Governance in South Korean Social Enterprises: are there alternative models?

Marcello Bertotti, Younghee Han, Gopal Netuveli, Kevin Sheridan and Adrian Renton

Abstract

Purpose - Theoretical and empirical research on the governance of social enterprises has grown considerably in the last decade centred primarily on the UK, Europe and the US. Whilst some articles have discussed the role and growth of social enterprises in Asia, the empirical evidence remains scant, particularly in relation to empirical studies of social enterprise governance in South Korea.

Design/methodology/approach - Drawing upon established literature on social enterprise governance, we tested empirically five conceptual models on a sample of 69 South Korean social enterprises collected through an online survey to identify the prevalent model of governance. Such models were found unable to fully explain governance processes observed. Thus, we used an innovative statistical technique, latent class analysis, which identifies clusters of associations between key governance variables.

Findings - This exercise revealed two opposite models, centralising and interdependent. The latter represent an interesting shift towards widening forms of participation in governance processes in South Korea.

Research limitations – the sample is small and only limited to some types of social enterprise. More research needs to be done on larger samples including the growing South Korean co-operative sector.

Originality/value – to our knowledge this is the first published data available on the governance of South Korean social enterprises and the analysis used to identify governance models (i.e. latent class analysis) is novel.
Introduction

In the last few years, the notion of governance has received renewed attention following the failure of a number of large companies (e.g. Enron, Parmalat) imputable in part to the lack of correct functioning of their governance. These events show the importance of governance as one of the key determinants of successful entrepreneurial activity. Governance is even more important in the context of social enterprises as these organisations, contrarily to conventional forms of enterprise, pursue a double bottom line which attempts to balance social with economic objectives. Current debates often define social enterprise as an ‘hybrid’ organisation operating within a spectrum from a ‘purely philanthropic’ to ‘purely commercial’ (Seanor et al., 2007). This creates a recurring tension within the structure and processes of social enterprises with difficult choices to be taken to satisfy both social and economic goals and ensure effective strategic development and sustainability. Evidence (Spear et al., 2007), suggests that in the current global economic crisis characterised by strong welfare cuts, there might be a danger of ‘mission drift’ with organisations focussing too heavily on business goals. In this context, boards play an important role in ensuring that the mission of a social enterprise can remain firmly social. Moreover, in some types of social enterprise the need to negotiate across business and social goals is further complicated by the presence of a variety of stakeholders such as employees and beneficiaries (Cornforth, 2003).

Alongside recent attempts (Duff, 2007; Mason, 2010; Larner and Mason, 2011), conceptualisations of social enterprise governance can be summarised in five models including compliance, partnership, political, co-optation, and rubber stamp which are examined in detail below. Each of these models has important strengths as they are strongly rooted in established literature traditions. However, they have also been criticised for ‘pigeon holing’ social enterprises into specific governance models, paying only scant attention to empirical evidence (Spear et al., 2007) which shows that a much more complex and nuanced relationship between board members and executive teams occurs within organisations, particularly small organisations. Attempts to address this particular issue can be traced back to the work of Cornforth (2003) who introduced a paradox model. This attempts to go beyond fixed models by placing centre stage the ‘tensions’ between interest groups rather than the adherence to any specific governance model.

Despite recent developments in the last decade, research on governance of social enterprises is still limited in relation to their private sector counterpart (Mason, 2010) and only a few studies have tested theoretical models (Cornforth, 2003; Mason, Kirkbride and Bryde, 2007; Spear, et al., 2009) using a quantitative survey. Furthermore, studies on social enterprise governance mainly discuss the UK, US or European experience (Cornforth, 2003; Spear, Cornforth and Aiken, 2009) with only one published study examining its development in Asian countries (Kuan, Chang and Wang, 2011) and none in South Korea, as remarked by a study on emerging models of social enterprise in Eastern Asia (Defourny and Kim, 2011).

