advanced countries (Japan, South Korea or Taiwan), where the relative poverty rate is higher than in many OECD countries, although poverty in these countries can be considered as "marginal", i.e. a more restricted number of people are considered as poor and the situation of poverty is therefore more stigmatising for the persons concerned.

The social mission of many Asian social enterprises thus appears to be more deeply rooted in poverty alleviation than that of their counterparts in Western societies, where a larger share of social enterprises pursues various societal goals, linked to the promotion of sustainable development, organic and local food, energy transition, the circular economy, etc. In the countries where poverty is integrated, social enterprises are emerging as a major player to help provide a living for a large share of the population and to support its emancipation in an environment where the welfare system is extremely residual, if not embryonic. In the countries where poverty is more marginal or residual, social enterprise tends to be considered as an appropriate tool for new public/private partnerships targeting specific categories in environments where the welfare system is reasonably developed and includes some universal scheme.

The poor are thus generally a major target of Asian social enterprises. Other targets include underprivileged groups: persons with disabilities, the young, people from rural communities and ethnic groups in Southeast Asia, the elderly and the unemployed—including middle-aged women—in South Korea or Japan. Social enterprises offer them work opportunities or help them increase their employability (work integration social enterprises), and/or they provide them with social and health services (services provision social enterprises). The category targeted by the social enterprise may be very broad (the poor, the elderly, the young, the jobless, etc.) or it may be more strictly delimited and depend on the existence and importance of specific disadvantaged groups in a given context (North Korean refugees in South Korea, specific ethnic communities in Vietnam, etc.).

Several contributions to the present volume also outline the link between social enterprise and agriculture. It should be noted that, as appears from the chapters about Japan, South Korea and Taiwan, such observation is not limited to the less-developed countries, where rural

population and agriculture still represent a major share of the country's population/economic activity. Social enterprise is largely perceived indeed as an efficient tool to contribute to rural community development and especially to improve the living conditions of farmers through a better and larger distribution of their production and/or through the production of higher-quality agricultural goods (including organic food).

Partnerships, Resource Mix and Autonomy as Major Assets

The various contributions to the book reveal the existence of different dominant partnerships and/or forms of resource mix among the surveyed countries.

In the poorest countries, like the Philippines, Vietnam or Cambodia, the funding of social enterprise often relies on private external resources. Some are brought by international NGOs or foundations, such as Ashoka in Indonesia or Cambodia, the Thrive Foundation in Vietnam, the Schwab Foundation or EcoSolidar in Cambodia, or the Peace and Equity Foundation in the Philippines. Others are provided by foreign customers *qua* consumers of goods and services produced by local social enterprises and sold domestically to foreign tourists or exported, for instance through fair trade channels. In some cases, such private external resources are combined with “external” public resources, provided by foreign public agencies engaged in international aid and/or international organisations, like the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) or the United Nations Development Programme (UNDP). The British Council also seems particularly active in the promotion of social enterprise in several Asian countries, especially in China.

In more advanced countries, like Japan, South Korea or Taiwan, social enterprises have a higher level of domestic resources. Such resources come from both the private sector at large (i.e. big corporations in the framework of their CSR strategies, private social foundations and individual consumers belonging mostly to the upper middle-class) and from the public sector, which plays an important role through specific policy measures. Taiwan, for example, has a mandatory requirement that part of government agencies' procurements come from work integration social enterprises, while South Korea probably has one of the most complex and elaborate public ecosystem for the promotion of social enterprise.

Asian experiences suggest that, like in Western countries, the nature and balance of the resource mix are critical for social enterprises' sustainability; such resource mix also constitutes a source of tensions and dilemmas, which may sometimes result in the enterprise moving away from its initial social aim and/or in excessive dependency on a dominant source of funding, be it private or public.

The issue of reliance on a dominant source of funding also raises the question of social enterprises' autonomy. These enterprises indeed have to achieve a balance between three poles, i.e. the government, civil society and the corporate sector. In the Asian context, where civil society has until recently remained underdeveloped and under strict political control, autonomy is a complex issue, which has to be considered in relation with the influence of the (central and local) governments but also in relation with the influence of the private sector, including big local companies (like Chaebol in South Korea or Keiretsu in Japan), international venture foundations and international NGOs. Well-balanced partnerships with one or several of these various actors are usually a way—and often a condition—to ensure the resilience of social enterprises but, for various reasons, such partnerships are not easy to achieve and to keep working. These reasons are often related to the historical and cultural background against which social enterprises develop, and more specifically to the weakness of civil society in recently democratised countries, the tradition of state intervention in countries influenced by the Confucian philosophy and/or by the Communist ideology, and the permanency of foreign influence in countries that have only a few decades ago escaped Japanese, English, French or American colonialism. In contexts where behaviours and ways of thinking remain deeply anchored in the strict respect of hierarchical schemes, democratic governance has long remained an unfamiliar principle. It should be stressed, however, that the interest for social enterprise, as well as an orientation towards less controlled societies, has recently contributed to the emergence of new and more autonomous entrepreneurial forms, including new cooperatives in countries where the cooperative model had long been considered only as a tool of government policy.

In such an environment, the targeted groups do not always have the capacity to express their expectations and concrete demands for goods and services. The emergence of social enterprise thus seems to depend to a significant extent on the involvement and responsibility of “enlightened” public leaders or civic activists, and upon various intermediary bodies, including local governments or schemes, social-welfare foundations, incubators, agencies, etc. These various actors reflect the importance of the “meso level”—both between individuals and macro public policies targeting them, and between social enterprises and national-level public authorities or international public or private agencies—for the emergence and development of social enterprise.

