

Analyzing the Success Factors of Best Practices in the Korean Social Economy

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Analyzing the Success Factors of Best Practices in the Korean Social Economy

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Foreword

This report describes the results of a systematic analysis of the factors that led to such achievements by selecting 10 excellent examples of social economy enterprises that have recently grown in Korea. Interest and practice in the social economy sector have been spreading greatly in Korea recently, with 19 years since the 2000 Act of Assistance of Non-Profit Civil Organizations was enforced, 12 years after the 2007 Social Enterprise Promotion Act was enforced, and seven years after the 2011 Framework Act of Cooperatives was enforced. This research report was published for the purpose of systematically investigating and analyzing excellent cases to provide strategic and policy implications. A total of three researchers, four research assistants, and seven manuscript reviewers participated in the preparation of the case report. And most of all, I am deeply grateful to the representatives and practitioners of the ten social economy enterprises for their time spent interviewing and cooperation in preparing the case for this research report.

Of the ten successful social economy enterprises selected by this study, four of them, iCoop Consumer Cooperative, Ansung Health Welfare Social Cooperative, Social Cooperative Dounuri, and Happy Bridge Workers' Cooperative, take cooperative legal entities while three of them, ACompany, Tree Planet and Test Works, are of corporation entities. Dasomi Foundation and Beautiful Store take non-profit foundation entities while Jump is of non-profit incorporated association entity.

Based on mutuality, iCoop and Happy Bridge have a mission to promote economic exchange of consideration for humans, environment and community, and to create and maintain quality jobs, while Ansung, Donuri, Dasomi, and Jump have a mission to pursue the happiness of both beneficiaries and providers of social services as a social enterprise. Beautiful Store, Tree Planet and ACompany are operated to realize civil participation-type public interests in the environment, culture and arts sectors where their value is excluded or there are not many opportunities in the capitalist market, and Test Works is a work integration social enterprise that seek to create jobs that can turn the weakness of the disabled into advantages.

Among the ten social economy enterprises, the Ansung Health Welfare Social Co-operative is the oldest at 26 years since its establishment, the iCoop was established in 1997, and Happy Bridge in 1998. The ages of Beautiful Store, Dasomi Foundation and Dounuri are 10 to 20 years while other four companies are under 10 years old.

The research specifically examined the performance of these ten social economy enterprises and analyzed key factors which have influenced the outcomes. It detailed them on a case-by-case basis. These ten examples summarize the following four strategic and policy implications.

First, it was confirmed that a business model that reflects the needs of its members and the characteristics of the cooperative ownership are essential for a cooperative to succeed while a social business model that is balanced in terms of social and economic value is necessary for a social enterprise of non-co-operative type to generate social impact. iCoop and Ansung, which have found innovative institutions and culture that enhance the advantages of ownership of cooperatives and supplement its weaknesses, and Dounuri and Happy Bridge, which have designed a set of institutions and culture to help enhance the advantages of worker-owned enterprise, show successful examples of a cooperative-type business model. Test Works that generated social and financial value through customized job training and development that took into account the competitive advantages of the socially vulnerable, and the Dasomi that succeeded in simultaneously generating social and financial value through innovation in the delivery of care services are typical social business models.

Second, it was also confirmed that in order for social economy enterprises to strengthen and maintain their social impact, it would be better to establish a cooperation among enterprises, such as business federations, networks and social franchises, rather than self-expansion of enterprises. iCoop has been building a business federation and a network while Beautiful Store is one of the most successful social franchise cases in Korea. Happy Bridge is aiming for an inter-company network and Dounuri is considering a social franchise as an expansion strategy.

Third, another strategy to strengthen social impact is public–social–private partnerships. Examples of Dounuri, Jump, Tree Planet, Beautiful Store, and Dasomi show this strategy.

Fourth, I would like to emphasize that the establishment of infra structure capable of systematic external resource linkage in the early stages of social economy enterprise growth plays a very big role in success, as a suggestion to the support system on the creation and growth of social economy enterprises. It is confirmed that many social economy enterprises in this study, such as the Dasomi, Beautiful Store, Dounuri, Tree Planet and Jump, were able to secure the necessary resources in the early stages of growth, such as patient capital, management techniques and links with professional companies at their value chain.

Although the description of the above highly compressed implications did not sufficiently cover the content of this study, I believe that it would serve as pillars for reading the ten case–study report.

2019. 11. 30
Jongick Jang

A large white circle is centered on a solid blue background. Inside the circle, the words "Case Study" are written in a bold, green, sans-serif font.

Case Study

I . iCOOP Consumer Cooperatives, Repeating Innovations through a Strong Network Organization

Author: Jongick Jang

Research Assistant: Jung-soo Park

Reviewer: Jong-hyun Park

Summary

Overview and Reason for Selection	<ul style="list-style-type: none"> · iCOOP is a network organization, which has grown since 1998, having its roots in six member cooperatives and four associate member cooperatives. As of the end of 2018, it had 99 member consumer cooperatives nationwide, iCOOP Federation, 10 related subsidiaries, 10 non-business support organizations, Farmers' COOP and nine related subsidiaries, and Gurye and Goesan Food Clusters, which accommodates 24 small and medium-sized food companies. The number of its consumer-members stands at about 282,700 households, and it has 3,910 employees. There are 2,216 farmers who have signed supply agreements with iCOOP, the capital investment is 71 billion won, and the value of total products supplied to the members is 580 billion won. · It is a leading example of creating a successful model of an organic consumer cooperative in Korea along with Hansalim Organic Cooperative. Although it started off later than Hansalim, it is worth analyzing and introducing its success factors because its outcomes are superior in terms of the business size and scope, and member activities.
Social Mission	<ul style="list-style-type: none"> · Starting from the mission to save the environment and spread the production and consumption of healthy organic foods, it aims to establish an ethical consumption system and people-centered economy to spread fair trade products and products with social values.
Out- comes	<ul style="list-style-type: none"> · A significant increase in the selection of organic food that can be purchased with confidence; the development of an engagement structure under which members can participate in product development, business operation and new project development; and the formation of a link with one's neighbors in the city through various activities, including small group gatherings · From the perspective of iCOOP and iCOOP Federation, the creation of decent jobs, the provision of a stable market for farmers and processing companies, and the operation of various solidarity funds · From the society's perspective, contribution to development of eco-friendly farming, ethical consumption movement, revitalization of local communities in rural areas by making effort to establish consumer cooperatives in areas outside of Seoul, and creation of social capital in local communities by establishment and operation of Natural Dream Parks and local cultural centers

Success Factors	<ul style="list-style-type: none"> · Institutional innovation that promotes member participation in funding, business, and organizational operation · Economies of scale by concentrating the business to the Federation and the pursuit of business efficiency by establishing subsidiaries by sector · Nurturing cooperative leaders, providing long-term rewards system, and offering stakeholder partnership system to address the potential agency and bureaucratic problems
Strategic and Policy Implications	<ul style="list-style-type: none"> · The case of iCOOP suggests that institutional innovation that builds on the strengths and makes up for the weaknesses in the ownership structure of a cooperative brings about business and social outcomes. · iCOOP is a network organization most similar to Mondragon Corporation Cooperative, and the solidarity of member cooperatives and members united by the network organization has made strategic investments and innovative attempts possible. · It has made an innovative implementation of a “social value-oriented diversification” strategy, which is rare for a consumer cooperative.
Challenges and Prospects	<ul style="list-style-type: none"> · A possible conflict with the identity of a consumer cooperative resulting from a tightly-coordinated vertical linkage and the expansion of business diversification in scale and scope · Challenges related to the promotion of subsidiary-based business and the employee equity participation program in primary cooperatives
SDGS	<ul style="list-style-type: none"> · SDG #2 Achieve food security and promote sustainable agriculture · SDG #4 Promote lifelong learning opportunities for all · SDG #8 Promote inclusive and sustainable growth and decent work for all · SDG #10 Reduce inequality within and among countries · SDG #12 Ensure sustainable consumption and production patterns

1. Overview and Reason for Selection

1.1 Current State and Characteristics

iCOOP Consumer Cooperatives(hereinafter “iCOOP”) has grown over some 20 years since it started out in 1998 as 21Century Consumer Co-operatives, with six member cooperatives(Bucheon Consumer Cooperative, Bupyeong Consumer Cooperative, Ansan Consumer Cooperative, Suwon Consumer Cooperative, Daejeon Hanbat Consumer Cooperative, Seoul Beolnae Consumer Cooperative) and four associate member cooperatives. As of the end of 2018, iCOOP is a group that encompasses its 99 member consumer cooperatives nationwide; iCOOP Federation¹ jointly owned by member cooperatives and 10 related subsidiaries; 10 non-business support organizations; Farmers’ COOP² and nine related subsidiaries; Gurye and Goesan Food Clusters³, which accommodates 24 small- and medium-sized food companies, which mostly process the eco-friendly, organic agricultural and livestock products of Farmers’ COOP ; and SAPENet(Sustainable Society and People-centered Economy Network), which connects them.

The number of its consumer-members stands at about 282,700 households, and 3,910 employees are working for the joint business corporation of the member cooperatives, iCOOP Federation and affiliated companies.⁴ In addition, there are 2,216 farmers who have signed supply agreements with iCOOP. The capital investment is 71 billion won, and the value of total products supplied to the members is 580 billion won. 90% of the products are sold in 226 offline stores nationwide, and the remaining 10% online and delivery.

1.2 Development Process

Internally, iCOOP believes that it has undergone five development stages since it started in 1998(Kim et al., 2018). The first stage(1998–2003) was the period of “business concentration and organizational decentralization.” During this period, the business of member cooperatives was centralized into iCOOP Federation by integrating their logistics and creating a nationwide logistics network. At the same time, the primary cooperatives focused on the activities of their members and collaborated with each other to establish new cooperatives in small and medium-sized towns. In 2001, the monthly membership fee program was introduced and the intranet was established. As of late 2003, the number of member cooperatives

1 It is located in I-Valley #401, 149 Gongdan-ro, Gunpo, Gyeonggi Province.

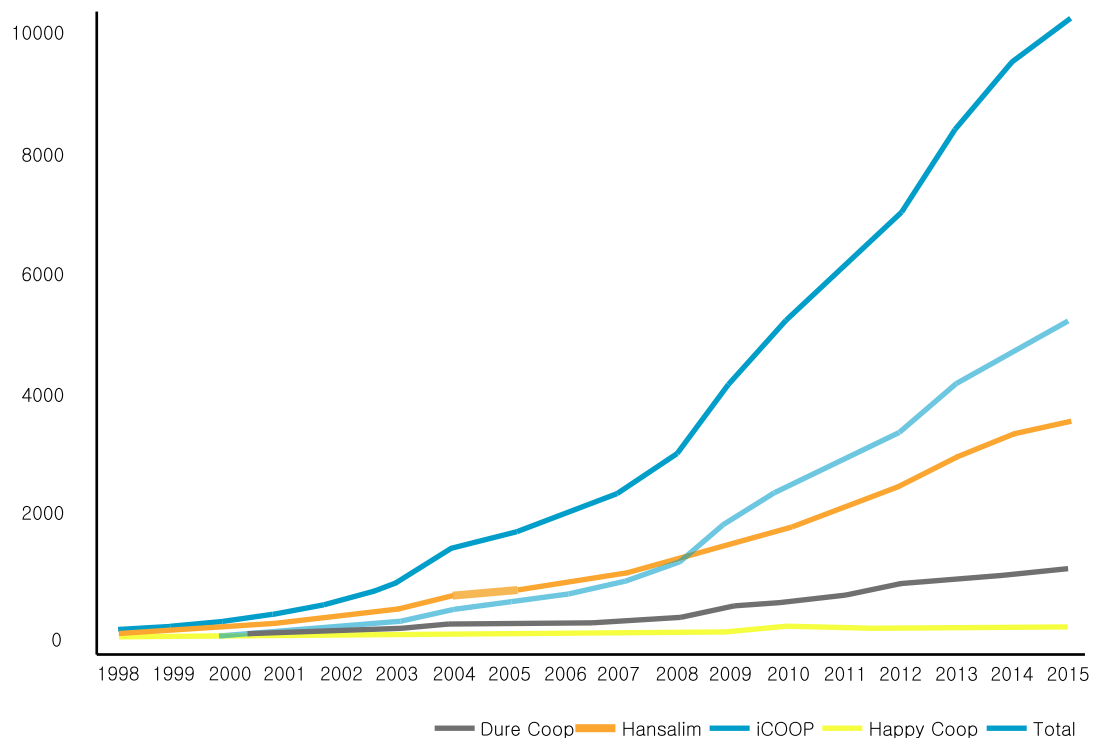
2 It is a social cooperative founded mainly by the farmers who supply products to iCOOP. It has 310 members.

