Abstract

**Purpose:** The purpose of this article is to compare institutional arrangements between precedent social enterprises with a focus on the change of third sector organizations. Along with this, it is also to give an implication for a latecomer that insufficiently institutionalized social enterprise from the side of precedent countries of social enterprise.

**Method:** The article reviews the policy documents and legal data of the governments and public organizations involving the UK, the US, and South Korea as well as China by applying Krasner’s model of punctuated equilibrium that gives attention to macro, meso, and micro institutions. Chapter 2 explores the paths and types of social enterprise. Chapter 3 discusses the economic environment and regime change, the legalization and legal entity, and the support system and support measure of social enterprise. Chapter 4 discusses the comparison of the influence of multi-leveled institutions. Chapter 5 discusses an implication for a latecomer of social enterprise, China.

**Results:** The article finds the influence of institution on social enterprise and an implication for a latecomer. First, the welfare liberal state with voluntary sector tradition forms the social enterprise as a separate legal entity as the state experiences an economic recession and low employment. Second, the welfare liberal state with non-profit sector tradition makes social enterprise a separable legal entity as the state undergoes economic recession and high employment. Third, the statism-centered state with an underdeveloped third sector forms social enterprise as an inseparable legal entity as the state goes through an economic recession and low employment. China as a latecomer puts together the cases of the precedent nations for its institution-building.

**Conclusion:** This article concludes that the third sector development and character plays a critical role in forming social enterprise when state and market address external shock and internal conflict. Institutions tend to persist, but the social enterprise is formed as the existing third sector organization encounters an exogenous variable and is mediated by state and market.

**Keywords** Vertical Institution, Third Sector, Social Enterprise, Nonprofits, Legal Entity

1. Introduction

A majority of people agree with the innovation of social enterprise that contrives to put publicity, profitability, and community within one organization but disagree with the question of what social enterprise is. The discord is because of the topography that the definitions of social enterprise vary depending on the historical development routes of the third sector independent from state and market. Regionally, the third sector evolved on two tracks named the social economy in Europe and the non-profit sector in North America, which constructed different concepts. Two scientific communities sought a conceptual agreement through inter-paradigm debate but failed. By the way, the two tracks began to affect the formation of the East Asian
third sector, in which the development paths of social enterprise immanent in the region combined with the features shown in the two foreign development tracks. Accordingly, there arises a need to consider the change of the third sector organization between the early comer and latecomer to be aware of the external and internal factors that are influential on the make-up of the social enterprise in the East Asian region.

The purpose of this study is to compare a range of institutional arrangements of social enterprise between the precedent nations with a focus on the transformation of third sector organizations. The analysis is interpreted by using Krasner’s model of punctuated equilibrium saying that the institutional change of social organization is characteristic of path dependence in which institution lasts for a considerable period after its formation, and the changes abruptly happened from external events. This article starts with a review of the development paths and organizational typology of social enterprise. Through the analysis of legal data on the enactment of national social enterprises, I conclude with the argument that the social enterprise institutional change of both early comers and latecomers happened because of external factors such as financial crisis, and the longstanding practice limits the policy choice in the course of action. Latecomers should consider the internal feature of institutional building.

2. Paths and Typology of Social Enterprise

Three broad trails lead to the regionally distinct types of third sector organizations. The paths signify the continental and British way in Europe, social innovation and venture in North America, and mixed tracks in East Asia. As to the term, continental Europe prefers social economy to social enterprise. The continental camp sees the social economy as an organization that shares the profit from commerce among members and uses the residual profit for the community of responsibilities. The organizations are cooperative, mutual aid societies, association, and foundation. The social economy went on to play as a welfare provider from commercial capitalism to industrial capitalism. However, the market gradually replaced the role of the provider in the 20th century[1]. At once, the state emerged as the provider in the post-war era while the social economy was waning[2]. In the 1970s, the fiscal deficit, however, forced the welfare state to diminish the provider’s role and neglect the unemployment arising from neoliberalism. Against this, the third sector revived the tradition of solidarity that joined hands against the market destruction to the social fabric. Henceforth, it transforms into a hybrid pursuing both profits and public interest.

