Abstract

**Purpose:** The purpose of this study aims to find the way in which policy implementation structure is established to support social enterprise applicants. Together with it, the study proposes the social innovative measures of the social enterprise certification program based on bureaucratic administration through the discovery of social values.

**Methods:** The article examines public data on social enterprise certification from 2007 to 2022 and interviews with the stakeholders in social enterprise by utilizing Enroljas’ mimetic institutional isomorphism that focuses on the system, actors, and the interaction among actors as variables. Chapter 2 discusses social enterprise, administrative decentralization, social value and social innovation. Chapter 3 conducts an institutional analysis of the certification support administrative system. Chapter 4 undertakes an institutional analysis of the designation support administrative system. Chapter 5 pinpoints the limitation of the certification in the realization of social value, suggest the social purpose company as innovation, and compares the independent legal entity of social enterprise between Korea, UK and US.

**Results:** The certification and designation system are operated by the dual management mode of administrative organization and intermediate organization. The policy implementation structure consist of vertical structure between administrative organizations and horizontal structure between administrative ones and intermediary. The certification system suppresses the realization of the social value of social enterprises and experiences the organizational identification.

**Conclusion:** The independent legal entity of social enterprises is an institutional innovation instead of bureaucratic certification program. This outcome is confirmed by comparing the institutions of social enterprise legal entities in the United States and the United Kingdom.

**Keywords:** Social Enterprise, Certification, Designation, Social Value, Social Innovation

1. Introduction

Since the Asian financial crisis in 1997, the Korean government has paid attention to social enterprises that provide jobs and welfare. Unlike in Europe and America where social solidarity organizations and nonprofits establish social enterprise relying on a registration system that limits the discretion of administrative agencies, the government of Korea controls the decrease and increase of social enterprise and develops based on the national licensing that determines the approval of social enterprise. In 2007, the government enacted the Social Enterprise Promotion Act including the national certification, the first national certification institution in Asia. Afterward, there is a rapid development of social enterprise through the national control of the social enterprise in Korea. Up to the first half of 2022, the government granted social enterprise qualifications to 3266 companies and social organizations, a 59-fold increase compared to the 55 social enterprises in 2007. However, some argue that...
the certification is changed to a registration based on the independent legal entity of social enterprises because it curbs the realization of social values.

The purpose of this study is to present the innovative measures of the administrative support system of social enterprise certification through the discovery of social values. Institutional isomorphism is well-suited for the analysis because there is confusion in organizational identification when social enterprise pursues both profit and public interest, finally tending to be reliant on one dominant value and lose the hybrid identity. Through the analysis of the administrative support system of social enterprise certification, it is found that there is the vertical and horizontal relationship between public and civic actors in the policy implementation. At the same time, the national certification of social enterprise fails to embody a variety of social values and give way to an innovative measure of the registration based on an independent legal entity to realize multiple social values. Research materials include government data on social enterprise certification from 2007 to 2022 literature and interviews with stakeholders on the site.

2. National Certification of Social Enterprise and Its Innovation through Social Value

A social enterprise is an organization that seeks both profit and public interest, and invests the profits for social purpose rather than maximizes profits. The hybrid is seen separately from the perspective of Europe and the United States[1]. The former sees social enterprises as a means of social security for the socially disadvantaged, based on a sense of solidarity, while the latter sees social enterprises as an innovative solution for expanding profits by investing charitable capital in promising projects for donation purposes[2]. Notwithstanding the regional difference, there is a common feature that social enterprise has an ambivalent feature pursuing profit and philanthropy.

In a situation where social enterprises seek both for-profit and non-profit, there is confusion in the identification for an organization while performing profits and charity. Namely, there arises a doubt on the purpose of for-profit social enterprise that seeks profits when the for-profit social enterprises uses the profit for charitable donations. Conversely, one is doubtful of the purity of the non-profit social enterprise when it tries to expand the profit for charitable purposes. Therefore, social enterprises tend to be dominated by one value rather than the other, and eventually experience losing their legitimacy as a hybrid. The heavy dependence on a dominant value causes institutional isomorphism in which organizations in a particular area lose their sense of identification, and resemble, or conform to, dominant patterns. The organizations experiencing structural homogeneity transform into public or commercial organizations by imitating dominant models within specific areas[3].