3 Their official names are Gurye Natural Dream Park and Goesan Natural Dream Park, respectively.

4 iCOOP’s primary cooperatives do not hire employees. Instead, the joint business corporations at a wider regional level do the joint recruitment.

increased to 46, the number of members to 11,645, and the value of total products supplied to the members to 28.7 billion won.

Figure 1. Annual Trends of Korea's Four Major Consumer Cooperatives in the Value of Products Supplied to Their Members(in 100 million won)



Source: General Meeting Proceedings of four federations of consumer cooperatives

The second stage(2004–2006) was the period of “building a reliable system of eco-friendly agricultural products.” In June 2004, iCOOP started establishing its own certification program for distributing organic foods after A company that produced and supplied bakery products for iCOOP named Together Food Company was found to have mixed imported wheat with domestic wheat in its products. In addition, it began to develop an income security policy for farmers, and to do so, it formed iCOOP Association of Producers, which is the policy target as well as an organization of partners. Moreover, in 2006, iCOOP launched Nature Dream store business, which integrates all store brands of its member cooperatives. As of the end of 2006, iCOOP had 62 member cooperatives and 20,097 members, recorded 76 billion won⁵ in total product supply, and opened five Nature Dream stores.

The third stage(2007–2011) was the period of “creating cluster business and the iCOOP ecosystem.” iCOOP made a giant leap during this period. It declared ethical consumption and pushed ahead with Goesan Food Cluster to directly go into

⁵ It consists of the members' paid-in capital to iCOOP Federation(53.6 billion won) and its =/subsidiaries(17.5 billion won).

the business of processing organic agricultural and livestock products. In 2009, it introduced a price stabilization fund for farmers. In the following year, it started a sales agency program. As of late 2011, iCOOP had 75 member cooperatives and 155,705 members, recorded 300.2 billion won in total product supply, and had 110 Nature Dream stores, showing sharp increases in all aspects.

The fourth stage(2012–2016) was the period of ensuring the organization's stability under the motto of "Realizing member autonomy: towards the ecosystem of cooperatives." During this period, iCOOP adopted a member quota program, an advance payment program to meet farmers' needs money before harvest⁶, a class of membership which is responsible for a certain amount of paid-in capital as well as an activity mileage program for members. It also created a member activists fund. Furthermore, it aimed to create its own system of certification, products and distribution. In 2014, Gurye Natural Dream Park opened as an organic food cluster and cultural complex. Two years later, a new project began to bring similar yet much larger Goesan Natural Dream Park into reality. As the Framework Act on Cooperatives went into effect, a social cooperative was established for the employees in education and training division of iCOOP Federation and another social cooperative for the farmers. iCOOP saw another increase in size; as of the end of 2016, it had 90 member cooperatives and 250,950 members, recorded 552.3 billion won in total product supply, and had 192 Nature Dream stores.

Lastly, the fifth and current stage(2017–2021) is the time when iCOOP's network organization has been changing dramatically under the slogan of "building a network for a sustainable society and people-centered economy(SAPENet)."

1.3 Reason for Selection

Along with Hansalim Organic Cooperative("Hansalim"), iCOOP is a leading example of creating a successful model of an organic consumer cooperative in Korea and is globally recognized for its achievement⁷. Although it started off later than Hansalim, it is worth analyzing and introducing its success factors because its outcomes are superior in terms of the business size and scope, and member activities(See Figure 1). It is particularly worth noting that iCOOP has moved beyond the distribution of organic foods and made innovative attempts to meet diverse needs of members, including manufacturing organic food, creating a culture of consuming organic food, promoting green tourism, building food clusters combined with housing, and implementing mutual aid projects even though it started

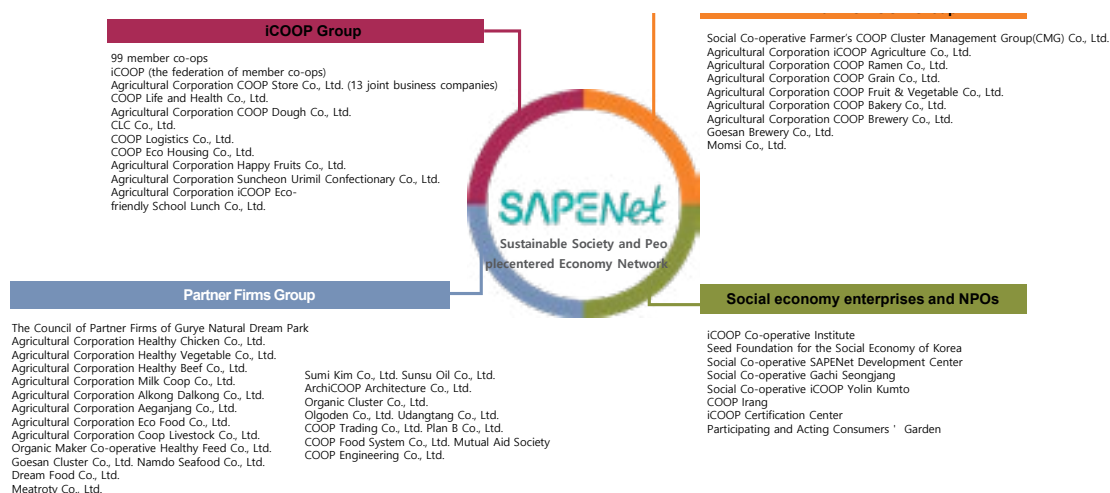
6 Members pay by using their available credits in their advance payment account instead of using credit cards in stores. When a member chooses to pay by this program, 2% of his/her payments will be given back as "iCOOP currency" used within iCOOP under the Consumer Cooperative Exchange Trading System. Considering the credit card fee is 2% or more and that the money goes outside of the iCOOP network, the expansion of this advance payment program is beneficial for both the cooperative and its members.

7 Please refer to <http://stories.coop/stories/hansalim/> to learn more about Hansalim, and [https://www.ica.coop/en/media/library/world-co-operative-monitor-2016-edition\(pp.36-37\)](https://www.ica.coop/en/media/library/world-co-operative-monitor-2016-edition(pp.36-37)) to learn more about iCOOP.

out as a consumer cooperative. Moreover, in order to effectively carry out such business diversification, it moved away from a conventional framework and has tried combining with a social cooperative, a farmers' cooperatives, and even corporations, and trading with various social economy enterprises (See Figure 2). In other words, it has implemented institutional, organizational and financial innovations to reinforce the unique strengths of cooperatives and make up for their weaknesses. That is why it is deemed valuable to share this case at home and abroad.

In addition, unlike other consumer cooperatives in Korea, iCOOP joined International Co-operative Alliance (ICA); it has been active in the activities of solidarity and collaboration with international cooperative movements and in the cooperation with Korean social economy organizations. Moreover, it has established and run social economy organizations that perform an intermediate support role.

Figure 2. Structure of iCOOP Group (SAPENet)



2. Social Mission and Outcomes

2.1 Differences in Missions and Challenges between Korean and European Consumer Cooperatives

Consumer cooperatives in Korea have developed differently from Western counterparts because of the difference in market environments and nature of market failures. In Western countries, consumer cooperatives were designed to help workers stabilize their lives through joint purchase of a wide range of daily necessities, given the monopolistic structure of the commodities market and the undeveloped market system that emerged in the early stage of capitalism. On the

other hand, Korean consumer cooperatives have developed as they played a role in solving the asymmetric quality information problem in the eco-friendly, organic food market by building trust between farmers and consumers. European consumer cooperatives formed business federation to improve the effect of joint purchase and integrate the procurement function, and designed the principle of use-based dividends to successfully deal with the issue of free-riding members. However, these efforts were not enough to resolve the difficulties associated with spreading the production and consumption of environmentally-friendly and healthy organic foods.

There were three challenges to promote the eco-friendly agricultural food trade early on (Jang, 2012). Eco-friendly agricultural food is a product that is grown or processed differently from ordinary agricultural food because it takes safety and environmental protection into consideration in the production process. These attributes are often seen in “credence goods” as they are hard to check visually or by consumption, though. In this regard, the first challenge was to figure out a way to effectively communicate the information about farmers’ behaviors in the production process of these credence goods and to prevent any possibility of conventional (i.e. non-organic) agricultural food being mixed into the distribution of organic food. The second challenge was related to consumers. Eco-friendly agricultural food is differentiated in terms of the properties of production process. The production of these products is difficult unless there are enough consumers willing to pay a price premium for them because production of such products is more costly than conventional farming, the risk in cultivation process is higher, and long-term efforts and investment are required to recover productivity or stabilize production. Therefore, organizing and securing enough of these consumers was an important challenge.

Lastly, eco-friendly agricultural food industry is a thin market in the beginning. That is why it is hard to find the right pricing for both sellers and buyers, and it has a relatively higher cost of logistics and distribution. When the market is small, the layers of farmers and consumers tend to be thin and scattered. As a result, the cost of building logistics connections and delivering information between them is high per product unit, which leads to a higher consumer price, which then hinders the expansion of the potential consumer population. This, in turn, tends to result in a vicious cycle that makes it difficult to reduce logistics and distribution costs. Breaking this vicious circle was the third challenge.

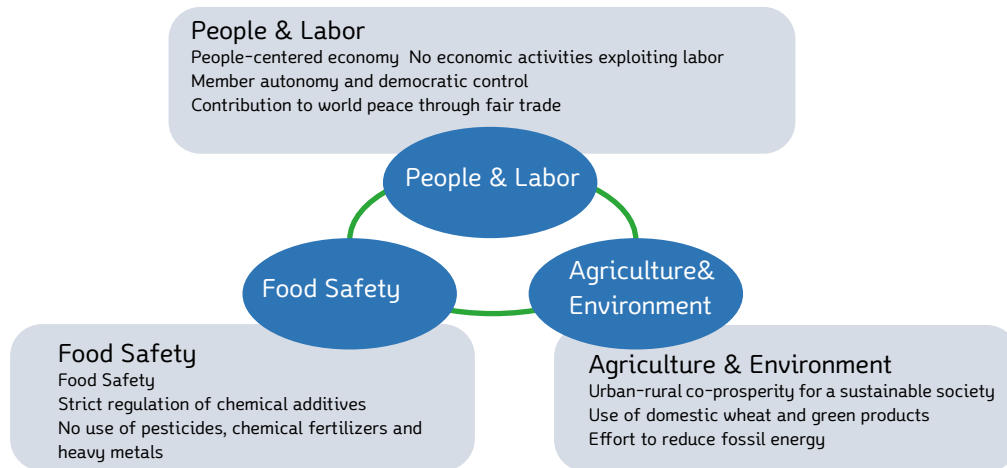
2.2 iCOOP's Missions

iCOOP's missions did not remain the same for 20 years since its establishment in 1998. Rather, they have become clearer and expanded in scope. The missions can be categorized into three: the mission at the time of establishment, the mission

at the growth stage, and the mission today. First of all, the mission in 1998 when 21Century Consumer Co-operatives was established was not very different from that of other consumer cooperatives, such as Hansalim, Dure Coop, and Womenlink Consumer Cooperative. It aimed to save land, revive agriculture and rural areas and promote communities through the production and consumption of healthy food.