In this context, this article aims to provide the first empirical data on the governance of South Korean social enterprises. It draws upon an online survey of 69 South Korean social enterprises to test the presence of five governance models (compliance, partnership, political, co-optation and rubber stamp) in South Korea. The aim of the paper is to identify the key characteristics of governance models in South Korean social enterprises and discuss them in the context of the current conceptual and empirical literature.

In order to do that, the article will first describe some key historical changes that led to the development of the South Korean social enterprise sector to provide clarity on what social enterprise means in the South Korean context. Drawing on conceptual and empirical literature, the following section will discuss five governance models that will underpin empirical analysis. The article will then turn to explain the methodology used and describe key characteristics of the sample. The following empirical part will analyse five governance models
and find that only few social enterprises fit these precisely. A novel statistical technique, ‘latent class analysis’, was used to re-analyse key governance variables used in the survey tool. This led to the creation of two governance models, ‘Centralising model’ and ‘Interdependent model’, discussed below. Finally, some concluding remarks will consider the implications of these findings for future research.

The birth of social enterprise in South Korea

The South Korean social enterprise sector is also peculiar as, unlike the UK, US, Europe and other Asian countries (Defourny and Kim, 2011), was developed by government via the introduction of the 2007 Social Enterprise Promotion Act which defines a social enterprise as “An organization 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” (Ministry of Employment and Labour, 2007). The social enterprise sector in South Korea was introduced with the specific aim to provide new job opportunities and as an attempt to establish a more formalised civic society (Defourny and Kim, 2011) and concerns economically and socially disadvantaged individuals as well as people with physical and mental disabilities. Thus, an examination of South Korean social enterprises is similar to the role of social firms in the UK that have as their main objective the creation of job opportunities for disadvantaged individuals and people with disabilities.

The beginning of the Social Enterprise Promotion Act can be traced back to actions of the South Korean government following the 1997 financial crisis which hit South Korea more than most Asian countries particularly in terms of growing unemployment rates (Defourny and Kim, 2011). As a result, the South Korean government introduced a range of policies to tackle unemployment and socio-economic polarisation through short-term public services under makeshift employment plans and social employment programmes for disadvantaged people.

Although this was the main reason for policy action, South Korea was also experiencing additional problems such as ageing, low birth rates, and a break up of traditional family structure. These induced the government to introduce a range of policies to cope with an increasing need for social care services, and stimulate new ways of contributing to society such as Corporate Social Responsibility instead of simple donation. However, it is also important to note that some scholars (Bidet and Eum, 2011) highlight the role of a dynamic civic society that was present long before the introduction of social enterprise by government, with multiplying non-profit organisations and burgeoning public interest associations. These were instrumental in pushing the government to introduce a range of legislative measures which became the precursor to the Social Enterprise Promotion Act including the concept of self-support and vocational rehabilitation from the 1989 Disability Welfare Act, the 1990 Act on Employment Promotion for Disabled Persons and the 2000 National Basic Living Security Act that introduced self-support business for awardees. The next section examines the literature on social enterprise governance with particular focus on explaining some established governance models.

Governance and Social Enterprise

Governance can broadly be defined as “the relationship among various participants in determining the direction and performance of corporations” (Monks and Minow, 1995) and, as Low (2006) suggests, it is sufficiently flexible to embrace the peculiar characteristics of social enterprises. A variety of theoretical traditions have examined the notion of governance and applied it to the social enterprise sector. The most recent development draws upon a neo-
institutional approach (Mason, 2010; Larner and Mason, 2011) which focus on the concept of legitimacy, and the role of cultural values and attitudes in determining the choice and behaviour of board members and management in the North East of England.

However, apart from these contributions, most of the literature remains firmly anchored on the typology elaborated by Cornforth (2001) that concentrates upon a conceptual framework based on five governance models. Some examples of the use of this framework can be found in the examination of governance structures of fair trade organisations (Huybrechts and Defourny, 2008). As this article will test this conceptual framework, it is important to examine its different models (compliance, partnership, political, co-optation and rubber stamp) in more detail here.