Social Enterprise and Religion

Following the famous early contribution by Weber stressing the role of the Christian (and especially Protestant) ethos in the development of European capitalism, numerous works have tried to analyse how

particular religious values can influence economic institutions and more specifically entrepreneurship. In a similar vein, Granovetter (1995) made an analysis of immigrant entrepreneurship in several Asian countries that stressed the central role of so-called “social coupling” and “decoupling”: religious values can generate the creation of and linkage to new bonds that act as a support for entrepreneurship (coupling), but they may also make it more difficult—if not impossible—to find the necessary distance between economic performance and solidarity duties (decoupling). James (1989) proposed what is often considered as the basis for a theoretical framework to analyse more specifically the relation between religion and third-sector organisations, suggesting that the third sector is usually more developed in societies where religious heterogeneity is higher. Religion—and more specifically religious diversity—thus appears to be, in many cases, a prominent force for social development and entrepreneurship, but it may also sometimes act as an inhibiting factor affecting entrepreneurship.

The countries surveyed in this book vary considerably with regard to religious practice and influence: Buddhism and Christianity are very influential in South Korea, while Japan is predominantly Buddhist and Shintoist; Buddhism and Hinduism dominate in India; Islam, in Malaysia and Indonesia; Catholicism, in the Philippines . . . In most countries, especially in the North-Eastern part of Asia, Confucianism also deeply contributes to social regulation. But beyond this diversity in terms of religious practice and religious syncretism, religions appear to be a major source of inspiration for the launching of social enterprises in all the surveyed countries (except maybe in China); indeed, faith is often an important motivator for setting up social enterprises, although it is rather difficult to get an objective picture of the situation in this regard, as related data are far from being systematically collected. Pratano *et al.* (Chapter 4 in the present volume) show the important role played by religious organisations in solving social problems in Asia. In India (see Chapter 3 in this book), it is argued that a quarter of non-profits engaged in social-development activities have a religious identification. Experiences described in Taiwan, South Korea or Thailand (Chapters 6, 5 and 11 and 7 respectively) show the involvement of religious groups as launchers or co-launchers of numerous social enterprises. The comparative analysis carried out by Lyne *et al.* (see Chapter 14) provides a deeper insight into the relation between religion and social enterprise, showing, through the examination of three cases, respectively in South Korea, Malaysia and Cambodia, how social entrepreneurship is culture-bound and especially religion-bound.

Many Asian social enterprises may indeed be considered as “faith-based enterprises”, motivated by spiritual values and a religious work ethic, combining the ideas of charity and self-reliance, and aiming to promote equitable local economic development and the provision of services

at a fair price, making them accessible to everybody. Such social enterprises are perceived as an appropriate expression of religious values in the economic sphere and, through their action, as a proselytising vector for these religious values among the groups they target and in society at large. This may sometimes lead some enterprises to “select” the poor they support on the basis of their religious orientation, as has been stressed by Castel (1995), which raises the question of an equal access to their programme and support. This embeddedness of social enterprises into religion may also raise the question of their autonomy, as faith-based enterprises often largely rely on financial support and other resources (such as volunteering) provided by religious networks and churches. The social enterprise’s autonomy and legitimacy is sometimes questioned when the enterprise is faced with priorities set up through “external” decision-making processes.

Back to the Thesis of the ICSEM Project

In this concluding chapter, we have tried to synthesise the features of the SE landscape that appear either specific to Asian countries or more significant there than in other world regions. In spite of empirical limitations, the ICSEM survey and database revealed or confirmed distinctive patterns of social enterprise in Asia: a major development of social enterprises rooted in the non-profit sector; a clearly strong “social business” model; a wide spectrum of work integration social enterprises, including various types of firms launched by a parent NPO; a weaker development of social cooperatives—a situation that can at least partly be accounted for by the legacy of cooperatives associated to communism or used as state agencies in most dictatorial regimes; more broadly, a clear influence of historical, political, social, cultural and religious factors on SE landscapes, and particularly on issues of autonomy and governance patterns.

These particular colours of Asian social enterprises add to the overall diversity of SE models at the world level. In other words, this volume is fully consistent with what has been the major objective of the ICSEM Project from the outset, i.e. documenting and analysing such diversity. Moreover, this volume also contributes to defending the underlying thesis of the entire Project: combining conceptual, theoretical and empirical efforts to grasp SE models in their own environment is probably the most fruitful strategy to seize and efficiently unlock the potential of social enterprises. Such thesis is clearly connected to a broad societal perspective, which was synthesised as follows by Defourny and Nyssens:

[We] tend to consider as good news the fact that social enterprises may and actually do stem from all parts of the economy. Our societies are facing so many and so complicated challenges at all levels—from the local to the global level—that we see the diversity of SE models

and their internal variety as a sign of a broadly shared willingness to develop appropriate, although sometimes embryonic, responses on the basis of innovative economic/business models driven by a social mission. In spite of their weaknesses, social enterprises may be seen as advocates and vehicles of the general interest across the whole economy. Of course, we cannot escape from the debate about privatisation, deregulation and globalised market competition, [which] may hinder efforts in the search for the common good. We just note that social enterprises reveal or confirm an overall trend towards new ways of sharing the responsibility for the common good in today's economies and societies.

Defourny and Nyssens (2017: 2495)

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