However, this mission changed in 2008 as iCOOP's business and organizations took a leap. In commemoration of its 10th anniversary, iCOOP introduced a new slogan that said, "Ethical Consumption for a Decent Human Life!" iCOOP recognized that ethical consumption was a consumption for the co-prosperity of oneself, neighbors and the earth, and its goal was to improve the quality of human life. Based on this perception, it set the detailed objectives of such ethical consumption in three aspects: people and labor, food safety, and agriculture and environment (See Figure 3).

Figure 3. iCOOP's Three Objectives of Ethical Consumption in 2008



This 2008 version was unique in that it included not only food safety, agriculture and environment, which were generally emphasized by organic farmers or consumer groups, but also the elements of people and labor. In 2017, in celebration of its 20th anniversary, iCOOP presented an even wider mission by announcing its mission statement under the title of "The future we create together: iCOOP is a cooperative that creates a happy life together." The three key objectives for this mission were reassurance in life, a people-centered economy, and a better future, and the action plans to achieve them included food safety, cooperative enterprises people want to work for, and establishment of sustainable production and consumption systems (See Table 1).

Table 1. iCOOP's Three Major Objectives and 12 Action Plans in 2017

	Reassurance in life	People-centered economy	Better future
Base	Food safety	Cooperative enterprises people want to work for	Sustainable production and consumption systems
Aim	Give reassurance in daily life	Spread of ethical management that shares profits	Campaign to cope with climate change
Action	Ethical consumer movement to change the world	Cooperatives ecosystem of honesty and trust	Spread of the cooperatives' values
Actor	Practitioners who turn imagination into reality	Innovators who support each other	Facilitators who connect the present and future

2.3 Difference in the missions of iCOOP and Hansalim

iCOOP's missions, as described above, are different from those of Hansalim, another leading consumer cooperative in Korea. The origin of Hansalim goes back to 1986 when Hansalim Grain Store was established in Seoul by leaders who had engaged in local community movement, farmers' movement, and cooperative movement from 1970s, and 1988 when an organization in the form of a cooperative was established. Since its early days, Hansalim has organized consumers in urban areas and organic farmers in rural areas, believing that when farmers and consumers live together through the production and consumption of eco-friendly, organic food, the cooperative's motto (saving our food, saving our agriculture, saving our life and our planet) can be achieved. Hansalim Cooperatives Federation, which emphasizes this "Hansalim" spirit of farmers and consumers, has the representatives of both consumer-members and farmers' committees. The federation has 19 local Hansalim cooperatives as its members, and its activities have focused on the aspect of "saving our agriculture," such as setting goals to realize eco-friendly combined agriculture, and valuing seasonality of agricultural production.

On the other hand, iCOOP has its roots in local consumer cooperatives established in the 1990s by activists of labor movement and progressive party movement. The activists involved in the progressive party movement were defeated in the 1988 and 1992 elections, realizing the need to have the popular base for the success of the movement. They began establishing consumer cooperatives in major cities, such as Seoul, Incheon, Ulsan and Changwon, hoping to build mass organizations through the consumer cooperative movement. Over 200 local consumer cooperatives were established as of the mid-1990s, but many of them faced the danger of extinction following the Asian financial crisis in 1997. At that time, several consumer

cooperatives in Seoul and Incheon areas established 21Century Consumer Co-operatives Federation and integrated the logistics of member cooperatives, thereby overcoming the financial crisis. That is how iCOOP was born. Unlike Hansalim and Dure Coop, it started a cooperative movement focusing on addressing the issues that consumer-members face in daily lives. It believed that the essence of cooperative consumption was the consumption for oneself, neighbors and the earth, and to realize such belief, it presented “supply organic agricultural products for ordinary people at affordable price” as a slogan in the beginning and worked hard to realize its goals (Shin, 2011). It recently added a new mission that says, “shaping a cooperative enterprise people want to work for.”

2.4 iCOOP's Outcomes

1) From the perspective of members

From the perspective of its members, iCOOP's outcomes can be summarized into three: a significant increase in the selection of organic food that can be purchased with quality assurance; the formation of members' participation structure in the product development of organic food and the cooperative's business and activities; and the formation of a link with one's neighbors in the city and the creation of a venue for self-realization. Let me elaborate on each point.

First, iCOOP continues to develop eco-friendly processed food products in addition to fresh agricultural and livestock products, thereby giving a wider selection for its consumer-members and meeting their need for eco-friendly and healthy alternative food. The number of the eco-friendly agricultural food and fair trade items that iCOOP handles is 6,039⁸ as of August 2019, 565 of which are produced and supplied by the eco-friendly, organic food ateliers in Gurye and Goesan Food Clusters. In other words, iCOOP procures 9% of the eco-friendly food products sold at its stores from the ateliers, whose processing process can be controlled by the cooperative. Compared to Hansalim and other consumer cooperatives, iCOOP is considered the most successful in producing substitutes for the processed foods, which are not healthy for children. Examples include the development of its own coke and lemon-lime soda, which are not harmful to health.

Second, it is common that the members are involved in the product development, business operations and new business development of local cooperatives. There are Product Development Committee, Regional Committee, and Education Committee under the board of directors, who are elected by the members. Accordingly, the members suggest and put into practice a variety of projects, including the development of products

8 This number does not include the gift sets for holiday seasons. It is based on stock keeping unit, meaning that the different specifications of the same product item are counted separately. In this regard, the number of actual product items is about 4,000.

they want, or educational or local projects. Members pay a monthly membership fee of about 10,000 won to finance the expenses required for such activities.

Third, members use the cooperative as a platform to organize a variety of small groups. This creates a connection with one's neighbors in the city, who live close by but rarely have relationships, and provides a forum for self-realization. For instance, Hanbat iCOOP⁹, which was established in Daejeon in June 1990, has 7,268 members, and 688 of them participate in 25 community gatherings and 19 small groups in addition to the board and committees. According to iCOOP's annual survey on its members' consumption and consciousness, more than 75% of the 1,517 respondents are found to live in the same area for five years or more, which is higher than the average of the society and have a higher level of trust in their neighbors than the social average (Ji et al., 2018).

2) From the perspective of the cooperative organizations

The achievements at the corporate level, i.e. the primary iCOOP cooperatives and the federation, include the creation of decent jobs, the provision of a stable market for farmers and processing companies, and the formation of solidarity within the iCOOP network by operating various solidarity funds.

First, regarding the creation of decent jobs, while most of the field workers in the retail sector often are paid less than the minimum wage, the hourly workers working at iCOOP are always paid more than the minimum wage. iCOOP's hourly wage was found to be 17% to 25.4% higher than the minimum wage between 2014 and 2017. In particular, in 2018, when the minimum wage was raised by 16.4%, iCOOP's hourly wage remained 6.2% to 23.5% higher than the increased minimum wage (See Table 2). Kim et al. (2018) describes the reasons as follows:

"As a cooperative, iCOOP was managed with an intent to create an environment where the capital is used as a means and workers take initiative in enhancing business performance and become the owners of the fruits. Although the labor and wage conditions of the executives and employees were unstable during the period when the cooperative focused on surviving, they improved steadily as the business grew. In addition, the pay gap was designed to be lower between managers and employees and any social discrimination was removed, such as gender, educational background and the region of origin. Moreover, iCOOP abolished the traditional salary step system at an early stage, and introduced only three pay types: annual salary, monthly salary or hourly wage. The largest number of employees in iCOOP are paid by month or hour in logistics and stores. Every year, the organization made effort to raise the salary level for those that take up the largest part of its employees by establishing the wages much higher than the statutory minimum wage and constantly increasing them." (Kim et al. (2018): 257–258).

iCOOP has an advantage in that employees can move around within the iCOOP

9 Later on, Daejeon iCOOP and Daejeon Geulggot iCOOP were separated from Hanbat iCOOP.

network because it has the internal labor market due to its diverse establishments. This is also known as one of the advantages of Mondragón Corporation Cooperative.

Table 2. Trends of iCOOP's Hourly Wage

Year	iCOOP's hourly wage(A)	Minimum wage(B)	Difference (A-B)
2014	6,500won	5,210won	1,290won
2015	7,000won	5,580won	1,420won
2016	7,300won	6,030won	1,270won
2017	7,700won	6,470won	1,230won
2018	8,000~9,300won (varies by store)	7,530won	470~1,770won

Source: Kim et al.(2018)

* In 2014, the hourly wages paid to daily employees in processing sector in large for-profit retailers were 5,450 won in Homeplus, 5,670 won in E-mart, and 5,500 won in Lotte Mart. The media reported the employees going on a strike demanding that living wages be guaranteed. "Monthly wage of 1 million won even when you worked for 10 years: Employees of large retailers came out to demonstrate," The Hankook Ilbo, 16 July 2014. An online article.

There are quite some benefits from iCOOP's outcomes at its organizational level that farmers and processing companies enjoy. 2,216 farmers have a supply contract with iCOOP, and 310 farmers joined Farmers' COOP to supply eco-friendly agricultural and livestock products to iCOOP. Quite a few farmers who produce organic agricultural and livestock products have experienced difficulties in securing a stable market. According to the survey conducted by iCOOP Co-operative Institute of 241 members of the Farmers' COOP in 2018, an average term of trading with iCOOP was 10.5 years, 73% of the total value of their annual shipment came from the supply to iCOOP, and 72% of the respondents said that their income became more stable after trading with iCOOP(Lee, 2018).

Lastly, iCOOP has created and operated diverse solidarity funds within the network organization, thereby implementing solidarity among members, employees and farmers, which is an important element of cooperative identity. These funds use the monthly membership fees paid by the members, a part of the saving on credit card fees as members choose the program of advance payment for purchase, and a part of reserves. For instance, it has raised 5.7 billion won for the Sustainable Consumption Promotion Fund. This fund is used to support the establishment of consumer cooperatives and opening of stores in small towns in rural areas with poor conditions. In addition, it has raised 28.5 billion won for the Price and Disaster Fund to deal with price fluctuations of agricultural products and agricultural disasters, about 15.2 billion won of which has been spent. Moreover, it has raised 600 million won for the Fair Trade Fund and another 600 million won for the Eco-Friendly Fruit

Fund. These funds were part of the efforts to use the power of solidarity of 250,000 consumer-members, some 2,000 farmers, and some 3,000 employees to address risks and overcome poor conditions. This culture of solidarity is now embedded in the experience of iCOOP stakeholders, and this surely is a meaningful outcome.

3) From the society's perspective

Some of the outcomes generated by iCOOP do not stay with members, employees, or farmers; instead, they spread to local communities or the society as a whole. Such outcomes include environmental conservation, contribution to local communities, a balanced development between urban and rural areas, realization of ethical society, and creation of social trust.

First, its accomplishment of making a systematic process of consumption, distribution and processing to promote the production of organic agricultural and livestock products, which aims to reduce as much as possible environmental pollution and destruction caused by the conventional production method of agricultural and livestock products, ultimately contributes to a sustainable society. Second, iCOOP provides activities not only for members but also for non-members to revitalize local communities. In particular, it provides a joint support of members and employees to help the local cooperatives in areas that rarely benefit from cultural facilities or programs, such as Namwon, Haenam, Sangju, Hongseong, and Daejeon, to establish and operate cultural centers. Moreover, in addition to operating food factories, Natural Dream Parks in rural areas of Goesan and Gurye have various cultural facilities, including movie theaters, and run various cultural programs. This effort restores the vitality of the community and contributes to balanced development between urban and rural areas. In particular, while Hansalim and Dure Coop are based in Seoul and its metropolitan area, more than half of iCOOP's member cooperatives are located in the non-capital region. This is another indicator that shows how much iCOOP contributes to the balanced development of urban and rural areas.

Third, iCOOP is very active in contributing to the promotion of fair trade, the reform of the social institutions related to food safety, and the movement to practice ethical consumption (Kim et al., 2018). This is a factor that helps develop our society into a more ethical and safer one. Last but not least, if the members and employees of iCOOP, who are quite a lot of people, continue to create and grow business that embodies the values of cooperation and solidarity and build trust between them, they can contribute to enhancing their trust in people. No study or research has been conducted in this respect, but a hypothesis may be suggested that iCOOP is contributing to the creation of social capital.