Instead of the term social economy, the English school uses the voluntary sector. The voluntary sector based on philanthropy upholds a long tradition of relief for the poor and working class. The voluntary sector organizations include charity, sole trader, partnership as well as social economy organizations. Into the middle of the 20th century, the British welfare state acted as the pivotal provider of welfare and social service, giving little attention to the third sector as the provider. Nonetheless, the state underwent a fiscal crisis that cut welfare expenditure. In response to the minimizing role of the state, the voluntary sector assumes a complementary role to deliver welfare and service that the state does not offer properly. Since the 1990s, the voluntary sector forged a partnership with the state as both actors in alliance delivered social services to the socially weak. In this sense, the social enterprise as a voluntary sector exists based on the state’s trust, in which the state allows the enterprise-like organization to replace the state functions and perform national services. Thus, the voluntary sectors in the UK act on behalf of the delivery of the state’s welfare services[3].

In North America, a social enterprise started from the commercialization of the non profit sector that tries to be independent of the government's financial support. Nonprofit organizations relied on government grants and social donations but underwent financial setbac
ks as the government suspended subsidies[4]. Therefore, nonprofits adopted the busines
ess practice to continue their public service-providing and heavily relied on the earne
d revenue from their commercial activities. There are two angles on the social enterp
rise. First, social innovation views the commitment of nonprofits as offering a new solu
tion by social entrepreneurship[5]. Second, social venture regards the mission of non pronfts as acquiring social cause through impact investments and generating returns[6].

Succinctly, social enterprises of both Europe and North America aim at social goals t
hrough market profits[7]. However, the former is an alternative organization that inte
nds to overcome social inequality from the capitalist economies while the latter ackno
wledges inequality and appeals to owners’ ethical responsibilities[8].

In East Asia, there are a variety of development paths arising from their inherence
and falling within the orbit of the early comers[9]. Since the financial crises of 1997
and 2008, East Asian countries reduced fiscal expenditure for social service. Hencefor
h, the governments tried to reestablish economic mechanisms to provide welfare. First,
Korea selects social enterprise as a means of public policy to deliver social services
and lower unemployment and poverty. Second, Taiwan and Hong Kong grow social en
terprises through corporate innovation of nonprofits and sponsorship of charities[10]. M
eanwhile, the social enterprise in Japan and Taiwan develops relying on local communi
ty self-sustaining, indirect government support, membership fee, and foundation funds
[11]. Overall, the East Asian development paths fall into four types; government-led K
orea, market-dependent Taiwan, partnership-based Hong Kong, and community and NG
O-based Japan.

Through those routes, social enterprises become sorted into a diversity of types. The typology
depends on what criterion applies to the classification. Generally, the standard for stratification
is the function of social enterprise and the nature and aim of social enterprise. This article says,
though, that the internal feature of the organization is not a criterion befitting a signpost to tell
regionally distinct paths. For the typology of the organizational types reflecting on the routes,
the social origin theory of social enterprise suggests that it is uniquely suited to highlight the
environment of local society as a criterion to differentiate the organization of social enterprise
[12]. There is an array of local environmental variables to affect social enterprise development,
which concerns economic, legal, and social elements. The organizational form of the social en-
terprise becomes diverse, relying on the way three elements are combined.

Above all, there is a typology conforming to the economic environment change. According to
Kerlin and Salmon, the types of social enterprise are divided into three variables, involving the
national development stage, organization activity, and corporate governance[13]. The organiza-
tional types complying with the national gap in the economy presume spaces where actors in-
teract. For Kerlin and Salamon, the domain is the aim, organization, society, and strategy of
social enterprise. Additionally, the actors are market, state, civil society, and international assis-
tance around social enterprise. Second, Kim and Defourny categorize the organizational forms
into six types by focusing on the features between profits and nonprofits; business, nonprofit
cooperative, nonprofit partnership, profit partnership, labor integrated enterprise, and commu-
nity development. Third, Spear, Cornforth, and Aiken classify the organizational form emphasizing
corporate governance structure. Thus, it is easier to grasp the regional difference of the
organization when focusing on the economic environment around social enterprise.