The compliance model draws upon literature of corporate governance and implies that owners/members and managers have different interests. Typically, the interests of owners and shareholders, represented through the board, might or might not match the interests of the chief executive and/or other managers. The former are often interested in maximising profit and/or pursuing a social mission, the latter are more interested in prolonging their job and furthering their career. This may cause a serious conflict of interest. As a result, the key role of the board is to monitor the activities of managers, safeguard the organisational mission and ensure that resources are spent to that effect. One of the key problems of this model is that excess monitoring of managers may stifle innovation and entrepreneurial activity. Board members and managers do not operate in conditions of mutual trust and this can considerably harm the development and growth of the organisation (Sonnenfeld, 2002). This model draws upon studies in corporate management which relate mainly to conventional forms of enterprise, but they are also applied to trust law, in the charitable non-profit sector. When setting up a charity, the board of trustees is independent from management and is responsible to exercise control/monitoring of managers’ actions (Cornforth, 2001). Thus, it is important in explaining the governance of some types of social enterprise, particularly those structured around charity law, although it is not so clear who the ‘shareholders’ are in most third sector organisations.

The partnership model (Stewardship theory) takes a rather different, if not opposed, view of the relationship between owners/members and managers. It assumes that owners/members and managers share interests in improving the performance of the organisation and act as partners in its development. In this context, board members are mainly engaged in the top strategic decision making which might result in sub-optimal decision making as other decisions that might have a significant impact on the sustainability of the organisation are not given adequate scrutiny. As a result, the partnership model will also tend to have a more professional membership as the main objective is adding value to top strategic decision-making and will tend to involve a variety of skills than in other models (Cornforth, 2001).

The political model assumes that different stakeholders have legitimate interests in governance, thus the main role of governance is to represent and balance the interests of different stakeholders and make sure that the management fulfil the organisational mission. This model draws upon a mix of stakeholder theory which has developed in criticism of the over-reliance of corporate governance on representing solely owners and shareholders interests rather than the interests of society at large. This model appears to be more accountable to a wide range of interests, but at the same time, it might push board members to promote the interest of stakeholders rather than the interest of the organisation (Spear et al., 2009). Moreover, when a wide range of interests needs to be balanced, decision-making tends to be slow making the organisation less able to respond to external changes consequently losing flexibility and adaptability. Board membership might also tend to focus more on representativeness of a board member rather than professional qualities (Cornforth, 2003).

The co-optation model draws heavily on resource dependency theory (Pfeffer and Salancik, 1978). This stipulates that organisations are dependent on other organisations for resources.
Board members often represent other organisations and are selected to manage these dependencies (e.g. representatives from funding organisations). In this context, the organisation is necessarily outward rather than inward facing oriented towards bringing in external perspectives, but internal supervision might be neglected.

The ‘rubber stamp’ model (Managerial hegemony theory) presumes that the management team is in charge of the organisation rather than the board as management controls the information, skills and the infrastructure. As a result, boards are seen as being little more than ‘rubber stamp’ for management’s decision. As a result, many private sector corporate reforms are aimed at strengthening the powers of non-executive directors, elected by shareholders (Spear et al., 2009).

However, views on these governance models have been criticised for ‘pigeon holing’ social enterprises into specific governance models thanks to some empirical evidence (Spear et al., 2007; Cornforth, 2003; Empson, 2010) showing that board members behave in different ways in different situations. In response to this, work by Cornforth (2003) looked at a paradox model which focuses on looking at governance as a range of ‘tensions’ between interest groups (primarily the board and the chief executive) rather than the strict membership to any particular governance model. Two of these tensions are particularly important. Firstly, the tension between representative and professional boards in relation to decision-making processes. Representative boards are exemplified by the political model which attempts to represent a variety of interests and guarantees democratic accountability. However, this often runs against the need to select a board that has adequate skills (professional), hence the ensuing tension. Another important tension is between conformance and performance which is epitomised by the different roles of the board in the compliance and partnership models. Whilst the first tends to have a board that mainly aims to control and monitor the work of the CEO, the second is based on the notion that boards and chief executives share similar objectives and therefore their role becomes more about adding value to strategic decision making rather than monitoring.