The certification of social enterprise refers to national license that government grants the legal status of social enterprise to company and social organizations through administrative standards. In the bureaucratic certification process, social enterprises receives the support from government and quasi-government organizations. The actors and the interaction between the actors consist of the administrative system in which civic bodies participate. As Smith(1985) pinpointed, the administrative system has the nature of decentralization that transfers the central authority to local government. In the decentralized administrative echelon, there are administrative agencies, quasi-government organizations, and civic bodies interacting with each other in order to provide the services for social enterprise. Analysts of policy implementation structure say that the decentralized administrative system, in nature, has dual function with a vertical structure in which administrative agencies interact based on the principle of hierarchy and a horizontal structure in which public actors and civic organizations interact based on the principle of coordination[4][5]. In the context, Atkinson, Dörfler, and Rothfuß properly comments that public and private actors in a decentralized administrative system has the feature of both governance-based co-production and hierarchy[6].

Recently, there has been a voice on the innovation of the bureaucratic certification of social enterprise complying with social value in Korea. As to the social value, the academic debate focuses on community and values. In general, social values are normative benefits that contribute to the develop-
opment of the public interest and local or social development, including safety, service, solidarity, co-
operation, balance, ecology, ethics, and fairness. With a great focus on such normative and distribu-
tional characteristics of social value, Walzer proposes communitarianism. The mainstream thinker says
that social value has a close relevance to the conundrum of local community[7]. In the context of com-
unitarianism, social values are created in the process of solving difficult problems, which achieves
public interest[8].

Reforming the administrative support of social enterprise loyal to social values leads to social inno-
vation of the existing supporting institution. About social innovation, there is not an agreement on the
definition in the current academic community, but the main research into social innovation concen-
trates on the connotation of social innovation, the international comparison of social innovation, the
relationship between social organization development and social innovation, and the path to realize
social innovation[9][10][11]. In addition, social enterprise-related issues such as the introduction of
foreign social enterprise concepts and social enterprise implementation plans are also at the core of
social innovation.

The research into innovative social enterprise certification support system based on social value is
in the early stage. South Korea’s social enterprise certification system research is mainly carried out in
three aspects. First, it is about the status quo of the certification system, analysis of social enterprise
certification standards, and quantitative research on the administrative system evaluation[12]; Second,
a comparison of certification systems between the central government and local governments, a com-
parison of certification systems between social enterprises and other business fields, a comparative
study of social enterprise certification systems in South Korea and the United States[13]; third, the
advancement of certification systems has been studied[14].

The above research has made great contributions to the current status of certification, comparison
between countries, and improvement of the system, but has not fully explained the policy implement-
ing structure between public and private actors in the administrative decentralization system of social
enterprise certification, especially with a focus on social innovation through social value. The research
questions posed in this essay run as follow. First, the essay deals with in which frame the administra-
tion and quasi-administration support social enterprise. Second, the essay addresses what there is a limi-
tation of the certification system in the light of social value. Third, the essay pose a question on what
the alternative form of the administrative certification of social enterprise is in terms of social innova-
tion.

3. Administrative Support System of Social Enterprise Certification

In Korea, companies and social organizations become social enterprises through certification and
designation. Certification is a system in which the Ministry of Employment and Labor grants social
enterprise status to the applicant who passes the certification conditions. In addition, there is a design-
nation in which the central departments other than the Ministry of Employment and Labor and local
governments set up a kind of certification preparatory stage for applicants who do not pass the certi-
fication requirements, which is a certification incubator system. This certification and designation
routes together constitute the social enterprise support administrative system <Figure 1>. 
The administration support system of social enterprise certification consists of laws and regulations, policy implementers, and their interactions. The laws and regulations are the requirements and procedures of certification. The policy implementers are public actors including administrative agencies and intermediate organizations. Interactions between policy implementers are divided into the interactions between administrative agencies and between administrative agencies and intermediate organizations.