Next, there is a typology by the legal environment change. The legal environment consists of
basic law and legal form. First, the basic law means under what law a social enterprise is created.
Social enterprise is established relying on cooperative law and company law[14]. The basic law
are affected by three variables; third sector tradition, welfare polity, and employment degree[15]. The hybrid by cooperative law exists in countries with social economy traditions, low em-
ployment, and state-led welfare. Its legal forms involve nonprofit corporations, social welfare
corporations, and social cooperatives. The countries are France, Spain, Portugal, Greece, Croatia, and Hungary in the European continent[16]. The social enterprise by company law appears in countries with nonprofit tradition, low or high employment, and market-led service supply[17]. On the one hand, if employment is low and the market share in the service supply is high in nonprofit tradition, then social enterprise develops. Its legal form is a non-profit organization, the country of which is the UK. On the other hand, if both the employment and the market share in service supply are high in nonprofit tradition, then the social enterprise is less developed. Its legal form is new business companies, the country of which is the US. <Table 1> shows the legal forms of social enterprise based on cooperative law and company law.

**Table 1.** Basic law and legal form of social enterprise by third sector, welfare, and employment.

<table>
<thead>
<tr>
<th>Employment</th>
<th>Welfare polity</th>
<th>Third sector tradition</th>
<th>Social economy</th>
<th>Nonprofits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not good</td>
<td>Statism</td>
<td>Sufficient legislation</td>
<td>Cooperative law</td>
<td>NPOs corporation</td>
</tr>
<tr>
<td>Liberalism</td>
<td></td>
<td>Sufficient legislation</td>
<td>Company law</td>
<td>NPOs</td>
</tr>
<tr>
<td>Good</td>
<td>Liberalism</td>
<td>Insufficient legislation</td>
<td>New business company</td>
<td>US</td>
</tr>
</tbody>
</table>

Apart from the above two legal forms based on cooperative law or company law shown in <Table 1>, there is an additional case where social enterprises exist according to comprehensive legal qualifications. The legal qualification means that a company or civic association is to obtain additional legal status in the name of social enterprise. There are two ways to qualify. The first way is a certification system that existing corporations or civic bodies can only be admitted in the name of social enterprise by satisfying the relevant requirements set by law and by approval from administrative agencies. The second way is a registration system that social enterprise can be registered only by reporting without the need for approval from administrative agencies. The former includes Korea, Belgium, Finland, Slovakia, Denmark, Slovenia, and the latter includes Italy and Poland.

Second, the legal form refers to whether there is an independent legal entity only for a social enterprise or not. There are two ways to make a legal entity. One is that if third sector organizations make profits through commerce, then they are automatically acknowledged as the legal entity of for-profit companies under the name of existing law. Precisely, this is not a separate legal entity for the social enterprise. It is because the law, without new legislation, seeks to define the social enterprise’s profit activity. The other is that social enterprise is taken for granted as a separate legal entity by enacting discrete laws other than laws applicable to cooperatives and non-profits. Recently, giving an independent legal entity to social enterprise is perceived as a measure to gauge the development degree of the hybrid.

Thus far, the research into the regional comparison of social enterprise drew specific attention to its definition of various regions, the division of social enterprise types[18], the growth of social enterprises, the organizational form of social enterprise, and the legal basis of social enterprises[19]. Such research was a guidepost for the development of the social enterprise
latecomers. However, the study on developmental paths in social enterprise relatively lacks in comparing the character of social enterprise of individual countries in Europe, America, and East Asia at the stratified institutional level. In other words, a few comparative studies revolved around the vertical institutions of social enterprise between individual countries of various regions[20]. To close the research gap, the article selects the UK, the US, and Korea as models of Europe, North America, and East Asia and discusses China as an intersection between the three development paths to the legalization of social enterprise.

The research questions run as follows. First, how is the economic and political milieu different from each other of the social enterprise of the three countries? Second, what are the differences in the legal forms of social enterprises of the three countries? Third, what are the characteristics of three national governments’ support systems and methods for social enterprise? The study also sets an analytical framework of macro, meso, and micro levels. The macro institution is an environment involving economic culture and dramatic political events. The meso institution is legalization and legal forms. The micro institution is support systems and support methods respectively involving law and inter-organizational network, and finance and projects.

3. Multilevel Institutions of Social Enterprise

3.1. Macro-institution: economic environment and political event

On a philanthropic basis, the English voluntary organizations consistently sold goods and services. An exemplar is the Rochdale Pioneers as the father of the cooperative movement. In post-World War II, the public sector positively provided a government service and welfare for its citizens, thanks to economic growth. However, an external shock happened unexpectedly; the oil crisis of the 1970s. The right-wing Conservative Party government in the 1980s cut welfare spending and privatized the public welfare service[21]. After a long governing of Thatcherism, the central-left Labor Party government in the late 1990s proposed a "third-way" idea of using private players as public service providers. The local governments formed a large quasi-market in which voluntary organizations entrusted by the government could join for the bureaucratic delivery[22]. The voluntary organizations again provided charitable services to the socially weak and officially gained the legal status of social enterprise. Since then, the voluntary organizations were considered a government’s partner in delivering social service and acted in a space where the public, market, and third sectors joined. Finally, the UK in 2005 enacted the Community Interest Company Regulation, paving the way for mutual-aid societies and charity to acquire social enterprise status.