Thus, the empirical and analytical parts of this paper will test these different governance models and associated tensions to assess the extent to which social enterprises in South Korea belong to any of these models and through an innovative statistical technique will develop two governance models and discuss the implications for further research.

**Methodology**

The empirical part of the article is based upon an online survey of 69 South Korean social enterprises derived from a total database of 644 social enterprises belonging to the KCCSE (Korea Central Council of Social Enterprise) which is a social enterprise membership umbrella body and holds the addresses and contact details of the totality of social enterprises in South Korea. The online survey was administered via Survey Monkey and the topic guide included information about the profile of each organisation (age, employee and turnover size, sector), and focussed particularly on governance themes such as board membership, the relationship between board and management, and the barriers faced by the organisation in securing effective governance. These questions were mainly informed by the five governance models proposed by Cornforth (2003) and then successively refined thanks to contributions from Spear et al. (2009).

We chose a quantitative approach because we wanted to test empirically on a wider sample, the theoretical assumptions of the five governance models that were developed by previous qualitative research. Some 91 questionnaires were returned but after discharging duplicates and non-completed topic guides, we achieved a response rate of about 11% i.e. 69 completed questionnaires which form the basis of the statistical analysis of this paper. We sent out the topic guide to social enterprises in July, August and September 2012 in order to maximise the number of returns as it is more difficult to receive responses across the summer. Despite these efforts, the
response rate was disappointing perhaps due to the use of online technology which does not suit some respondents who are less familiar with it. We offered the option to print and fill out the questionnaire but this strategy was not successful. It is also important to note that according to research by Nulty (2008) online response rates are on average 33% lower than paper based ones, although admittedly not as low as ours.

The topic guide was translated from English into Korean and back by one of the authors of this paper. Most key questions on governance were posed on a five points Likert scale ranging from ‘Agree Strongly’ to ‘Disagree Strongly’. The vast majority of responses came from Chief Executives (49.3%) and the executive team (33.3%) whilst only a small minority came from board members (14.5%). We were expecting these results as it is a lot more difficult to involve board members in an online survey, but we could not address the point given the restricted time and resources available for this project. Other surveys on governance (Mason, 2010) have also found it difficult to clarify whether staff from the executive team or board members responded. Even other qualitative research (Spear et al 2007) has not been clear on the proportion of board members interviewed. We will return to this issue in the conclusions of this article.

The analysis of governance models was conducted via SPSS (Statistical Package for Social Sciences), whilst the following use of latent class analysis was completed thanks to STATA which is a data analysis and statistical software.

**Profile of Social Enterprises in the Sample**

The vast majority of Social enterprises in the sample are young. Some 71% are five years old or less and 94% are less than 10 years old. Only 15 companies (22%) started activity prior to the introduction of the Social Enterprise Promotion Act of 2007 (MOEL, 2007). The distribution of the sample by sector shows some similarities to the overall population of certified social enterprises in South Korea, particularly when ‘manufacturing’ and ‘retail and wholesale’ are added to the ‘other’ category in the overall sample (See table 1). Moreover, the legal status is also broadly similar to the overall population. The majority of social enterprises in our sample are registered as ‘Companies under Commercial Law’ (51%). These are normally profit oriented organisations and relatively easy to set up and are similar to Limited Companies in the UK. This type of organisation was followed by organisations under Support for Non-profit Organisations Act’ (22%) and associations under Civil Law (19%). These are normally non-profit and harder to set up as they are subject to stricter regulations. They are subject to legislation that is similar to charities in the UK.