3.1. Institution of certification

Above all, the requirements for certification concern the seven provisions of the Social Enterprise Promotion Act. First, the applicant should be one of the following types of law: a legal person under civil law, a legal person under commercial law, and a special legal person. Second, so-called paid workers. Third, applicants should fall into one of five functional categories; employment-providing, social-service, mixed, community-contributing, and others. Fourth, democratic decision-making mechanisms among stakeholders should be established. Fifth, more than 50% of the total labor costs should come from business activities. Sixth, there should be rules or regulations. Seventh, when distributable profits occur in the fiscal year, more than two-thirds of those profits should be reinvested for social purposes. Next, there are three stages of intermediate organization. First, a certification plan is formulated by the central administration. Second, the intermediate organization provides consulting services and receives applications for certification of applicants. Central ministries and local governments recommend applicants to the Ministry of Employment and Labor through an intermediate organization. Third, central administrative agencies examine and decide.

3.2. Administrative support actors of certification

Administrative agencies and intermediate organizations support applicants for certification. First of all, administrative agencies are the Ministry of Employment and Labor and other government departments at the central level, and the provincial government at the regional stage. The Ministry of Employment and Labor oversees the certification system as the central actor in the certification system. The other central ministries and provincial government are all supplementary implementers within the system, although the former is located at the center and the latter at the province. The auxiliary implementers are all coordinated by the Korea Social Enterprise Promotion Agency that serves as hub in the public organizational linkage. The hub organization recommends the candidate of social enterprise to the Ministry of Employment and Labor. To be strict, coordinating administration, NPO, and social enterprise centers on two actors; Social Enterprise Promotion Agency and the provincial intermediate organization[15].

3.3. Interaction mode of support actors for certification

First, interactions between administrative agencies are based on the principles of command and control[16]. The Ministry of Employment and Labor asks other central and provincial authorities to recommend the candidates of social enterprise for certification, but the final certification approval is
up to the ministry. The interaction has a nature of hierarchy. Second, the interaction between administrative agencies and intermediate organizations is a way for the intermediary to mediate the interests of both parties. The intermediary does not only review applicants for certification recommended by the central government or the provincial government but also conducts on-site surveys of those applicants who want to deliver their opinions to the Ministry of Employment and Labor and provincial government. In this process, administrative agencies and intermediate organizations understand that the parties concerned have a horizontal network centered on the intermediary. Thus, the interaction of actors within the system is an interaction in which longitudinal relationships based on governance coexist with horizontal network relationships for joint production and management between stakeholders[17].

4. Administrative Support System of Social Enterprise Designation

The administrative support system of designation also consists of three variables; requirements and procedure, actors, and interaction. Policy implementers are central ministries, local governments and intermediate organizations. The interaction between policy implementers are divided into the interaction between administrative agencies and the interaction between administrative agencies and intermediary organizations. The designated companies and social organizations are called preliminary social enterprise, which is divided into departmental types designated by central ministries and regional types designated by provincial government.

4.1. Institutions of designation

First of all, the requirements for designation are the regulations for preliminary social enterprise by central ministries and local governments. The comparison between certification and designation is shown in Table 1.

Table 1. Comparison between certification and designation.