The state of the US was traditionally reluctant to intervene in the private sector. The third sector organizations were active from the period of the immigrant’s settlement, leading to the community movements based on mutual aid and volunteerism, the charity movements between the Civil War and the Great Depression, and charity fundraising movements in the 20th century[23]. In such an environment, the Johnson administration pursued a policy of helping the poor, especially in 1960. En passant, the emergence of social enterprises arose from a dramatic external shock, a reduction in the government’s funding of nonprofit organizations from the economic recession in the 1970s. The NPOs attempted organizational innovation by conducting for-profit businesses for financial independence. For example, the innovative measure is the use of the marketing techniques for financing through donations, the introduction of management techniques of the company, the pursuit of commercial venture opportunities, the sponsorship with commercial companies, and the establishment of partnerships[24]. In the 1990s, the Clinton administration invested federal funds into regional development projects to further nonprofits, in which nonprofits actively joined it and began to operate social enterprises.
The third sector organizations of Korea grew under the government's leadership rather than private volunteerism. Since its independence in 1948, Korea has absorbed various private organizations in an authoritarian government. From the 1960s to 1990s, the third sector grew up in opposition to authoritarian states in the grass-root democracy and community movements and played a limited role in providing welfare and social services. In this backdrop, Korea, which had never experienced a welfare state, faced external shocks such as the foreign exchange crisis in the late 1990s and the financial crisis in the mid-2000s. In response to the shock, the Kim Dae-Joong government asked nonprofit organizations to provide social jobs as its productive welfare policy[25]. Finally, the Roh Moo-Hyun government enacted the Social Enterprise Promotion Act to improve public interest through the administrative licensing system that entrusts jobs and social services to the private sector.

3.2. Meso institution: legalization and legal entity

In parallel to external shock and regime change, there was also a change in the legalization and legal entity for the hybrid in the three countries. First, the UK enacted the law to regulate the hybrid changed from old company acts to the new one. Before 2004, the voluntary organizations did commercial activities by borrowing the legal form of the companies stated on the old company act. For instance, charities and mutual aid societies borrowed the legal form of a company limited by guarantee on the old company act when they sold service products for the socially weak. The reason is that a company limited by guarantee, like cooperatives, reflects multi-stakeholders interest with one-man-one-vote and can join as a contractor in transactions. However, it was confined for charities to use the company as a legal entity. It is because the company's employees responsible only for their share cannot collect investment capital from voluntary investors by issuing stocks subject to sale. Thus, in 2005 the UK enacted a new Community Interest Community Act, admitting the voluntary organizations as a separate legal entity. Thus, the Community Interest Company became a non-profit investment company that raises funds for for-profit activities through a stock issue and reinvests the profits in places where social care is required.

Second, the American nonprofits also turned into hybrid legal entities balancing profit maximization and social good objectives. Corresponding to the cut of government subsidies, the nonprofits adopted limited liability companies (LLC) as a legal form of profit-seeking to attain financial independence from the government. The LLC before 2009, akin to the company limited by the liability of the UK, could collect investment capital through donations and generate profits through commercial activities. However, the non-profit and non-taxable organization had difficulty raising investment funds because it could not return the profits from investors according to a principle of non-dividend. Therefore, to induce investment, the state-level government created a Low-profit Limited Liability Company (L3C) that could be flexible in dividends of profits without specifying restrictions on profit allocation. Under the state-level company law, the social enterprise can distribute profits as for-profit agents, but they attempt to achieve social goals.