<table>
<thead>
<tr>
<th>Area of activity</th>
<th>Sample (n=69)</th>
<th>Overall population (n=644)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>Manufacturing (*)</td>
<td>27</td>
<td>21.6</td>
</tr>
<tr>
<td>Social services</td>
<td>18</td>
<td>14.4</td>
</tr>
<tr>
<td>Retail and wholesale (*)</td>
<td>17</td>
<td>13.6</td>
</tr>
<tr>
<td>Education and research</td>
<td>13</td>
<td>10.4</td>
</tr>
<tr>
<td>Environment</td>
<td>12</td>
<td>9.6</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>9</td>
<td>7.2</td>
</tr>
<tr>
<td>Health</td>
<td>3</td>
<td>2.4</td>
</tr>
<tr>
<td>Other (*)</td>
<td>26</td>
<td>20.8</td>
</tr>
<tr>
<td>Total (**)</td>
<td>125</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Legal Status**
Companies under Commercial law | 35 | 50.7 | 274 | 42.5  
Organisations under Support for Non-Profit Organisations Act | 15 | 21.7 | 115 | 17.9  
Associations under Civil Law | 13 | 18.8 | 157 | 24.4  
Foundations under Social Welfare and Services Act | 4 | 5.8 | 78 | 12.1  
Cooperatives under Farmers and Consumer Cooperative Act | 2 | 2.9 | 12 | 1.9  
Foundations under Private Schools Act | - | - | 8 | 1.2  
Total | 69 | 100.0 | 644 | 100.0  

(*) ‘Manufacturing’ and ‘retail and wholesale’ feature in the ‘other’ category in the overall population sample; (**) multiple responses were possible

The main social goal of more than half of social enterprises in South Korea is to provide job opportunities for disadvantaged people: employment oriented enterprises 60.1%, social service provision 7.9%, mixed type of employment and social service provision 16.9%, community interest 0.5% and others 14.6% (MOEL, 2011). When asked how they helped their beneficiaries, almost 30% of responses mentioned employment provision, followed by education and the provision of foods and other goods. Overall, these responses match the reasons for the introduction of social enterprise through the 2007 Social Enterprise Promotion Act. On average social enterprises in the sample employed almost 28 people which is line with data about the overall sample of 644 South Korean social enterprises. However, the median is considerably smaller 16 and two out of five social enterprises employ between 11 and 25 employees.

Models of governance in South Korean Social Enterprise Sector
In order to assess what governance model fits best into the South Korean social enterprise sample, we developed a range of questions from the five models discussed above and asked these through our online survey. Table 2 summarises each governance model alongside the assumptions we tested through the online survey and the number of companies that fitted such assumptions.

<table>
<thead>
<tr>
<th>Model</th>
<th>Underlying Assumptions</th>
<th>Assumptions we tested in relation to each model</th>
<th>Number of SE that satisfied assumptions (**)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Model</td>
<td>Owners/members and managers have different interests</td>
<td>(1) Safeguard interest and resources of owners and shareholders; (2) Control, monitor and/or evaluate work of chief executive</td>
<td>14 responses</td>
</tr>
<tr>
<td>Partnership</td>
<td>Owner/members</td>
<td>(1) Add value to top</td>
<td>17 responses</td>
</tr>
</tbody>
</table>
Model and managers share interests decisions/strategy
(2) Support management
(3) Varied mix of skills on the board

Political Model Different stakeholders have legitimate interests in governance (1) Election of board members from various stakeholders (2) Interest groups represented in the organisation (3) Represent and balance different stakeholder interests (4) Strategic decisions are taken in consultation with other groups, unanimously, absolute majority (rather than just by CEO) 15 responses

Co-optation Model Survival depends upon securing resources (1) Increasing external links of the organisation in order to secure additional resources (2) Interest group represented on the board: Funders, public sector and other social enterprises 14 responses

Rubber Stamp Model Board members do not control CEO effectively. (1) Strategic decisions taken by chief ex.; (2) Extent of CE influence on strategic decision making in the organisation 13 responses

Based on Cornforth (2003) and Spear, Cornforth and Aiken (2007)
(*) The number of responses is higher than the sample size (N=69). This is because some social enterprises belong to more than one model at the same time

In relation to the compliance models in Table 2, we asked respondents on a five Likert scale (ranging from strongly agree to strongly disagree) to assess whether the main roles and activities of the board were the following: Safeguard interest and resources of owners and shareholders; Control, monitor and/or evaluate the work of chief executives.