3. Success Factors

3.1 The advantages of a cooperative's form of firm ownership to address the issues related to the trade of organic food

A consumer cooperative is a form of firm ownership that is more beneficial than a corporation in terms of resolving the problem of asymmetry of information about the quality of eco-friendly agricultural food. When eco-friendly agricultural food, characterized by safety and conservation of nature, is traded on the market, characterized by impersonal trade, the farmers and distributors, who aim to maximize their profit, have a higher incentive to cheat on the food quality to enjoy the price premium of eco-friendly food. Considering that a corporation is for-profit organization, as its owner and the consumer of the goods it supplies are separated, the investors in the corporation are more interested in maximizing the return on their investment rather than business integrity(Jang, 2012).

On the other hand, consumers are aware that the quality of eco-friendly agricultural food is not confirmed visually or by ingestion, so they question whether farmers and distributors sought information rents¹⁰. Consequently, it is difficult to stimulate trades of eco-friendly agricultural food on the market unless there is a reliable quality certification system and supervision system. Consumer cooperatives are very effective in resolving the problem of information asymmetry found in the initial production and trading stages of eco-friendly agricultural food. Since the owner of a consumer cooperative responsible for the distribution of eco-friendly agricultural food is its consumer, the consumer cooperative focuses on the stable supply of safe and eco-friendly agricultural food as a major business objective, rather than maximizing profits. The fact that consumers constitute the owners of a distribution firm minimizes distrust between consumers and the distributor that supply organic agricultural foods, and transforms their relationship into a trust relationship(Jang, 2012).

Then, how is this trust relationship built between the cooperative, and producers? The deferred nature of a long-term investment or return on investment in organic or pesticide-free farming makes farmers reluctant to make such long-term investment if the market is not clearly visible. Moreover, in case of anonymous trading, farmers generally have a high incentive to be negligent of complying with eco-friendly farming methods in the face of environmental deterioration, such as worsening weather conditions(Dimitri & Oberholtzer, 2009). To deal with the farmers' avoidance of making a long-term investment on organic farming or the

10 While the farmers and processors know about their actions in the food production process, it is hard for consumers to know about them. With this in mind, this term may be defined as the unfair profits sought after by the farmers and processors by taking advantage of such asymmetry of quality information.

incentive to seek information rents, consumer cooperatives organize representatives of their consumer-members to visit and talk to the farmers and processors in person to select and establish long-term business relationship with some of them (Jang, 2012).

In other words, instead of examining the quality attributes of food products, they carefully select the farmers and processors based on their business philosophy, personality, and reputation. Moreover, relationships are built by having consumer-members visit production sites or processing plants. Establishing a recurring and long-term business relationship with farmers and processors rather than seeking profits at retail stage makes them realize that the extra profits they can get from pursuing temporary information rents will be lower than the long-term loss resulting from the discontinuation of such business relationship. This approach greatly helped establish trust between farmers, processors and cooperatives until a third-party certification system for the quality of eco-friendly agricultural food was established and encourage farmers to make long-term investments in organic and pesticide-free farming. The advantage of consumer cooperatives in terms of the trade of organic agricultural food as discussed above was first put into practice by Hansalim in 1988. Dure Coop, Womenlink Consumer Cooperative, and iCOOP followed suit and built a business relationship with their farmers based on trust.¹¹

3.2 Institutional innovation that promotes member participation in funding, business, and organizational operation

As mentioned above, a consumer cooperative's form of firm ownership may be beneficial in building business relationship for organic agricultural food. Although this is a prerequisite for the development of consumer cooperatives, it is not a sufficient condition. The sufficient condition would be to succeed in the innovation of internal institutions and organizations that contribute to building on the strengths and making up for the weaknesses in the ownership structure of a cooperative. This is why iCOOP outperformed Hansalim in terms of the business volume and scope even though it started later. Since 1998, iCOOP has attempted three major innovations: innovation in the relationship between the cooperative and its members, innovation in the relationships between the primary cooperatives and the secondary cooperative, and innovation in the secondary cooperative. These three are closely connected to each other and are to address the weaknesses of the cooperative, such as the problem of free riders (Shin, 2011).

¹¹ In addition to Korean consumer cooperatives, foreign consumer cooperatives are found to have taken advantage of this feature. Good examples include Biocoop (www.biocoop.fr), which accounted for 10% of the organic food market in France as of 2007, Coop and Migros, which took up 73% of Swiss organic food market as of 2009 (Kilcher et al., 2011), and Coop Italia, which leads the trading of organic food in Italy (Battilani, 2005).

1) Monthly membership fee program

First, the innovation in the relationship between the cooperative and its members has been accomplished through the introduction of a monthly membership fee program, an advance payment program¹², a member loan program, and a class of membership which is responsible for a certain amount of paid-in capital. These programs were carried out as part of an effort to supplement the shortcomings of the ownership structure of cooperatives. iCOOP's membership fee system is similar to the direct charge system¹³, which new consumer cooperatives adopted in Ottawa, Canada in 1961. Under this system, iCOOP spends a fixed amount of membership fees collected as its operating expenses. The monthly membership fee program is a kind of "advanced" patronage dividends policy that puts into practice the unique operating principle of a cooperative in that the cooperative provides the members with the products at their prime cost unlike distributors while the members make sure to finance its operating costs. The members who choose to pay the monthly membership fee can purchase the cooperative's goods about 15% cheaper than those who do not.

The introduction of this system has led to disciplining effects, where members get to think regularly about the meaning of their participation in the cooperative as a genuine owner (Shin, 2011). In other words, this allows members to be more committed to the cooperative¹⁴. Furthermore, this policy generated incentive effects for member activists to focus their efforts on increasing the number of members in order to secure a certain amount of the operating expenses for the cooperative. In fact, since this system was adopted, iCOOP has run a training program, producing 1,825 activists by 2010 and 3,245 by 2018, and they are regarded to play a role as the "core" group of the organization.

Moreover, a part of the membership fees is spent to build the infrastructure for common projects through the federation, and to finance diverse solidarity funds¹⁵. As the number of members increases and the operational ability of local cooperatives improves, the membership fee that each member has to pay is on the decrease every year. This again brings about greater benefits for the members (See Table 3)

12 Refer to Footnote No. 6 for details.

13 See Birchall (1997).

14 iCOOP does not have a cash dividend policy; rather, it has adopted an activity mileage program, which can be used as a currency within the network. Members are given 5% of their contributions to paid-in capital and 0.5% of the amount they spend as mileages. They are given additional mileages as they stay longer as a member.

15 The allocation ratio of the membership fees paid by the members is determined by iCOOP Federation. Approximately half of the money is used in the primary cooperatives and the other half is allocated to the federation. A certain percentage of the fees is allocated to activities for public interest, such as the iCOOP Cooperative Institute. This approach is very similar to the principle of surplus allocation of Mondragon Corporation (Berriozabalgota, 2014).

Table 3. Decreasing Trend of iCOOP's Per-Person Membership Fee(as of December, every year)

Year	Monthly average membership fee	Year	Monthly average membership fee	Year	Monthly average membership fee
2002	–	2007	20,218won	2012	12,539won
2003	19,537won	2008	17,574won	2013	12,315won
2004	20,850won	2009	15,214won	2014	12,055won
2005	20,474won	2010	13,481won	2015	10,711won
2006	20,439won	2011	12,732won	2016	10,591won

Source: Kim et al.(2018)

2) Member loans and a class of membership responsible for capital

iCOOP Federation tried the loan program for the first time after a fire broke out in the logistics center covering the Seoul metropolitan area. Since then, the loans by members were taken out and repaid for projects of various purposes, and as of late 2010, their size grew to 16 billion won. This program is one of the long-standing financing methods adopted by COOP Italia, a consumer cooperative in Italy(Linguiti, 2016), and it was first adopted by iCOOP in Korea. This method of borrowing from members can be considered beneficial to both parties because the interest rate at which the cooperative borrows money is lower than the bank's loan rate, and the yield that members would get is much higher than the bank's deposit interest rate. The issue is the investment risk of the cooperative's project. However, if there is high trust between the members and the cooperative, the risk premium can be reduced very much, which is a key factor that has made this system successful. It is inferred that this process has significantly improved the trust between the two parties and increased members' interest and participation in iCOOP's new projects. It seems that iCOOP introduced this policy to make up for the weaknesses of cooperatives' capital procurement system.

A "class of membership responsible for paid-in capital" implemented in 2017. iCOOP determined that the size of the capital needed for stable provision of goods and services for its members was about 1 million won per member, and proposed that each member makes contributions of 1 million won or more. As of the end of 2018, the number of members who paid such contributions was 7,877 and the amount of accumulated contributions recorded 12.3 billion won. This represents only 3.5% of the total members, but the number is on a constant rise and the goal is to reach 7%.

3.3 Economies of scale by concentrating the business to the federation and the pursuit of business efficiency by establishing subsidiaries by sector

iCOOP member cooperatives delegates a significant portion of its business to its federation, including the purchasing, logistics and store management. Therefore, member cooperatives do not feel the need to expand their size or merge with others to achieve economies of scale or higher business efficiency. iCOOP calls this “a business concentration and organizational decentralization strategy,” which is an innovative relationship between the primary cooperatives and the secondary cooperative. iCOOP introduced a chain system within the network to reduce per-unit costs including logistics costs, which takes up a large part of the distribution of agricultural products. This chain system allowed the primary cooperatives to reduce wasteful expenditures resulting from overlapping investment and activities between cooperatives in the areas of order, supply, procurement, purchasing and logistics and to enhance expertise dramatically.¹⁶

In addition, since fruits, vegetables, and livestock products are highly perishable, it is inevitable to see the deterioration of inventory and their values change significantly based on the level of freshness. Grain has a heavy weight per unit value, so its logistics costs account for a higher part of its distribution stages. This suggests that the streamlining of logistics systems, such as careful selection, sorting, packaging, storage and transportation, is critical to make the trade of agricultural and livestock products more efficient. With its logistics innovation, iCOOP has contributed greatly to the expansion of the number of items and the total volume of the eco-friendly agricultural and livestock products, which have low preservability.

As the business grows, iCOOP Federation adopted an organizational strategy of establishing subsidiaries and creating a decision-making structure based on the network of these subsidiaries, instead of expanding a single organization with a hierarchical structure. As of the end of December 2018, iCOOP Federation operates nine subsidiaries responsible for logistics, Nature Dream stores, Korean wheat bakery, housing, and eco-friendly school meals, and operates eight organizations, including social cooperatives, foundations and associations in charge of education, research, a mutual aid society, and international cooperation (See Figure 2). This is a strategy to enhance the authority and responsibilities of the in-charge persons of each business unit through the division of the organization. This strategy is adopted because a well-divided organization makes it easier to evaluate performance and gives the managers more responsibility, leading to better exercise of management expertise.

¹⁶ Refer to Jang(2014) for the controversies over the establishment of such a cooperative chain system among European consumer cooperatives and the consequences.

3.4 Nurturing cooperative leaders, providing long-term rewards policy, and offering stakeholder partnership program

At iCOOP, the elected representative of members run the cooperatives and participate directly in the operation of the federation. The elected representative are not employees, so iCOOP offers substantial training programs through the cooperative education and training center to enable executives, especially directors and board chairman, to perform their duties. In principle, these leaders work as unpaid volunteers and be compensated for actual expenses if necessary. However, iCOOP developed a smartphone application called iCOOP e-Playground that records and accumulates the total amount of the leaders' volunteer activities. Their engagement in clubs, small groups, community gatherings, education, product development activities, community solidarity activities, MRM(member relationship management) activities, meetings with farmers, store activities, campaigns, etc. are accumulated and recorded on the app, which are referred to as "energy" for developing iCOOP. Based on the amount of their energy, they can enjoy some benefits, such as welfare and education(e.g. fair travel).

There is a program called "Activist Fund," which aims to evaluate and compensate for the continuity and social values of the volunteer works that the member activists do. Each month, 200 won of the membership fee is allotted to this fund for the activists of the cooperatives, 50% of which is used as a long-term activist fund, and the other 50% is spent for their welfare, recharging activities, capacity building and career development. In the end, iCOOP's compensation for leaders' devotions does not involve a short-term monetary reward; instead, it includes non-monetary reward, such as pride and social recognition, and long-term reward, such as giving a priority in selling spots in silver town in Gurye and Goesan Natural Dream Parks. This approach is clearly different from National Agricultural Cooperative Federation and National Credit Union Federation of Korea, which offer short-term and monetary rewards.