Third, the Korea’s government granted existing legal entities for the qualification of social enterprise, but the social enterprise is not an independent, separate legal form. In 2007, Korea enacted a special law Social Enterprise Promotion Act to set up a social enterprise that can provide jobs and deliver social service on behalf of the government. Under the law, existing legal entities are qualified to additionally use the title of social enterprise if the organization meets the certification requirement, a kind of an administrative license[26]. Notwithstanding a recently positive discussion on the enactment of social enterprise legal entity in Korea, there is no institutionalization of social enterprise legal entity. To summarize the legalization and legal forms of social enterprise in three countries, whether there exists a separate legal entity or not pertains to the development of third sector organizations. There exists a separate legal entity for social enterprise if third sector organizations voluntarily developed in civil society.
3.3. Micro-institution: support system and support measure

The support system for social enterprise consists of law and inter-organizational networks. Above all, there was a positive enactment of law, giving support to the hybrid when employment falls without regard for welfare polity and the third sector development. It applies to UK and Korea. The English third sector positively sold necessities to the poor by using other legal entities when there was low employment in the 1980s. The examples run as follow: a limited liability company under Companies Act 1985, a charity under the Charities Act (1993), mutual aid society under Industrial and Provident Societies Act (1963), and friendly society under An Act for the Encouragement and Relief of Friendly Society (1793). Thereafter, the Community Interest Company Act (2005) acted as a basic law to command the whole social enterprise. Akin to the UK, Korea enacted a support law named Social Enterprise Promotion Act for the hybrid when the employment falls in the 1990s. Conversely, the US maintained high employment, in which the country made the negative enactment for social enterprise. The social enterprise only enjoys tax benefits under the 501 (c) (3) of the Internal Revenue Service tax system.

Next, there exists a public organization, supporting the hybrid if the third sector voluntarily developed and the government willingly support it. Additionally, there is an active inter-organizational network between public and private organizations around the exclusive support organization. First, the social enterprise of the UK, a national macroeconomic policy goal, was actively backed up by the central government where the ministry in charge is the Office of the Third Sector. There is also active cooperation between social enterprises as well as central ministries; for example, Social Enterprise Coalition (SEC) and Development Trust Association (DTA). Second, the US also shows a voluntary development of the third sector, but the main agent of development was the private foundation, not the government. The National Tax Service supports nonprofits under the tax law, and the Small and Medium Business Administration of the federal government supports the vulnerable. Third, in Korea, the Ministry of Labor acts as the department dedicated to the hybrid[27]. It is the Korea Social Enterprise Promotion Agency under the department that supports social enterprise. The provincial governments provide financial and management support with social enterprises while cooperating with the intermediate organizations of the same level. The network between social enterprises is weak in Korea.

The support measures for social enterprise consist of finance and program[28]. First, financial support falls into direct and indirect methods. The former involves cash grants such as subsidies and personnel expenses, and the latter involves tax breaks such as tax deductions and tax cuts. Countries like UK and US where the third sector voluntarily evolved focus on tax relief. In contrast, a country like Korea where the third sector is led by the state chooses subsidies and personnel expenses. For example, the tax break in the UK relates to the government experience that taxed charity on the sale of goods and attracted the investment from the membership of private sector organizations or local businesses. The government raised funds from banks, foundations, and tax breaks. The UK’s nonprofits are financed by government funds, private donations, and membership fees. The Small Business Administration of the federal government provides small subsidies and operates loan programs and microloans. Korea prefers direct financial support such as insurance premiums and wage subsidies paid by the government. Also, the government admits taxable deductions of donations from the company, income tax relief, corporate tax relief, and loan arrangement as indirect financing. Briefly, whether the third sector voluntarily develops or not serves as a touchstone to determine the direct and indirect support.

Second, the program support is typed into three modes according to how government engages in the support program; government-centered, foundation-led, and government-controlled. The UK is a government-centered type, in which government gives comprehensive programs to social enterprise. The exemplar is public relations, consulting services, order for the public sector, and diverse suppliers for government procurement. The US is a foundation-led
type, in which private foundations give program support to social enterprises in education, research, consulting services for the set-up of social enterprise, and nurturing social entrepreneurs. The typical examples are Kellogg Foundation, Kaufman Foundation, Ashoka Foundation, Roberts Enterprise Development Fund, Rockefeller Foundation, and Skoll Foundation. Korea is a government-controlled type, in which central and provincial governments give support to certification and designation of social enterprise. There are central-level and province-level intermediary organizations to provide consulting services for start-ups, training programs for social entrepreneurs, and public relations of social values. In sum, the government engagement in the support programs gets higher in the order of US, UK, and Korea.