As this model assumes that board and management have divergent interests, one of the main roles of the board becomes the control, monitor and/or evaluation of the work of chief executives. Associated to this, we assumed that one of the key roles of board members was to safeguard the interest of owners and shareholders from the activity of chief executives. When respondents ‘strongly agreed’ or ‘agreed’ with both of these statements, they were classified under the compliance model. The partnership model is driven by the underlying assumption that members of the board and managers share an interest in the effective development of the organisation both in terms of increased growth and pursuit of its mission. In line with this assumption, we asked three questions about the main role of the board (see Table 2). In relation to the political model, the key assumption was that different stakeholders have a legitimate interest in influencing the direction of the organisation. Thus, we collected information about the interest groups represented on the board (e.g. shareholders, community, beneficiaries) involved in the election of new board members, and the decision making process to assess the extent to which strategic decisions were taken in negotiation with other groups. The co-optation model is based upon the resource dependency theory. In order to secure external resources, the organisation needs to maximise its external links, involve funders and/or public sector individuals to become members of the board. Finally, the rubber stamp model assumes
that the main role of the board is to ‘rubber stamp’ decisions taken by the chief executive. Thus, we asked questions about the extent to which strategic decisions are taken by the chief executive and the extent to which the chief executive can influence the decision-making process within the organisation.

From the analysis of such models, a number of considerations can be put forward. Although ‘partnership’ is the preferred model, responses to governance models range between 13 and 17 social enterprises, thus there does not seem to be a prevalent model of governance in the South Korean social enterprise sector (See Figure 1).

Figure 1: Prevalent governance model in the South Korean social enterprise sector

![Governance models](figure1.png)

Source: authors

However, this result is somewhat questionable if the following issues are considered. Firstly, a considerable proportion of social enterprises (27.5%) satisfy the criteria for more than one model simultaneously, the same proportion that fits neatly into one model. Second, five social enterprises (7.2%) satisfy simultaneously the criteria for both ‘partnership’ and ‘compliance’ models which have contradictory characteristics. Although this is a small number overall, it does appear to highlight a more general tendency of respondents to adopt contradictory behaviours. Even when the paradox model by Cornforth is used, it appears as if some respondents feel that their organisation pursues two rather distinct agendas (e.g. conformance versus performance; representatives versus professional) simultaneously. Board members seem to play different roles at the same time leading us to think that for example conformance and performance might be a false dichotomy for a number of social enterprises.

Third, crucially, more than one out of three social enterprises in the sample (37.7%) do not fit into any of the five models. As a result of these issues, we decided to search for alternative ways of analysing the data based on the patterns of association between key governance variables.

The search for suitable governance models
From the issues raised above, it seemed clear that the five models only explained the governance model of a very small sample of South Korean social enterprises. Thus, we recombined the variables that made up the five models using a statistical technique called ‘Latent Class Analysis’ which is similar to cluster analysis (Lazarsfeld, 1950). Latent class analysis is based on finding groups of associations between variables and uses the statistical concept of ‘likelihood’ in order to construct results. ‘Likelihood’ calculates the probability of membership of cases to a class rather just assigning cases to a class. One of the key advantages of using this statistical technique lies in the fact that variables are allocated a probability which enables to score the importance of each variable in defining the model. An important outcome of this is that governance models would emerge inductively from the association between variables rather than being solely led by theoretical assumptions.

It is important to highlight the analytical process that led to these results. We initially tried to analyse the data with three classes (or models) but the indicators of fit, CAIC (Corrected Akaike information criterion) and entropy squared did not provide sufficient satisfactory values. The re-test with two classes proved satisfactory and therefore the two classes of association between variables became the characteristics defining our two new governance models. We only used variables with a very high probability to be part of any of the two models and double check results by running the analysis on the five governance models separately to examine whether they would fit the initial theoretical assumptions put forward by the literature. Finally, we also run further analysis on other variables in the sample (beyond the initial 28 key governance variables) on each of the two models separately which confirmed and enhanced the description of the two models.