Lastly, there is another very unique program that iCOOP has implemented. It encourages its employees, farmers, processors and other stakeholders to invest in its various business organizations and become "co-owners," thereby maintaining the initiatives based on such ownership and reducing potential moral hazard(Grossman & Hart, 1986; Blasi et al., 2017). First of all, three organizations including SAPENet Support Center in charge of supporting education and training of member cooperatives are operated as social cooperatives centering around worker-members while employees make investment in the rest of the business-related subsidiaries. For example, COOP Store is in charge of supporting Nature Dream stores, and has the capital of 1.7 billion won among which iCOOP Federation has

44.1% share, 66 local cooperatives 41.8% and executives and employees 14.1%. In addition, employees are allowed to hold a 13% or less stake in a subsidiary jointly established by four to six cooperatives (Cooperative Joint Business Corporation) in order to address the difficulties faced by small local cooperatives that operate two to four stores. As for Farmers' COOP, farmer-members are allowed to invest in related processing companies that supply goods to iCOOP, which amounts to 17.1 billion won. This may be called the "stakeholder partnership program."

4. Implications and Prospects

4.1 Strategic and Policy Implications

First, the case of iCOOP suggests that institutional innovation that builds on the strengths and makes up for the weaknesses in the ownership structure of a cooperative brings about economic and social outcomes. In particular, it is necessary to recognize the motive and commitment level of members are all different considering that some members choose to pay membership fee while others do not, some choose to use the advance payment program while others do not, and some choose to contribute to additional paid-in capital while others do not. Most cooperatives tend to believe a single way of member participation, but iCOOP's case confirms that it is necessary to develop a variety of ways and means of participation that reflects member diversity in terms of preference and constraints so that members feel that they are being treated fairly.

Second, iCOOP's network-oriented activities confirm that the level and scope of outcomes expand exponentially when individual cooperatives work together and solidarize in business and other activities. For instance, Gurye and Goesan Food Clusters could not have been much innovative without having secured over 200 Nature Dream stores as a stable market and without having members directly provide the necessary capital¹⁷. Also, this case suggests that it is essential to have a concentrated decision-making structure that enables effective execution of strategic decisions as well as a set of institutions that reduces costs of collective decision making in order to make this cooperation and solidarity work.¹⁸

Third, this case suggests that it is imperative to create solidarity funds to develop businesses that society would appreciate so that the cooperative's goals and achievements can be shared not only with current members, executives and employees, but also with prospective members and society as a whole.

Fourth, with iCOOP's case, we can learn that the difficulties at the early stage

17 The organic food processing companies in Gurye and Goesan Food Clusters have other advantages than simply physically being close to each other. They are known to have realized significant cost savings because they share warehouses and delivery vehicles, jointly procure the raw materials and supplies for organic processed food, and jointly operate the Food Technology Research Institute.

18 This is similar to Mondragón Corporation Cooperative. Refer to Surroca et al. (2006) for detailed information about the characteristics of the decision-making structure of Mondragón Corporation Cooperative.

and at the growth stage of a cooperative is different, and different means and methods should be used to cope with them. In the initial phase, it is essential to push ahead with the business that reflects the needs of existing and prospective members above a certain scale to realize economies of scale, secure talented people with professional management skills and dedicated member-leaders, thereby providing benefits that members can feel. On the other hand, once the cooperative reaches a certain size, it faces the problem of lower participation of members and a lower sense of ownership. In particular, fostering members to be leaders and play important roles and preparing long-term reward mechanisms for them are key challenges in the growth phase.

Lastly, iCOOP is different from conventional consumer cooperatives focusing on joint purchase of foods. It is a unique case in that it has entered into the manufacturing of organic processed food and the sector of green and healing tourism. The conventional diversification strategy related to core competencies of for-profit companies (Markides, 1994) does not seem sufficient to explain the iCOOP's going into the backward of the supply chain and business diversification. A tightly-coordinated vertical linkage strategy is understandable considering it was implemented as part of the fundamental measures to deal with the problem of mixture of non-organic agricultural and livestock products with organic ones. Still, having its food cluster in Gurye, a rural, depopulated town, to create jobs in rural areas and expand cultural opportunities in the region by opening movie theaters and various experience centers may be regarded as a "social value-oriented diversification" strategy. These experiments of iCOOP may require further research.

4.2 Prospects and Challenges

iCOOP has changed significantly from its initial form of a consumer-oriented cooperative established in the late 1990s, and these changes are expected to grow further. It would be very interesting to see how it will continue to grow socially desirable businesses while maintaining its identity as a cooperative. iCOOP will face a number of challenges in the future, but three major challenges are worth to be mentioned. First, consumer cooperatives in Korea have been developing based on its strategy of providing eco-friendly food products on offline stores mainly targeting four-member households. However, the population and household compositions have recently seen drastic changes, leading to the rise of single-person households and rapid changes in consumption patterns. As a result, the cooperatives face difficulties, including a slowdown in the growth rate of the business volume. In this regard, it is a very difficult task to identify what kind of business strategies are required to address this challenge.

Second, in response to these environmental changes, iCOOP has entered the manufacturing sector of eco-friendly agricultural food and combined green,

healing, and health tourism. However, Nature Dream Parks, where these services are provided, are located far away from where consumer-members live. In other words, they require a whole different level of business from the retail stores where members can use daily, monitor their operation and voice their concerns. Accordingly, iCOOP encourages and increases the equity participation of employees and farmers because Nature Dream Parks in Gurye and Goesan is a business sector that is hard to take advantage of the strengths of a consumer cooperative. Moreover, it is always possible that processing factories in the Parksell more products to the non-members. This may cause conflicts with the identity of the consumer cooperative, and in such case, iCOOP would need to redetermine the nature of the iCOOP network.

Last but not least, it is worth noting that most of iCOOP's businesses are not directly operated by the cooperative; they take a so-called "hybrid" form, which means that they are operated in the form of a corporation owned by the federation, member cooperatives, related corporations, employees and/or former executives. Recently, another form of hybrid appeared at iCOOP as it has established Cooperative Joint Business Corporation, which manages the stores that related member cooperatives transferred. This is analogous to "Employee Stock Ownership Plan" in investor-owned firms (Kruse et al., 2010), so it can be regarded as a partial possession of ownership shares. Given that this attempt is rare in cooperatives, several challenges are expected to arise in the future, including the relationship between subsidiaries and cooperatives, and the relationship between the equity-owning employees and other employees.

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II . Ansung Health Welfare Social Cooperative, Realizing the Co-Production Model of Medical Services and Local Community Building

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Summary

<p>Overview and Reason for Selection</p>	<ul style="list-style-type: none"> · Having grown for 25 years since its establishment in 1994, Ansung Coop has become the second largest medical institution in the city with 6,270 member households, or 9% of the total households in Ansung, as of the end of September 2019. Its paid-in capital stands at 1,041 million won and it manages six clinics, one elderly home-care service center, and two medical examination centers. It has 127 employees, including 59 healthcare providers. · It is first of its kind in Korea to create a model of a medical cooperative in which healthcare providers and local residents jointly participate in the production of medical services. It is a classic example of the theories of Ostrom and Pestoff, and a social cooperative in the medical service sector that represents Korea.
<p>Social Mission</p>	<ul style="list-style-type: none"> · It aims to address two social problems. First is the issues of excessive treatment, abuse and misuse of medicine and medical supplies, and excessive medical costs due to patients' mistrust of doctors(and/or medical institutions) and transaction costs that appear in the medical service market. Second is the problem related to the vulnerable groups, who are in the blind spot of medical welfare benefits due to the deficient system(including the issue of the immigrants with less ability or inability to pay for services and the avoidance of house calls for those with mobility impairment). · Its missions are: first, to "provide reliable, quality healthcare service," second, to "provide healthcare service for the vulnerable groups," and third, to "improve members' ability to take care of their health and improve local residents' autonomy."

Out-comes	<ul style="list-style-type: none"> · From the perspective of co-op members, they have a lower possibility of excessive care and a lower burden of medical expenses, and an extended opportunity to lead a healthy life. · From the perspective of the cooperative, its healthcare providers are highly satisfied with and proud of what they do, and it has created quality jobs. · From the social perspective, the city has a reliable medical institution and the cooperative integrates the medically vulnerable groups in the local community.
Success Factors	<ul style="list-style-type: none"> · Mutual trust resulting from the democratic decision-making and cooperative ownership shared by healthcare providers and consumers · Agreement between member employees and member consumers on the shift in the perspective about health · Systematic member participation for the operation of the cooperative · Introduction of social accounting and audit to manage the results of its missions
Strategic and Policy Implications	<ul style="list-style-type: none"> · It has proven the usefulness of cooperatives for the co-production structure in the medical service sector, in which local residents, who are also the recipients of services, participate in the production process of services. · The building of trust between healthcare providers and patients and the participation of members who benefits from medical services are key factors in its success. · The government's policy to make medical services more public may improve the efficiency of medical delivery system when it is implemented in partnership with medical cooperatives because it promotes voluntary participation of local residents. · It is necessary to promote and teach about the cooperative to medical students because it is very important to secure medical practitioners who agree on its values.
Challenges and Prospects	<ul style="list-style-type: none"> · It is essential to reinforce the connection with public resources. · It is necessary to expand social impact by forming an alliance with other medical cooperatives and operating secondary care centers.
SDGs	<ul style="list-style-type: none"> · SDG #3 Ensure healthy lives and promote well-being for all at all ages · SDG #4 Quality education and lifelong learning

1. Overview and Reason for Selection

1.1 Current State and Characteristics

Ansung Health Welfare Social Cooperative was established in 1994, prior to the enactment of the Consumer Cooperatives Act, with a simple purpose of running a medical institution where doctors and patients can trust each other, and it has grown significantly over the past 25 years or so. As of the end of September 2019, the total number of coop members stood at 6,270 households, including 127 member employees, accounting for 9% of the total households in Ansung. The contributions made by the members is 1,041 million won and the coop manages six clinics, one elderly home-care service center and two medical examination centers. As of the end of September 2019, 127 employees work for these facilities, including 59 healthcare providers, making it the second largest medical institution in the city.

1.2 Development Process

Ansung Medical Consumer Cooperative, which later becomes Ansung Health Welfare Social Cooperative (“Ansung Coop”), began to sprout at Christian Student Council of Yonsei University College of Medicine in 1987 as the students opened a “weekend clinic” in the local Catholic Farmers’ Association in Gayu-ri, Gosam-myeon, Ansung, Gyeonggi Province. In the early 1990s, the students of Kyung Hee University College of Oriental Medicine, doctors of oriental medicine, and pharmacists got together to create Ansung Medical Society. Later, Ansung Farmers’ Association and medical practitioners jointly formed a committee to establish Ansung Joint Medical Center(tentative name). The tentative name had the term “joint” because it was initiated “jointly” by healthcare providers and farmers and the services were to be provided “jointly” by the doctors of Western and oriental medicines(Kwon, 2015). As a result, Ansung Medical Consumer Cooperative was established in 1994 with some 250 members and the contributions of 120 million won without appropriate legal grounds. Its clinic for farmers(Ansung Farmers’ Clinic) opened in May 1994 and its oriental medical clinic for farmers(Ansung Farmers’ Oriental Medical Clinic) opened even before that. It started medical check-up services for its members when there were no state-run medical check-ups, and it even provided services, such as in-home nurse care services and house calls. It launched a hygiene school program in 1996 and a project to create healthy communities and the traveling clinic service the following year. In 1998, it launched a street campaign to promote health through a simple check-up and the Sunflower Class program, which is a meeting for stroke patients.