<table>
<thead>
<tr>
<th>Condition</th>
<th>Certification</th>
<th>Designation</th>
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<tbody>
<tr>
<td>Target</td>
<td>Social enterprise</td>
<td>Ministry preliminary social enterprise</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regional preliminary social enterprise</td>
</tr>
<tr>
<td>Rule</td>
<td>Social enterprise promotion act</td>
<td>Ministry guideline</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ordinance, enforcement rules</td>
</tr>
<tr>
<td>Organizational form</td>
<td>Commercial law companies, public corporations, non-profit private organizations, social welfare cooperatives, consumer life cooperatives, basic law(social) cooperatives, federations, etc.</td>
<td></td>
</tr>
<tr>
<td>Paid employment</td>
<td>Employ one or more paid workers more than six months carry out business activities</td>
<td>Employ paid workers more than three months carry out business activities</td>
</tr>
<tr>
<td>Achieving social purpose</td>
<td>Employment-providing, social-service, mixed, community-contributing, and others</td>
<td></td>
</tr>
<tr>
<td>Decision-making structure</td>
<td>Decision making structure involving stakeholders</td>
<td></td>
</tr>
<tr>
<td>Expense</td>
<td>The social enterprise certification application date belongs to the total income of the business activities through the organization during the first 6 months of the month. During the same period, the total labor expenses paid by the organization should be more than 50%.</td>
<td>No</td>
</tr>
<tr>
<td>Article of incorporation</td>
<td>The agency's articles of incorporation or regulations must be legally stated.</td>
<td>Re-investment for social purposes of 2/3 or more of the distributed profits (for the enterprise required)</td>
</tr>
<tr>
<td>Invest interest</td>
<td>Distribute more than 2/3 of profits for social purpose reinvestment</td>
<td></td>
</tr>
</tbody>
</table>
There are seven requirements for certification of social enterprises, but the requirements for designation of preliminary social enterprises, excluding four, are similar to those for the certification. Next, in the designation process, the central ministries and the provincial governments themselves develop action plans. Intermediary organization conducts on-site inspections and deliver designated candidates to central ministries and provincial governments. After the two governmental actors designates and manages preliminary social enterprises, the intermediary recommends candidates for certification to the Ministry of Employment and Labor.

4.2. Administrative support actors of designation

The actors to support designation are divided into two domains; departmental and regional preliminary social enterprise. The former includes central ministries other than the Ministry of Employment and Labor, Korea Social Enterprise Agency, and the intermediate organizations responsible for ministerial preliminary social enterprise. In the domain, other central ministries are in charge of designation and management, and KOSEA recommends candidates for certification to the Ministry of Employment and Labor. The ministerial intermediate organization is responsible for supporting designated preliminary social enterprises. The latter includes provincial government, regional intermediary organizations, and grassroots-levelled social enterprise support centers. The designation and management are carried out by the provincial government and are recommended through the provincial intermediary organization. The social enterprise support center usually establishes social relations with the candidates of social enterprises for designation.

4.3. Interaction mode of support actors for designation

The interactions between administrative agencies and between administrative agencies and intermediary organizations follow the principles of command and cooperation as done in the certification system[18]. In the field of ministerial and regional preliminary social enterprises, the higher-level and lower-level administrative agencies establish vertical relationships from the angle of the interaction between administrative agencies. In the field of ministerial and regional preliminary social enterprises, administrative agencies and designated social enterprise use intermediary organizations including ministerial intermediary organizations and provincial intermediary organizations and social enterprise support centers from the perspective of the interaction between administrative agencies and intermediary organizations. That is to say, the interaction operates within a vertical structure based on hierarchy and a horizontal structure based on public-private co-production[19].

5. Innovation of Social Enterprise Administrative Support System by Social Value

5.1. Limitations of certification system in social value

According to the certification system, the purpose of the existence of social enterprises is to realize social value for the community. However, there is criticism that certification standards and procedures, which focus on expanding employment and providing services, have limitations in creating social values and reduce the category of values by failing to accommodate the various new values in society. First of all, the essay pays attention to the limitations on the social value realization arising from certification standards[20]. The limitations and imperfections of the content of the certification standards prevent the realization of social value. First, the "criteria for realizing social purposes" is not suitable for accepting various social values. The reason is that the criteria that stated that the purpose of a company's existence is to provide jobs and services for the vulnerable do not reflect reality. During the decade of implementation of the certification system, various values emerged in the social and economic fields. For example, fair trade, the environmental movement, shared services, culture, and arts, traditional culture preservation, eco-friendly agriculture, international development assistance, information technology(IT), information & communication technology(ICT), social housing, alternative energy, and pets. Despite the rise of various values, due to the limitation of the certification standard
that the provision of job opportunities for the vulnerable is the realization of social values, social organizations that advocate these values are excluded from the application for certification.