The resulting two governance models did not exhibit difference in terms of age, sector, type of beneficiaries and board size. Table 3 shows that 70% of social enterprises in the sample fit the Interdependent Model (IM), whilst the remaining belongs to the Centralising Model (CM). In the IM, board representatives have a mix of business and community skills which might be considered as a pre-condition of successful social enterprises. Moreover, this governance model is more socially oriented and has a higher proportion of social enterprises dependent upon grants and donations than the CM, albeit most social enterprises in both models are heavily reliant on selling to the general public and private sector for their survival. In this sense, IM resembles more closely non-profit organisations, and charities. This is confirmed by the evidence that the main legal status of social enterprises in this model is ‘Associations under Civil Law’, similar to non-profit organisational forms in the UK.

<table>
<thead>
<tr>
<th>Centralising model (30%)</th>
<th>Model characteristics</th>
<th>Interdependent model (70%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Strategic decision making</td>
<td>Balancing stakeholder interests</td>
</tr>
<tr>
<td>Mainly founders</td>
<td>Interest groups on the board</td>
<td>Greater variety of interests on the board (e.g. community)</td>
</tr>
<tr>
<td>Board members elect each other</td>
<td>Board member election</td>
<td>Voting from interest groups (esp. community)</td>
</tr>
<tr>
<td>Mainly one skill (social/community, strategic management)</td>
<td>Mix of skills on board</td>
<td>Greater mix of business and community skills</td>
</tr>
<tr>
<td>75% or more income from trading with the general</td>
<td>Income source</td>
<td>25-50% of income from grants and donations</td>
</tr>
</tbody>
</table>
On the other hand, the CM places decisional power firmly in the hands of the chief executive and is reluctant to accept monitoring and control from the board. Moreover, social enterprises in this model are not willing to allow the interests beyond the founders to be represented. The board is likely to be homogenous with experts in social/community and strategic management and restricting board members voting to members only. The CM tends to be orientated toward a profit making business mission and has a higher proportion of social enterprises than the IM relying on trading with the general public, private and/or public sector (42.9%). The legal status tends to be disproportionately ‘Companies under Commercial Law’, similar to a Limited company in the UK. In relation to the five governance models identified above, some characteristics of the CM also show some similarities with the ‘Rubber Stamp’ model where the main role of the board is to ‘legitimise’ the decisions of the CEO. The danger of this situation is that managers might run their organisation to further their own interests rather than the interests of shareholders, members or other stakeholders (Spear et al., 2009).

When IM and CM are compared with previous perspectives discussed in this article, neither of these two models clearly fits any of the previous governance models. However, they do show similarities to specific characteristics of compliance and rubber stamp model in relation to the different roles of CEO and boards in strategic decision-making. In the compliance model, the board plays the key role of monitoring and evaluating the work of the CEO and the executive team, thus it is more similar to the IM. On the other hand, according to the rubber stamp model, the CEO plays a key role in strategic decision-making, thus in this sense, it is more similar to the CM.

Moreover, there is also a similarity between the IM and the political model in relation to the notion of stakeholder representation on democratic accountability.

Even when compared to the paradox model, neither of the two models fits neatly as other characteristics examined above appear more important. The tension in the two models is between representative and non-representative boards and influence on the decision making process rather than the tension between representative and professional boards identified by Cornforth (2003).

Conclusions and further research
This article tested empirically the extent to which selected governance models informed by the social enterprise governance literature apply to South Korean social enterprises. The results of this investigation were extremely confusing as more than one out three social enterprises did not belong to any of the five conceptual models and an additional 27% belonged to more than one conceptual model at the same time. This encouraged the adoption of a novel statistical technique called ‘latent class analysis’ to explore an alternative way of grouping initial governance variables emerging from the five conceptual models which is empirically based. Such analysis concludes that the majority of South Korean social enterprises (70%) belong to the Interdependent Model (IM) where the interest representation is more spread across a range of stakeholders, there is a strong attention towards controlling the work of the CEO, and organisational mission is more likely to be social than economic. As the IM is predominantly
based on including various stakeholders, there is a strong potential for achieving a more democratic and accountable environment and the building of a strong civic society which is one of the objectives of the South Korean government (Defourny and Kim, 2011). As a result, the vast majority of South Korean social enterprises are not experiencing ‘mission drift’ as evidence for their UK counterpart has demonstrated (Spear et al 2007). However, UK evidence shows that the presence of a large number of different interests on the board might also lead to higher transaction costs (Spear et al., 2009) as for example unduly prolonging the negotiating process between different stakeholders with considerable repercussion on the ability of these organisations to compete effectively in the market.