Despite these activities, this cooperative was a private clinic in the eye of the

law. However, with the enactment of the Consumer Cooperatives Act in 1999, it was re-established as a medical cooperative in 2001 under this law. Then, it opened Coop Dental Clinic and in-home nurse care service center in 2002, Woori Coop Clinic in 2003, and started home care services in 2004. In 2006, it developed its medical check-up business in a more systematic manner, thereby opening Health Promotion Center and starting local gatherings. In April 2008, it was certified as a social enterprise to realize public healthcare services in the community and provide health and welfare services for the socially disadvantaged.

In 2012, the year when the Framework Act on Cooperatives took effect, the general meeting of representatives resolved to become a “healthcare social cooperative,” which fits better for the original purpose of promoting health in local community by both healthcare providers and consumers. With this shift, it elected delegates and directors representing member consumers and member employees, legally institutionalizing the participation of multiple stakeholders. This allowed the cooperative to provide various public services to improve the health of local residents, including the socially vulnerable groups, in a more efficient manner than other health and medical organizations.

The members of Ansung Coop increased from 885 households in the end of 1999 to 3,060 households in 2009, and showed another significant increase to 6,270 households in 2019. The number of employees also increased greatly from 30 in 2004 to 127 in 2019.

Table 1. Ansung Coop’s Major Indices(1994-2018)

	1994	1999	2004	2009	2014	2018
No. of members	253	885	1,688	3,060	N.A.	6,270 ¹⁹
No. of employees	10	N.A.	30	91(39) ²⁰	123(56)	127(59) ²¹
Sales (in million won)	N.A.	N.A.	1,415	3,331	4,912	5,501
Paid-in capital (in million won)	128	N.A.	443	753	951	1041
Capital (in million won)	N.A.	N.A.	746	1,079	1,121	1,495
Net income (in million won)	N.A.	N.A.	18	61	44	94

Source: Ansung Coop’s internal data

¹⁹ Data as of the end of Sep. 2019

²⁰ The number in the parenthesis refers to the healthcare providers

²¹ Data as of the end of 2010

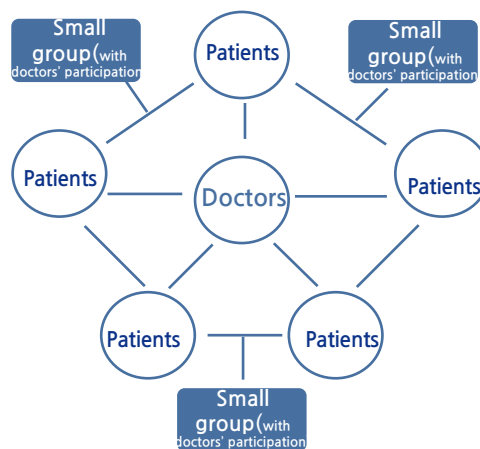
1.3 Reason for Selection

1) First of its kind in Korea to create a model of a medical cooperative in which healthcare providers and local residents jointly participate in the production of medical services

After the independence from Japanese colonization, medical cooperatives were established across the country, particularly between 1968 and 1989 before the introduction of national health insurance system. A few examples include Blue Cross Medical Cooperative established in Busan and Nangok Hope Medical Cooperative, which was established in 1976 in Sillim-dong, Seoul but practically stopped its business in 1989. These medical cooperatives were more like charity for the poor who had difficulty getting access to medical services, and led mainly by philanthropic medical practitioners. As a result, they were practically discontinued in 1989 when the government adopted the national health insurance system, which was in the nature of a strong social insurance (Jung, 2012).

However, Ansung Coop is different from these charity-like projects in that it was established by healthcare providers and local residents as partners. It constitutes a so-called co-production model, in which both consumers and providers of medical services jointly participate in activities that determine the content and delivery method of such services (Ostrom, 1996). As demonstrated in Figure 1, the predominant relationships in existing medical institutions are one-sided direction from doctors to patients; on the other hand, medical cooperatives focus on the mutual communication between doctors and patients, and communication between patients.

Figure 1. Co-production model of medical services via medical cooperatives



Existing literature shows that this co-production model is seen not only in medical cooperatives in Japan but also in care services in Scandinavian countries (Pestoff, 2009, 2012). This model has been found to be highly effective in providing medical services compared to the one-sided communications from the medical practitioners, and its logic has extended throughout the field of welfare services, including child care services (Pestoff, 2012).

2) Korea's leading social cooperative in medical services

The medical service sector in Korea is heavily regulated by the government even in today's capitalistic market due to the asymmetry of information on service quality and irrevocable consumption. Even large hospitals have to be operated by non-profit medical corporations or as public hospitals due to the provision prohibiting profit sharing, except for primary care providers (PCPs), which are recognized mostly as privately-owned businesses and therefore allowed to seek profits in accordance with the regulated market prices. However, public health institutions have inefficiency to a certain extent as service providers and non-profit medical corporations do not ask the recipients of their services to participate in making decisions on the production and delivery method of services. As a result, it is costly to figure out in which level and form medical services are the most appropriate for individual patients, leading to the coordination costs between providers and consumers of medical services. Moreover, the inefficiency grows due to the mismatch between providers and consumers as the gap in physical and mental conditions and living culture between consumers builds up gradually. That is why medical cooperatives are being established and operated in an increasing number of countries.

The International Co-operative Alliance has the International Health Co-operative Organisation, of which 12 associations of medical cooperatives from different countries are members. The members come in different forms: some American and Japanese medical cooperatives are established by the medical service consumers, some Brazilian cooperatives are established and jointly owned by service providers, including doctors, and some cooperatives take the form of a social cooperative, meaning that both consumers and providers are jointly responsible for the operation (Jang, 2014).

In Korea, medical consumer cooperatives have emerged, some of which have transformed or in the process of transforming into healthcare social cooperatives. Medical cooperatives focusing on the resolution of excessive treatment and preventive care began their establishments in 1994 and totaled 25 as of the end

of March 2017. Since the enactment of the Consumer Cooperatives Act in 1999, they have taken the legal form of medical consumer cooperatives. In addition, since the Social Enterprise Promotion Act took effect in 2007, several medical consumer cooperatives including Ansung Medical Consumer Cooperative have been certified as a social enterprise. With the enactment of the Framework Act on Cooperatives in late December 2012, 17 cooperatives have switched to healthcare social cooperatives while eight maintained its legal entity as medical consumer cooperatives. Furthermore, there is a steadily increasing number of communities that are preparing to establish their own healthcare social cooperatives (Kim et al., 2019). In 2003, Korea Medical Consumer Cooperative Federation (later Korea Health Welfare Social Cooperative Federation) consisting of these cooperatives was formed, engaging in joint activities and supporting the establishment of medical cooperatives. Ansung Coop was a pioneer medical cooperative in Korea, and played its part in spreading the concept of a medical cooperative to other regions as a success case where local residents and healthcare providers cooperate closely.

2. Social Mission and Outcomes

2.1 Social Problems Ansung Coop Wants to Address

The first social problem that Ansung Coop attempts to address is the issues of excessive treatment, abuse and misuse of medicine and medical supplies, and excessive medical costs due to patients' mistrust of doctors (and/or medical institutions) and transaction costs that appear in the medical services market. While Korea's health and medical services sector mainly focuses on treatment and heavily commercializes the services, there lacks connectivity and cooperation between patients and healthcare providers, not to mention there is almost no interaction or cooperation between patients. The sector is also characterized by the medical service providing system centering on private institutions, and by the insurance system based on "fee for service" system. As a result, both patients and healthcare providers are not much satisfied with such system of health and medical services.

In addition, the public is quite unhappy with excessive treatment resulting from a growing competition among medical institutions. It is a common practice for people to collect information from friends and families before going to see the doctors, particularly dental or oriental medical clinics, because they do not have enough information on the quality of their medical services. Patients are treated like objects and the services targeted to improve health are insufficient. As a result, patients are less able to take care of their health while the public expenditure for healthcare is on a constant rise. This is particularly well demonstrated by the fact that patients do not have much time for explanation about their conditions because only a short period of

time is allocated for each patient and the doctor's examination is impersonal.

The second social issue that Ansung Coop wants to solve is the problem related to the vulnerable groups, who are in the blind spot of medical welfare benefits due to the deficient system. It includes the issue of the immigrants with less ability or inability to pay for services and the avoidance of house calls for those with mobility impairment..

2.2 Ansung Coop's Missions

To address these two issues, Ansung Coop has set up three missions: first is to "provide reliable, quality healthcare service." To do so, it adheres to the following principles: the principle of adequate treatment to prevent drug abuse and misuse and excessive medical expenses from excessive examinations; the principle of giving sufficient explanation of their illness and treatment process to patients, making them be the principal in the process, and improving their ability to manage their health through education; and the principle of early detection and prevention through medical check-up program to identify any disease or risk factors.

Its second mission is to "provide healthcare service for the vulnerable groups." To do so, it pursues the principle of providing medical expenses for low-income groups to contribute to addressing their health problems and the principle of medical support for the mobility impaired, with which they can improve their state of health and reduce burden of their families and guardians through house calls, in-home care, visiting care, and self-help programs for stroke patients.

The third mission is to "improve local residents' autonomy." The mission is about improving the "health autonomy" of local residents and the coop members through health education, having coop members participate in town meetings and small group meetings and take part in the operation of the cooperative through the official decision-making structures, such as a board of representatives and directors, and promoting mutual assistance through the support system for a variety of volunteer activities.

2.3 Ansung Coop's Outcomes

1) From the perspective of member consumers

Two outcomes stand out from the perspective of member consumers. First, they now have a reliable family doctor with a lower possibility of excessive care and a lower burden of medical expenses. Second, they have an extended opportunity to lead a healthy life. The details are described in the following paragraphs.

The antibiotic-prescribing rate for upper respiratory infection and the frequency of injection prescription are often considered major yardsticks to determine PCPs' excessive care in Korea. These rates of the medical institutions under Ansung Coop are around 15–20% of the national average(See Table 2). Moreover, the data on

these rates from 2011 to 2015 reveals that they are on the decrease year after year(See Tables 3 and 4)²².

These benefit not only the coop members but also the non-members who use the clinics under Ansung Coop. According to Table 5, the members only account for 40.6% of the total patients of its six medical institutions on average, meaning that the non-members take up 59.4%. In other words, the benefits of adequate care are also enjoyed by the non-members, i.e. the citizens of Ansung. Moreover, the ratio of uninsured medical expenses to the total medical expenses and the average deductible payment per patient per visit are found to be much lower than the national average(Ansung Medical Consumer Cooperative Social Accounting Report, 2016).

Table 2. Two Indicators of Ansung Coop's Adequate Care

Medical Institution	Ansung Farmers' Clinic			Woori Coop Clinic			West Ansung Clinic	Ntl Avg
Year	2010	2011	2012	2010	2011	2012	2012	2012
Antibiotic-prescribing rate for upper respiratory infection(%)	5.9	12.6	8.2	20.5	20.9	20.2	4.2	48.44
Frequency of prescribing injection(%)	6.5	10.6	7.31	5.3	6.78	6.95	17.49	35.94

Source: Ansung Medical Consumer Cooperative Social Accounting Report, 2013

Table 3. Trend of the Two Indicators of Ansung Farmers' Clinic

Ansung Farmers' Clinic	2011	2012	2013	2014	2015	Ntl Avg (2015)
Antibiotic-prescribing rate for upper respiratory infection(%)	12.6	11.7	12.2	7.2	7.9	43.9
Frequency of prescribing injection(%)	10.6	7.3	6.2	5.9	4.3	18.4

Source: Ansung Medical Consumer Cooperative Social Accounting Report, 2016

²² Due to data constraints, this study has limitations in that it was not able to describe Ansung Coop's outcomes related to its dental and oriental medical clinics and elderly home care service business.