4. Comparison of the Influence of Hierarchical Institution

First, the external shock from economic stagnation played a big role in organizational change. It is found that the political regime is an internal factor to accelerate the environmental change in response to the external shock. The hybrid is formed, according to the way three sectors combine while the state responds to external shocks[29]. The UK and US shared the experience that the third sector organizations provided welfare and service for the socially weak. However, there is a different response to external shocks between them. The UK entrusted the state’s function to the private association based on trust. The US does not intervene in nonprofits’ profit-seeking, and nonprofits themselves transform into a hybrid through commercialization and pursue social efficiency between for-profit and non-profit activities. In Korea, the third sector organizations did rarely provide welfare and service for the socially weak. The external shocks forced the government to nurture social enterprise as a strategic policy option. In sum, the third sector declines as the state and market play the main role in delivering social service. As the external shock harms the ability of the state and market as the welfare-service provider, there was a convergence between the three sectors, leading to the hybrid. To paraphrase Etzioni, organizations break through existing boundaries and innovate to bring benefits back to society, resulting in the fourth sector.

Second, when it comes to the effects of basic law and legal entity, it is revealed that the state with a voluntary development tradition of the third sector shows that enterprise is made based on company law and has a separate legal entity. Conversely, the state without the tradition tends to make social enterprise by borrowing existing various laws and does not have a separate legal entity. The UK regulates social enterprise by company law, and the social enterprise has a separate legal entity. The U.S. regulates social enterprise by tax laws and local corporation laws, and the social enterprises also acquire corporate status. Korea’s social enterprises adopt a certification system, and the social enterprises must first acquire company status under other laws. Overall, the attributes of the long-standing third sector of the three countries decisively influence the laws that social enterprises are based and separate legal entities are chosen.

Third, as regards the effect of micro-level support system and measure, it is found that the law as a support system and inter-organizational network exist and act well if there is a long-standing tradition of the third sector’s voluntary development. Otherwise, it does not exist and acts actively. Additionally, the support methods are indirect if there is a long tradition of the third sector’s voluntary development. Otherwise, it is direct. The UK has government departments dedicated to supporting third-sector development, government-private support organizations, and social enterprises’ networks. In contrast, Korea has no central ministry dedicated to social enterprise, holds weak cooperation among ministries, and maintains an inactive inter-organizational network. The third sector of the US is similar to Britain, but the main supporter is not the government, but the private foundation. In program support, the U.K. provides full support through outsourcing public sector services, the U.S. provides support mainly through private consignment and subsidies, and in Korea, an intermediate organization designated by
the government acts on behalf of it. <Table 2> shows the influence of multi-leveled institutions on social enterprise formation and development between three countries.

Table 2. UK, US, Korea: comparison of the multi-institution of social enterprise.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Country</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Level</td>
<td>Variable</td>
<td>UK</td>
<td>US</td>
</tr>
<tr>
<td>Macro</td>
<td>Economic environment</td>
<td>Thatcherism</td>
<td>Financial aid decline</td>
</tr>
<tr>
<td>Regime change</td>
<td>Thacker Labor Party</td>
<td>Clinton</td>
<td></td>
</tr>
<tr>
<td>Meso</td>
<td>Basic law of social enterprise</td>
<td>Company act</td>
<td>L3C Benefit corporation</td>
</tr>
<tr>
<td>Separate legal entity or not</td>
<td>Community interest company</td>
<td>Company act</td>
<td>L3C Benefit corporation</td>
</tr>
<tr>
<td>Meso</td>
<td>Main law</td>
<td>Community interest company act</td>
<td>Tax Law 501(c)(3)</td>
</tr>
<tr>
<td>Support system</td>
<td>Related law</td>
<td>Company act</td>
<td>Friendly society act</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Industrial &amp; provident society act</td>
<td>Unincorporated association</td>
</tr>
<tr>
<td>Micro</td>
<td>Government's support organization</td>
<td>Office of third sector (2006)</td>
<td>Internal revenue service Small business administration (SBA)</td>
</tr>
<tr>
<td>Inter-organizational network</td>
<td>SEC</td>
<td>SEA</td>
<td>SEPA Intermediate organization</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Implication for a Latecomer of Social Enterprise: China