The remaining 30% of social enterprises are characterised by a Centralising Model (CM) which resembles a conventional form of private sector organisation. It is substantially business oriented, is directed towards for-profit maximisation, relies mainly on trading in the market, preferring the interests of founders, and where the CEO has a strong strategic decisional power. Although this model might have some benefits in terms of limited dependency on state resources, decision-making is firmly in the hand of the CEO and the overall board representation is ‘insular’ rather than considering wider interest representation. This particular issue has been at the centre of UK social enterprise debates for a number of years and seems to also apply to the South Korean context. One solution that has been adopted in the corporate sector is the introduction of greater power for non-executive directors (Spear et al 2009) which might go some way to create a greater balance and accountability of CEO and executive teams.

In terms of its conceptual contribution, this paper has demonstrated that latent class analysis might be a useful statistical tool in facilitating an empirically based analysis of social enterprises where governance models are constructed through statistical association between variables. This makes the analysis of variables affecting governance more rigorous and also more detailed as the probability score associated to each variable enables a more accurate analysis of the influence of each variable in determining the characteristics of the models. However, as the sample is small, research involving the use of latent class analysis on a larger sample will provide more robust evidence.

An additional point in need of conceptual development relates to the results of the initial analysis. More often than not social enterprises belong to more than one conceptual model simultaneously. This might signal that respondents behave in different ways at different points in time in response to changes in the external environment. As Spear et al (2007) pointed out, board members might have to play different roles at different times (supervisor, director, representative, supporter).

This would suggest that a longitudinal ethnographic study is warranted examining in particular how strategic decisions are made over time and at particular times (e.g. in crisis). In the private sector, more specifically professional service firms, longitudinal work examined how governance changes according to size and age in order to adjust to increase scale and complexity (Empson, 2010). This work could be usefully widened to examining the governance for social enterprises and supplemented by evidence on what happens to governance when ‘crisis’ occurs. Currently, there seems only anecdotal evidence on this but it appears to play an important role in defining the importance of board/chief executive relationship. This research might also provide an opportunity to develop more targeted policies for the support of appropriate governance forms compatible with different stages of organisational development and growth.

In pointing out the positive aspects of the evidence produced, it is important to highlight some of its limitations. Although the distribution of legal status, sector and average employee size between this sample and the overall population of social enterprises in South Korea share similar characteristics, this research has only been able to collect a limited number of completed surveys and only few respondents were board members, thus generalisations about
governance models should be taken with caution. A much greater sample is needed to
generalise statistically the findings discussed in this article. We have only started to provide
some useful pointers.

Furthermore, social enterprises in South Korea currently include a significant proportion of
organisations that are mainly engaged in creating employment opportunities for disadvantaged
groups in the population, similarly to social firms in the UK. Thus, again the evidence
produced for South Korean social enterprises should only be interpreted in relation to social
firms (at least in the UK) rather than other forms of social enterprise. However, civic society is
rapidly changing in South Korea with the introduction of a Comprehensive Cooperative Act of
2012 which has attracted considerable interest: in only three months, between December 2012
and March 2013, 647 organisations registered as cooperatives (MSF, 2013). This might
represent an opportunity for further research on the impact of third sector organisations that
could build on the findings and analytical technique used in this article.

Thus, future research should consider a longitudinal ethnographic study examining the role
of board members and CEOs over time, in their setting (e.g. board meetings) and over a range
of strategic issues. In the specific South Korean context, this research should include those
organisations that are now operating under the recently introduced Cooperative Act.

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