Table 4. Trend of the Two Indicators of Woori Coop Clinic

Woori Coop Clinic	2011	2012	2013	2014	2015	Ntl Avg
Antibiotic-prescribing rate for upper respiratory infection(%)	20.9	17.1	12.0	12.5	12.0	43.9
Frequency of prescribing injection(%)	6.7	7.2	9.6	6.7	8.4	18.4

Source: Ansung Medical Consumer Cooperative Social Accounting Report, 2016

Table 5. Breakdown of Coop Members' Usage of Ansung Coop Medical Institutions

2015년	Ansung Farmers' Clinic	Woori Coop Clinic	West Ansung Clinic	Ansung Farmers' Oriental Medical Clinic	West Ansung Oriental Medical Clinic	Coop Dental Clinic	total
No. of visits of members	17,916	7,730	6,848	5,541	3,010	10,912	51,957
Proportion of members(%)	51.7	33.5	28.0	27.6	27.0	75.0	40.6
Total visits of member and non-member patients	34,614	23,074	24,464	20,021	11,105	14,537	127,845

Source: Ansung Medical Consumer Cooperative Social Accounting Report, 2016

The second outcome from the perspective of coop members is that they have an extended opportunity to realize a healthy life. The coop's definition of health is similar to that of the World Health Organization(WHO)²³ as well as the International Classification of Functioning, Disability and Health(ICF) model²⁴. This view claims that health should encompass not only the physical signs but also daily activities and social participation in a comprehensive manner. For instance, a person is not considered unhealthy just because he has a disability in his leg. He is perceived healthy as long as he can engage in important daily activities(e.g. driving, riding a bicycle, washing his hair, taking a shower, etc.) and social activities that he is required to do. Ansung Coop carries out businesses and activities and create opportunities for local residents to help them lead a healthy life and engage in various activities.

"Members exercise together, take classes and share hobbies to keep themselves healthy. It is their duty to get a check-up but we still have much to do to encourage more members to do so. Diabetic patients get together to study and exercise. Those with mobility impairment come to our Sunflower Class once every week"

23 The WHO defined in its 1948 Constitution that "health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity."

24 ICF is a classification of health and health-related domains that the WHO developed in 2001. The ICF conceptualises a person's level of "disability" or "functioning" as a dynamic interaction between his health conditions, environmental factors, and personal factors. It uses the concept as an aspect of explaining one's health condition, not a classification to separate people with and without disability. It is on the premise that disability as a universal human experience and a part of their state of health(Statistics Korea, 2010).

and participate in various programs. Our volunteers drive to pick them up or cook for them. We also offer a lot of health education programs covering various topics, such as high blood pressure, hygiene, children's health and menopause. In fact, the programs are planned by members. Let's say there is a member suffering from menopause. She would decide what she needs to know, find a right instructor, and call her friends together to make it happen. They voluntarily participate and help each other to ensure everybody stays healthy because they know they cannot be healthy by themselves, which makes it possible for them and others to lead a healthy life at no great expenses. There are two members, who now serve at the board, whose parent were on their sickbed for a long time and received the home care services of the coop. Also, two members decided to serve as directors after they discovered stomach cancer at an early stage thanks to their check-up and got treated. It is like we help sick people when we are healthy, and we get help of our neighbors when we are sick. They say that they want to help people who are a little older, and maybe others will help them when they are a little older" (Kwon, 2015, pp. 36-37).

In 1995, the year after its foundation, Ansung Coop felt the need to establish its mid- to long-term development plans. One of the suggestions made to promote health-related activities of the members was creating Community Health Groups. The initial proposal was that a community can form a group that will meet on a regular basis to read the coop's newsletter, receive health education, and do a simple check-up when the community has five or more member households and has a leader referred to as "health members."²⁵

The coop realized that there should be more members who will be the "health leaders" or "activists" to form these self-help groups, so it launched the Health School program in 1996. In 1998, four Community Health Groups were created in four villages led by the health members and began their activities. Since then, this system has developed into a variety of health-related self-help groups, such as fostering health leaders(activists) and following the diet focusing on brown rice and vegetables. From 1997 to 2015, some 600 health leaders were trained on the coop's education programs, including the Health School and the Health Leader School. Also, over 12,600 people participated in some 1,200 meetings organized by the self-help groups between 1998 and 2018.²⁶

In addition to these groups, the coop also organized self-help groups for the member patients to help them manage their diseases. In particular, the Sunflower Class for stroke patients and their families began in 1999 as a weekly meeting with 15 patients and remains active until today. There are other meetings, such as a

25 The discussions on the mid- and long-term development plans were consulted from the 1995 General Meeting Proceedings.

26 The data available in the General Meeting Proceedings was collected. As for the statistics on health leaders, the data on the Health School and the Health Leader School programs were put together. For the self-help groups, the numbers related to Community Health Groups, Health Class Activities, Health Action Groups, and Health Small Groups were combined.

walk program for diabetic patients, a program to do stretching that strengthens the joints, and a meeting for patients of chronic periodontal disease. Until 2018, around 12,000 member patients and their families participated in some 730 gatherings. As of 2018, there are 19 teams (on average six members per team) led by 19 health leaders nurtured through the 2015 Community Health Group Promotion Project.²⁷ A total of 118 members get together once a week to do various activities to take care of their health, such as stretching, yoga, walking and weight training.

2) From the perspective of member employees

The fact that Ansung Coop provides rewarding jobs for its employees including healthcare providers on the basis of the organized participation of the member consumers is another outcome. The employees participate in the operation of the coop as members, equally as member consumers. They are also trusted by member consumers. This means that workplace democracy has been realized in medical institutions.

A member doctor who has long worked for Ansung Coop says she is happy to gain trust of patients and get to have neighbors through this cooperative.²⁸

"I am proud to work for a medical social cooperative. The coop makes me to act truly like a doctor. Some would ask me how I can do such a hard and complicated work while not being paid much. However, Ansung Coop is a workplace that makes me very happy. I believe the trust of patients matters the most to doctors. I can run fewer tests and prescribe less antibiotics because there is the trust. Without any underlying trust, things are hard for both patients and doctors. In general, doctors order a number of tests to defend themselves, and patients suspect whether those tests are really necessary, or whether they go through excessive prescription for the hospital's income. At the medical cooperative, patients at least know that the tests are not for the benefit of the hospital. Transparency has made this possible; at the coop, everything is made public except for the patient information. It is true that my pay is not that high because our system does not make huge profits under the current fee-for-service structure. Still, we get a lot of affection and love from the members." (Kwon, 2015, pp. 39–40).

"Most doctors have two success indicators: academic success, or financial success. However, to the eyes of patients, the doctor they need is someone they can meet when they are sick and who can take care of them and soothe their pain. Doctors are overflowing and the competition is getting fiercer, but there remain a lot of neglected patients. That is where the medical social cooperative come in to reduce the gap. Doctors perform 'necessary' medical practices and

27 These activities may explain the communication among patients described in Figure 1.

28 It is reasonable to argue that the qualitative opinion of a member doctor may not reflect the views of all member employees. This is another limitation of this study because it fails to describe the satisfaction of employees in other fields due to data constraints.

coop members remain considerate and help doctors do their job well. It is not economically feasible to treat a patient lying in his rural house by travelling an hour round-trip. However, the patient needs the treatment and he is one of the reasons why the cooperative exists; we invest people, time, and money to help him. Doctors get to have neighbors and gain happiness. You get a sense of existence that people need you and that being a doctor is good.”(Kwon, 2015, pp. 40–41).²⁹

3) From the society's perspective

The positive effects that Ansung Coop brings to the local community in Ansung are that it strives to establish itself as a reliable medical institution and take care of the health of the members as well as the non-members, and that it makes effort to help medically vulnerable people in the community. Ansung Coop sees health a community issue, not an individual issue. In order for an individual to live a healthy life, various factors must become healthy, including their personal lifestyle, environment, institutions, and socio-economic factors. Also, they should pay attention to the health issues of their neighbors as well as their own. For this reason, Ansung Coop has formed various social relations in the local community and engaged in activities to make the community and its residents healthier. It allows non-members to participate in its Community Health Groups, and its representatives lead local beautification projects.

In addition, Ansung Coop is working to integrate the medically vulnerable groups in the community. Every region has people who do not receive treatment or suffer delay in treatment due to their financial difficulties. With this in mind, Ansung Coop provides healthcare services for low-income families and the mobility impaired. Even before the enactment of the Act on Long-Term Care Insurance for Older Persons in 2008, the cooperative organized volunteers to visit the houses with the disabled and the elderly to provide housekeeping, care and bathing services. After the enactment of the said Act, it established a elderly home-care service center to provide care and bathing services to elderly people who cannot move very well. It also provides care and housework services for the senior citizens living alone and people with disability who are not eligible for Class 3 of the long-term care insurance for the elderly.

Furthermore, it provides medical services at various facilities for vulnerable groups in the community, such as elderly care facilities, after-school classes for disabled children and children from low-income families, middle and high schools for North Korean defectors, and facilities for foreign workers. It also has a certain screening process to fund patients and foreign workers who fail to get treated due to financial constraints.

²⁹ This description may best explain the communication between doctors and patients described in Figure 1.

3. Success Factors

3.1 Mutual trust resulting from the democratic decision-making and cooperative ownership shared by healthcare providers and consumers

The various accomplishments of Ansung Coop were possible because of the trust between its healthcare providers and consumers, and this trust resulted from the nature of its ownership, where they jointly own and operate its medical institutions. Most of its projects are decided, executed and evaluated by its steering committee, which consists of member employees and member consumers. When the organization was a consumer cooperative before switching to a social cooperative, there were no other member categories other than member consumers. It means that general staff and healthcare providers participated in the cooperative as “consumers,” not employees. They began participating as member employees after the organization became a social cooperative. Now all the employees are required to join the cooperative as members.

The board of directors consist of both employee and consumer members. Although there is no fixed ratio for each, generally there are 4 employee directors(executive director, director representing doctors, director representing general employees, president of community self-reliance support center that the coop is contracted to operate) and 17 consumer directors, totaling 21 directors. The model of co-production of medical services was implemented from the very beginning of Ansung Coop. Healthcare provider members have participated in all steering committees just like their consumer counterparts, with a relatively high focus on the Committee on Service Patronage, the Management Committee, and the Healthy Community Committee.

3.2 Agreement between member employees and member consumers on the shift in the perspective about health

The medical institutions under Ansung Coop make effort to ensure that they spend enough time to fully explain and consult patients. Doctors offer patients specialized training to help improve their healthcare skills, and issue “Daily Life Prescriptions” to teach patients about the habits and lifestyle they need to follow, as recommended by the medical consumer cooperatives across the country.

In addition to treating members’ diseases, Ansung Coop makes efforts to contribute to disease prevention. When a member joins the cooperative, the medical history of his family is also examined. The member is asked to have regular check-ups to monitor their health condition and work together to remain healthy. Also, it offers the project called “Family Doctor Care Service” for the members who received a medical check-up. This helps them take care of their health by selecting six items of self-care and preventive measures for members and having regular phone and in-hospital counseling. This was based on the recognition that many diseases in modern society come from wrong habits in life. This effort shows the cooperative’s

commitment to helping its members lead a healthy life through a healthy lifestyle. Ansung Coop's view of health served as the beginning of all these efforts. This view was agreed upon by the member providers and member consumers(See Box 1).

Box 1. Ansung Coop's View of Health

1. Definition of health

Health is "the power to overcome oneself with pain at the center."

Health is the process of developing a spiritually and ecologically healthy relationship as well as the well-being of the body, mind and the world.

2. A sense of ownership

You are the owner of your health.

Healthcare providers are helpers and guides.

3. Healthy community

The conditions of health are formed from personal lifestyle, environment, institutions and socio-economic factors.

The problem of health should be addressed as a common problem in the community, not as an individual responsibility.

3.3 Organizing member participation in the operation of the cooperative

One of the strengths that Ansung Coop has is that the decision makers and the implementers are the same. The representatives and board members make plans in their respective committee, and the decisions are made at the general meetings and board meetings. They put the plans into practice, evaluate them, and make new plans. The staff play a role in supporting the cooperative's activities with their expertise and practical skills. Its real players are its members, centering around directors and representatives. That is why the first thing to consider at the planning stage is how much involved members can be in the process. For this reason, Ansung Coop has a number of committees, including permanent and temporary ones(e.g. dental clinic construction promotion committee, health promotion center committee, event preparatory committee for its anniversary, preparatory committee for the year-end party, sub-committee on member participation), and local activist groups for local member activities. These groups are composed of 10-15 people each, assuming the roles of directors, representatives, members, and employees, and they engage in planning, decision-making, implementation and evaluation, thereby learning about health, village, and community within the cooperative.