Second, there is a limit to social value realization because the number of social enterprise types is small. According to the "criteria for determining the realization of social purposes," an applicant for certification is eligible for application only when he or she belongs to five social enterprise types, but there are cases where he or she cannot belong to any type. Before applying, social enterprise applicants must have an organization of a size that can allocate 30% of the total paid jobs and services to the vulnerable to apply for the job provision type and the social service type. However, partnership companies and single-person companies founded by a small number of people are not even eligible to apply in the first place because they can only create a limited number of jobs. Due to the narrow certification standards for social enterprise types, there is a certification application organization that cannot realize social value.

Third, it is possible to prioritize financial value and neglect social value by using the loophole in the "standard of use for social purposes of profit." A company or limited partnership in commercial law must, for social purposes, use or donate at least 2/3 of the distributable profits generated in the fiscal year and the remaining distributable assets generated during corporate dissolution and liquidation. However, the major shareholder of a for-profit social enterprise can change its articles of association and dispose of profitable business and assets using its dominant position in the capital ownership structure after returning the certification status for the purpose of owning profits and assets that are the result of various government support. For-profit social enterprises optimized for profit-seeking use loopholes in certification requirements, which leads to curbing social value realization.

Next, the essay draws attention to the limitation on the realization of social value coming from the certification procedures. There are a variety of limitations in realizing social value in the certification process. The first element that prevents the realization of social value in the certification process is the cooperation system between organizations centered on central actors in certification deliberation. Unlike local organizations that observe applicants' social value realization items based on field surveys and face-to-face interviews, the Central Certification Subcommittee and Social Enterprise Development Committee focus on controlling the number of certified companies, so they do not properly evaluate the applicant’s suitability, willingness, and ability to realize social value. The second factor is the restriction of participation of the parties to the social enterprise in the certification deliberation process. Non-governmental members and social enterprise experts who participate in the certification review subcommittee and the social enterprise development committee are usually professors, bureaucrats, and legal professionals. The civic value of the social enterprise party, which is regarded as an interested party and restricts attendance, is not reflected in the certification procedure. In conclusion, the realization of social value is limited due to the misunderstanding that job creation is the realization of social values of social enterprises, and the lack of a cooperation system between central actors and governance involving stakeholders. Therefore, despite the contribution of the national certification system to foster social enterprises in a short period of time, the need for innovation in bureaucratic certification administrative support that inhibits the realization of social value is raised.

5.2. Social innovation of certification institution

The reason why social enterprises cannot realize the public interest through the certification system is that there is no independent legislation for areas where profit and non-profit are mixed. This means that social values cannot be realized properly due to contradictions that arise when certified social enterprises, which belong to commercial or civil law corporations, pursue both profit and non-profit principles, rather than separate corporations. In order to overcome these contradictions, this study argues for an independent social enterprise corporation as a subject of exercising rights that can pursue profits and public interests at the same time.

There is an attempt to create a third legal personality to overcome the confusion in organizational identity. Currently, the only path to becoming a social enterprise in Korea is to obtain approval from the Ministry of Employment and Labor for the use of the name "social enterprise" after obtaining
government certification. Therefore, even after certification, certified for-profit social enterprises belong to commercial law corporations, and certified non-profit social enterprises belong to civil law corporations.

In this state, if a certified for-profit social enterprise practices the provisions for realizing the public interest in the certification standard, it violates the principle of profit-seeking under the Commercial Act. In other words, for-profit social enterprises must allocate profits generated according to the commercial law to shareholders, and if managers use more than 2/3 of their profits to realize the social value to comply with the regulations on reinvestment of profits on the certification basis, it conflicts with the commercial law. On the other hand, if a manager makes a decision to guarantee dividend profits for shareholders according to the commercial law, it is difficult to secure funds for public interest activities that meet the "realization of the social purpose of profits" of the certification standard. Because of this legal contradiction, there is an institutional isomorphism in which for-profit social enterprises hesitate to do public services, reduce expectations as social enterprises, return to their original private interests, and finally lose their identity as social enterprises[23][24]. In addition, if a certified non-profit company conducts a profit business, it violates the civil law.