With regard to the legalization of social enterprise in East Asia, China is one of the latest comers that did not promulgate laws on social enterprises. Clearly, there are organizations having certain characteristics of social enterprises such as private non-enterprise units, social welfare enterprises, and farmers' specialized cooperatives. The individual organizations already function as the hybrid that provides public goods and deliver social service in the local areas. In response, the local governments such as Chengdu, Shenzhen, and Beijing are experimenting the hybrid as both alternative public goods provider and profit-seeking actor. However, the organizations still differ from the social enterprise of government recognition. Any student of the social enterprise nature takes into deep consideration the central government recognition reflecting the state-led model of social enterprise in Korea[30]. In light of the hybrid nature incarnated between early comers and latecomer, the China’s government needs to give thought to official recognition system for social enterprise.
Above all, China needs to learn a lesson from the legislation of the British Community Interest Company (CIC). CIC recognizes capital ownership of investors, but instead of distributing profits and gains among owners or dominant investors for the community or public good, the unappropriated earned surplus is used by firms to expand production, not to invest in society. Therefore, the government can consider transparent management through the disclosure of information while legally guaranteed companies use the surplus for social purposes such as job creation. Moreover, the institutional experience of the English social enterprise can be used to avoid simply looking at a social enterprise from the view of labor integration of the socially disadvantaged. Instead, it should be seen from the perspective of regional, industrial and social integration macroeconomic policies and social policies.

From the perspective of American practice, charitable foundations set up by socially responsible businesses are the main supporting bodies of the nonprofit sector, which also tend to use the way business operates to provide innovative lessons for the nonprofit sector. Among the emerging East Asian countries, both Korea and China continue to grow corporate philanthropy, but its size and scope are still limited compared to those of the US. Companies and philanthropists in East Asia are using the donation of private property as part of their strategies to promote a corporate and personal image. Based on this tradition, the government ministries should promote corporate support to the third sector, including social enterprises, by strengthening systems relevant to charitable donations and the inheritance of private property.

The development of social enterprises in Korea shows the importance of institution-building at the national level. Social enterprise ideology was introduced to Korea and China simultaneously in the early 2000s, but Korea's social enterprises grew so quickly that they become government-run job agencies for the socially disadvantaged. And China's slow progress in top-level design and legislation has led to a relative lag in social enterprise development. Therefore, the government needs to clarify the legal form and registration requirements of social enterprises through legislation, and determine the relevant competent departments and support systems. Of course, the nation's social enterprises still operate with the government's financial support, and the overall ability of the hybrid to operate on their own remains questionable. Additionally, Korea's regulation requiring social enterprises to use two-thirds of their profits for social goals is controversial, limiting the private sector's willingness to earn income. In China's practice, more flexible regulations are needed on the standard of profit distribution for social enterprise.

China as the latest comer needs to borrow from Britain the policy application of social enterprises, from the US the social innovation, from Korea the development strategy, and adopt more flexible strategic choice.

6. Conclusion

This article examined the characteristics of social enterprise early comers and latecomers based on a comparative look at the U.K., the U.S., and Korea. The study found that the role of the first and second sectors in welfare and service delivery declined due to external economic shock and internal political change. Besides, the internal structural innovation of third sector organizations has led to the evolution of mixed welfare organizations. Among the precedent nations of social enterprise institutionalization, the voluntary development of the third sector is the main driving force behind the creation and scale of social enterprise. In the study, the legislation of social enterprise is influenced by the variables of the third sector, welfare regime, and employment status.

The study focuses on the exogenous factors of institutional formation and change. If the institution is viewed as a multilayered complex, there may be endogenous changes caused by the
conflict between institutions at different levels. This article does not discuss the role of endog-
enous factors sufficiently. It is noteworthy for future research to explore the interests of multi-
ple stakeholders such as decision-makers, intermediaries, and employees around the process of
changing the legal system of social enterprises in a particular country.

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8. Appendix
8.1. Authors contribution

<table>
<thead>
<tr>
<th>Initial name</th>
<th>Contribution</th>
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</table>
| CY           | -Set of concepts ✔
|              | -Design ✔
|              | -Getting results ✔
|              | -Analysis ✔
|              | -Make a significant contribution to collection ✔
|              | -Final approval of the paper ✔
|              | -Corresponding ✔
|              | -Play a decisive role in modification ✔
|              | -Significant contributions to concepts, designs, practices, analysis and interpretation of data ✔
|              | -Participants in Drafting and Revising Papers ✔
|              | -Someone who can explain all aspects of the paper ✔ |