Next, if a certified non-profit social enterprise, a civil law corporation, conducts a profit business in accordance with the certification standard of "generating profits through a certain level of business activities," it violates the legal principle of pursuing non-profit under the civil law. Specifically, under the Civil Act, non-profit social enterprises that are not aimed at pursuing profit-making in business can only conduct profit-making business within the scope of achieving public interest. However, if a non-profit corporation makes a large amount of profit by expanding its profit business for the purpose of realizing the public interest and accumulates it as a corporate asset, investors for charitable purposes are reluctant to donate because they doubt the identity of the non-profit organization. The competent authority revokes the permission to establish a non-profit on the grounds of violation of civil law. As a result, non-profit social enterprises hesitate to engage in for-profit business activities and try to return to familiar non-profit enterprises. Afterwards, it relies on government subsidies, and the state's mandatory employment system for the vulnerable and wage subsidies for the vulnerable become tools for the same public policy execution, increasingly adapting to the goals and values of the national policy.

To overcome such legal conflicts and institutional isomorphism, an innovative social enterprise independent corporation that combines the two values within an organization is needed by breaking both the barriers of restrictions on profit activities taken for granted by non-profit corporations and a wall of restriction on social contribution activities that is taboo in for-profit corporations.

Let us discuss the Innovativeness of social purpose company. Social purpose companies are easy to establish based on for-profit companies as companies under commercial law, but they are socially innovative for the following reasons as a convergence corporate model of an independent legal personality that aims for a strong social mission[25]. First, it revolutionizes conventional thinking and creates a legal personality. Social purpose companies raise funds for realizing social purposes and promote sustainable charity projects in the form of for-profit businesses by allowing the prohibition of traditional non-profit corporations from acquiring profits in a limited way. As a result, it revolutionizes the stereotype that traditional non-profit corporations are mainly engaged in non-profit projects. On the other hand, social purpose companies guarantee legal restrictions on the distribution of profits and asset disposal of traditional profit-making corporations, thereby breaking the fixed notion that companies are committed to maximizing profits and securing the trust of charity-purpose investors. In this way, social purpose companies subvert mutually exclusive thinking about profit and non-profit, establishing an independent legal personality in the area where the two values converge.

Next, private autonomy is respected through the registration system. If the certification system is a selective selection process by the administration in which the administrative agency sets difficult standards and complicated procedures and selects social enterprises at its discretion, the registration system that respects the autonomous choice of the private sector can be established only by reporting and accepting.

Finally, social purpose company has a socially inclusive nature[26]. Unlike the certification system that excludes applicants seeking social value, which is far from the screening criteria, the applicants in
the registration system becomes an independent corporation and make themselves easy to enter a social enterprise although various applicants pursue various values. The vulnerable groups of social purpose companies include not only the unemployed but also traditional labor exclusion groups that are not included in the general labor market, such as severely disabled, mentally disabled, person released from prison, and drug addicts. Therefore, the category of social value is expanded through social purpose companies.

In summary, the third legal entity, Social Purpose Company, is an innovation for the certification system as a bureaucratic support system, in that it respects private autonomy and pursues social inclusive values as a corporate model that revolutionizes stereotypes.

5.3. Comparison of independent social enterprise corporations: Korea, the United States, and the United Kingdom

Innovative attempts to create a corporation that pursues social value based on for-profit companies have been made in various countries. Focusing on the contrast between the United States and the United Kingdom, the legal status, restrictions on profit distribution and asset disposition restrictions, the method of establishing a corporation, organizational change, and the method of government support are discussed as comparative issues.

Table 2. Comparison of third legal personality.

<table>
<thead>
<tr>
<th></th>
<th>Korea</th>
<th>US</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of incorporation</td>
<td>Social purpose company</td>
<td>Low-profit limited liability company/ benefit corporation/public benefit Corporation/social purpose company</td>
<td>Community interest company</td>
</tr>
<tr>
<td>Legal status</td>
<td>Special incorporation other than commercial law</td>
<td>Incorporation within commercial law</td>
<td></td>
</tr>
<tr>
<td>Distribution of interest</td>
<td>Upper limit 1/2 or 1/3</td>
<td>Indirect limit</td>
<td>Upper limit 35 percent</td>
</tr>
<tr>
<td>Asset disposal</td>
<td></td>
<td>Ban</td>
<td></td>
</tr>
<tr>
<td>Establishment procedure</td>
<td></td>
<td>Principle of report</td>
<td></td>
</tr>
<tr>
<td>Change of organization</td>
<td></td>
<td>2/3 consent of voting shareholders</td>
<td>75 percent consent of voting shareholders</td>
</tr>
<tr>
<td>Supporting methods</td>
<td>Indirect support of government</td>
<td>Indirect support of private foundation</td>
<td>Indirect support of government</td>
</tr>
</tbody>
</table>

First, let us compare the legal status among three countries. The social enterprise according to the law of the US and UK is a corporation within the commercial law, whereas the Korean corporation aims to be a special corporation under individual laws other than the commercial law. The US and UK amend the existing commercial law, which has five company types, and create a new type of company in the commercial law to grant social enterprise corporate personality. All of these new companies apply the limited liability company regulations of the Commercial Act *mutatis mutandis*. In the US, they are Law-Profit Limited Liability Company(L3C), Benefit Corporation, Public Benefit Corporation, and Social Purpose Corporation. In the UK, the new type of company is Community Interest Company(CIC). Meanwhile, Korea discusses a bill to create a special corporation under the Social Enterprise Promotion Act. The special corporation is seen as an individual corporation other than the Commercial Act and as Limited Liability Company that has the provisions of stocks.

Second, the issue of restricting profit distribution is the method and level of restriction. First of all, the method of restricting profit distribution between the three countries is different. The US has no
explicit provision for the restriction method. However, there is a legal possibility of restricting the distribution of profits through the articles of association and general meeting, as the purpose of the company is not to increase profits but to create social value. The UK’s CIC has explicit regulations on restrictions on profit distribution, which is similar to Korea. Next, regarding the upper limit of the profit distribution limit, Salamon regarded the asset freeze of social economic organizations as an obligatory clause, reviewed each country’s cases, and presented the upper limit of the profit distribution limit as 50%[27]. According to this study, both the three countries have a simple upper limit in the dividend limit. Korea discusses 1/2 or 1/3 of social purpose companies. In the US, the National Tax Service sets standards for corporate revenue growth and indirectly limits the distribution of profits. In the UK, dividends account for less than 35% of distributable profits.

Third, there is no difference between the three countries when it comes to the asset disposition constraints. In the three countries, the assets of a social enterprise is not the property that it owns, but the resources that it is given to communities as a right or responsibility. In case that there are total assets of a social enterprise minus its total liabilities when it is to close down and sell all the assets, it is prohibited to sell the net assets to a third-party company. Then, the community holds a disposable right to the immediate possession and enjoyment of the net assets. When liquidating a company, the company in Korea must donate or give assets to other social enterprises. In the United States and the United Kingdom, company assets must also be vested in non-profit organizations when liquidating the assets.

Fourth, when comparing the company establishment procedure, the three countries commonly choose the principle of report. However, the UK has a separate evaluation process to judge the pursuit of social purposes of CIC within government agencies[28]. The CIC, like a general company, must report its establishment to the Registrar of Companies, a registered administrative agency, and then undergo a community interest test, a strict screening procedure unique to the CIC that is not in the general company. The reporting procedures and contents of Korean social enterprise corporations are currently discussed, like the UK’s CIC. That is to say there is a strict procedure to determine the social purpose above the level of confirming the reason for disqualification for basic requirements. The United States follows the principle of report in the establishment process, but there is no strict screening process for pursuing social purposes such as the United Kingdom.

Fifth, the three countries are similar in terms of organizational change standards. Under the Commercial Act, when a social enterprise, a corporation, converts from a social purpose company corporation or from another general company to a social enterprise, the United States requires 2/3 consent of voting members and the United Kingdom requires 75% consent of its members. It is under discussion that two-thirds of its members in Korea are needed.

Sixth, when comparing government support, all three countries choose indirect support rather than direct one. Taking financial support as an example, the UK and Korea are choosing an indirect support method. First, the UK provides tax reduction or funding support if the government passes the business-related investment review rather than subsidizing corporations. Korea also aims for indirect support methods such as tax benefits, such as corporate tax reduction, local tax reduction, and social insurance premium reduction for employees. Additionally, Korea discusses the establishment of an evaluation system such as the 'tentative excellent social enterprise system', which is similar to the UK Community Interest Company’s community interest test[29]. Unlike the UK and Korea, the US has insufficient legislation on financial support. In the US, the financial support is led by private foundations that provide the support for each project applicable to social enterprises, and allow a preferential purchase of social enterprise products.

In conclusion, the three countries have differences and commonalities for each issue. The difference is the form of the corporation and the supporting body. In the US and the UK, social enterprise is a commercial law corporation, and in Korea the counterpart is a special corporation under individual laws. Moreover, administrative agencies in Korea and the UK lead the support. However, in the United States, private foundations lead the support. Three counties are all identical in restrictions on the distribution of residual profits and disposal of assets, establishment procedures, and organizational changes[30]. In conclusion, Korean social purpose companies are similar to CIC in the UK. It is a kind
of non-profit-oriented company model in which dividend income is reinvested in society. The social purpose company of Korea imposes restriction on its profit distribution, but does not set a limit on the investors’ corporate control. As mentioned above, the net asset minus liabilities are attributed to social ownership.

6. Conclusion

Through administrative intervention that aims at fostering social enterprises and an empirical study on the relationship between the support administrative system and social value-innovation, this study found that the state-led social enterprise policy under the dual management system of administrative and intermediate organizations enables the initial growth of social enterprises. However, due to the selective and controlled state approval system for socio-economic organizations, the horizontal executive structure between government agencies and intermediate organizations has limitations in establishing a system for implementing governance. In addition, due to the legal contradiction of social enterprise actors under the administrative support system, there occurs a phenomenon of institutional isomorphism, in which the social enterprise actors lose their organizational identity. The essay argues that the solution to the isomorphism is the institutional innovation through rearrangement and adjustment of the existing systems.

The results of the Korean national case study on the correlation between government-led social enterprise policies and social value realization can be used as theoretical sampling when studying government-led social enterprise development cases. In particular, policymakers can see from this Korean case study that the state-funded administrative system is useful for short-term growth in incubating social enterprises, but after a certain period of time, the quantitative and qualitative growth of enterprises slows. It is necessary to understand that the root of the problem is due to the contradiction of legislation and the lack of governance, and that a turning point in institutional innovation to overcome the problem takes place. Furthermore, the Korean case study, in which social enterprise independent corporations under the certification and registration concurrently exist as social enterprise support, will have validity in the comparative research into the stage, degree, and institutional setting of state-led social enterprise development.

However, due to the limitations of data collection and the ongoing system setting situation, this study could not discuss the differences and similarities between the deliberation standards of the certification system and the social value evaluation of the registration system. In relation to this, future research believes that it is necessary to study the composition of social value evaluation indicators for independent social enterprises in each country under the registration system, comparison between countries, and private participation methods in the social value evaluation process. Therefore, this study proposes to continue to pay attention to social value realization and evaluation methods through institutional innovation.

7. Reference

7.1. Journal articles


7.2. Books


7.3. Additional references


8. Appendix

8.1. Authors contribution

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<td>-Set of concepts ✔&lt;br&gt;-Design ✔&lt;br&gt;-Getting results ✔&lt;br&gt;-Analysis ✔&lt;br&gt;-Make a significant contribution to collection ✔&lt;br&gt;-Final approval of the paper ✔&lt;br&gt;-Corresponding ✔&lt;br&gt;-Play a decisive role in modification ✔&lt;br&gt;-Significant contributions to concepts, designs, practices, analysis and interpretation of data ✔&lt;br&gt;-Participants in Drafting and Revising Papers ✔&lt;br&gt;-Someone who can explain all aspects of the paper ✔</td>
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