These committees are one of the important features of Ansung Coop, serving as a venue where members, healthcare providers and activists get together to discuss from their standpoint and implement plans. The committees reflect the elements that each community requires, and include the Committee on Service Patronage, the Education Promotion Committee, the Healthy Community Committee, the Management Committee, and the Personnel Committee. The Committee on Service

Patronage is related to medical services as the name suggests, and is responsible for coming up with and putting into practice plans to provide quality healthcare services, to make it easier for patients to use medical institutions, and to provide medical services for vulnerable people in the community. The Education Promotion Committee works on promoting the cooperative and providing educational activities with local residents, including coop members, related to health, welfare, cooperative and problems in local communities. The Healthy Community Committee engages both coop members and local residents to make the city of Ansong healthier. The Management Committee plays an administrative role and decides the medical fees for uninsured services, and the Personnel Committee is responsible for the cooperative's personnel management and employee welfare.

The driving force for Ansong Coop's active engagement in making local communities healthier and integrating the vulnerable groups beyond its activities as a medical cooperative is an organized participation of local residents. As of 2009, a total of 708 local residents take an active part in the cooperative's works, which breaks down to 20 board members, 92 working-level staff, 124 representatives, 138 volunteers and 355 members who participate in small groups. This number is equivalent to about 20% of the total coop members. As Ansong Coop performs the function of a social cooperative, it has the groups of volunteers and sponsors, unlike other conventional cooperatives. In 2009 alone, 201 volunteers spent about 2,300 hours volunteering and the cooperative raised 29 million won in sponsorship and 150 million won in government grants. It also accepts various gifts from members running their own businesses and give them to the volunteers in appreciation of what they do.

3.4 Introduction of social accounting and audit to manage the performance of its missions

In an effort to check whether it is achieving its missions as a social enterprise, find ways to improve its practices, and make joint efforts with its members, Ansong Coop has prepared social accounting reports with the help of Korea Foundation for Social Investment. From 2009 to 2015, the cooperative made efforts in collaboration with multiple stakeholders in the local community to examine and improve its objectives and activities. Social accounting and audit is known as a constant adjustment process where the organization's members and stakeholder review whether the organization's activities go with its missions and goals, and measure and improve the social, environmental and economic effects(Jang, 2015).

4. Implications and Prospects

4.1 Strategic and Policy Implications

First, the case of Ansung Coop appears to have proven the usefulness of cooperatives for the co-production structure in the medical service sector, in which local residents, who are also the recipients of services, participate in the production process of services. It offers a few implications that can apply both at home and abroad.

Second, the case of Ansung Coop suggests that the building of trust between healthcare providers and patients and the participation of members who benefits from medical services are key factors in its success. To promote the establishment of trust between the parties, it is important to establish common principles on how to view the health and how to run the cooperative, and be transparent about the operational principles for the cooperative and its medical institutions. In addition, the commitment of leaders of both member consumers and member providers is essential to organize the participation of the service recipients.

Third, to promote the concepts of community care and elderly-to-elderly care, which are drawing more interest in Korea, innovative ideas and technological and institutional innovation are required to mobilize altruistic and socially committed resources in the community. For instance, the city of Ansung introduced an incentive system called Local Health Currency, but it did not fully take off due to inconvenience. Innovative attempts need to be made to push this project forward.

Fourth, the success case of Ansung Coop implies that the government's policy to make medical services more public may improve the efficiency of medical delivery system when it is implemented in partnership with medical cooperatives because it promotes voluntary participation of local residents. Health-related activities of healthcare social cooperatives involving resident participation are quite well-received because people have a growing concern over healthcare services as National Health Insurance Service suffers from growing financial burden due to rapid aging and a large increase in the medical expenses for the elderly population. In this regard, the success or failure of a healthcare social cooperative may depend on the level of collaboration between the cooperative and the local governments in terms of the funding to achieve the public interest (e.g. contracted operation of public medical institutions, contracted operation of health promotion activities in public health centers). Therefore, it is necessary to combine the government's policy to reinforce the public nature of medical services and the system of healthcare social cooperatives.

Last but not least, it is deemed difficult for a medical cooperative to work for the benefits of its members while achieving the publicness at the same time, such

as improving its contribution to the local community and providing social services for the vulnerable groups. Therefore, the policy support should be provided. As for the case of Ansung Coop, it is evaluated that the support that it received from the government as it was certified as a social enterprise in 2008 contributed to the expansion of its business and improvement of its public nature.

4.2 Challenges and Prospects

Ansung Coop has recently come up with the idea of the community care based on the participation of residents in response to a rapid aging society and the government's policy related to community care. In Korea, medical, care and welfare services operate in a fragmented manner, but Ansung Coop aims to integrate them. In addition to its in-home care, visiting care, house calls, and programs for stroke patients, it intends to open Senior Daycare Center and connect it with medical services. It even considers moving its headquarters for the effective implementation of this plan. To increase its achievements of creating a healthy community even more, Ansung Coop has to implement new plans seamlessly, reinforce the connection with public resources, and build a stronger partnership with other medical social cooperatives in Gyeonggi Province, where the organization is located. In particular, the government should create a policy environment in which social service facilities, such as community health centers, can be contracted out to the medical social cooperatives that have been verified and are growing with its activities. In other words, the central or local governments need to devise plans to invest in the model of medical social cooperatives as an organization that links healthcare and social welfare and realizes cooperation.

As Ansung Coop expands its activities that create "positive externalities" in the local community by providing medical services for the vulnerable groups, its costs will increase accordingly. For the organization to continue such activities, it needs the connection with public resources in addition to residents' volunteer works and donations. Without sufficient external resources, it may face the issue of financial sustainability. As of the end of 2018, its capital stands only at around 1.5 billion won, which means that the cooperative needs to make efforts to find new sources of finance to improve the scope and quality of its medical services. Moreover, as the pioneer and most capable medical social cooperative, Ansung Coop should partner with other medical cooperatives in Gyeonggi Province and try to operate secondary care centers, such as Gyeonggi Provincial Medical Center, thereby increasing the social impact of medical cooperatives and raising their awareness among the residents.

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III . Social Cooperative Dounuri, Creating Decent Jobs in Care Services

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Reviewer: Jong-hyun Park

Summary	
Overview and Reason for Selection	<ul style="list-style-type: none"> · Social Cooperative Dounuri(“Dounuri”) is a cooperative that started as a self-reliance enterprise in 2008. Today, it provides care services for the entire life cycle, from maternal and newborn care to nursing homes for seniors. As of the end of September 2019, it has 915 employees working at four places of business under direct management and six contracted by the Seoul Metropolitan Government and its District Offices. The employees include daycare teachers, caregivers, postnatal care workers, geriatric care workers, nurses and emotional therapists, and 61% of them are from socially vulnerable groups, including the elderly and the low-income people. · It is a great example where a social enterprise engaging in service workers helped them gain a sense of professional pride in Korea where social recognition of the value of care services is very low. Also, this social enterprise that has grown steadily by providing quality care and carrying out business and organizational innovations. Its development from a community civic organization to a main player in the local social economy network has been remarkable, and its strategies have been innovative, including fostering common assets in the community and creating a community-based care network.
Social Mission	<ul style="list-style-type: none"> · The services taking care of people, including children, senior citizens, new mothers, patients, and the disabled have long been produced and consumed within and by the family in Korea. However, as a shift has been made from such family-oriented care system to a society-oriented care system under the market economy, new issues have arisen. They are what Dounuri aims to resolve. · Dounuri has three missions: to create quality jobs and maintain employment; to provide quality care services required for the life cycle; and to improve social impact by building networks of local social economy and altruistic resources.

Outcomes	<ul style="list-style-type: none"> · From the perspective of member employees, the number of jobs grows rapidly while the turnover rate is very low. Employees are very proud of the cooperative and willing to stay with the cooperative. · From the perspective of the cooperative, it has stepped up and become an organization that provides the care services for the entire life cycle. · From the social perspective, service recipients' satisfaction level is quite high and the cooperative contributes significantly to enhancing a sense of community in the city district.
Success Factors	<ul style="list-style-type: none"> · Alignment between mission and organizational structure · Entrepreneurship of the leader who has transformed the operational process from customers' perspective and pursued a continuous workforce development program · Strategies to create an ecosystem that can enhance the performance of care services by starting from a local movement and building various networks in the community
Strategic and Policy Implications	<ul style="list-style-type: none"> · The case of Dounuri suggests that efforts need to be made for service workers to take initiative based on the community organization in order to improve the outcome of social care services, and a social cooperative centering around the service workers may be the most appropriate organizational strategy. · It suggests the importance of innovation in the work process and human resource development in order to address the lack of consistency in service quality in the social service sector. · It confirmed the effectiveness of the public-civil society partnership strategy in care services.
Challenges and Prospects	<ul style="list-style-type: none"> · Challenge to secure equity capital · Limitations in the improvement of the quality of the care service jobs from the economic perspective due to the government regulations
SDGs	<ul style="list-style-type: none"> · SDG #3 Ensure healthy lives and promote well-being for all at all ages · SDG #4 Quality education and lifelong learning · SDG #5 Gender equality · SDG #8 Decent work and economic growth

1. Overview and Reason for Selection

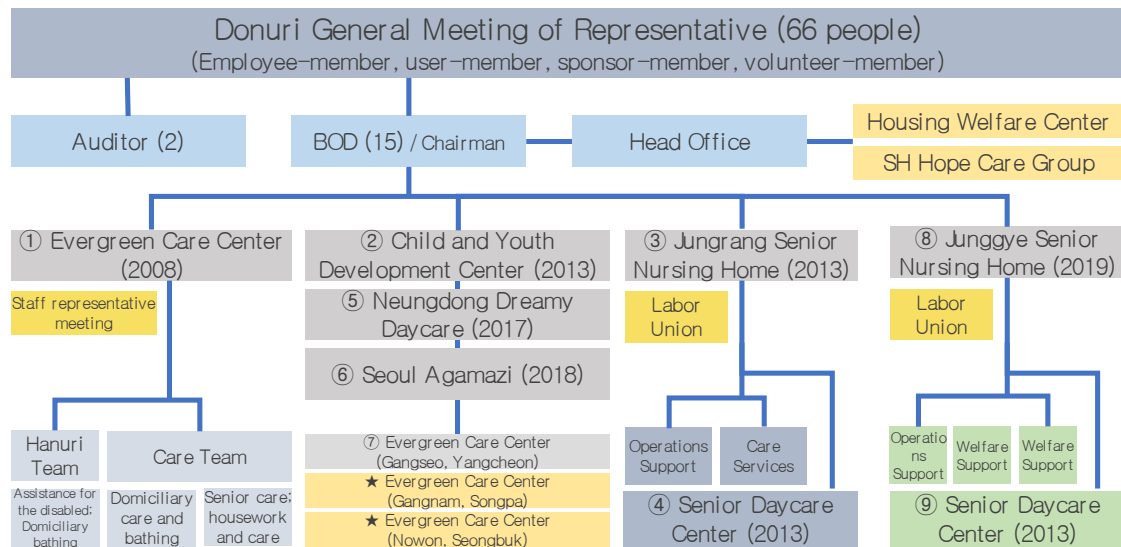
1.1 Current State and Characteristics

Social Cooperative Dounuri(“Dounuri”) is a cooperative that provides care services for the entire life cycle, from maternal and newborn care to nursing homes for seniors. As of the end of September 2019, it has 915 employees working at four places of business under direct management and six contracted by the Seoul Metropolitan Government(SMG) and its District Offices. The employees include daycare teachers, caregivers, postnatal care workers, geriatric care workers, nurses and emotional therapists, and 61% of them are from socially vulnerable groups, including the elderly and the low-income people. The cooperative started as a self-reliance enterprise in 2008 and has been on a rapid growth since as its continued efforts to create jobs for the vulnerable groups in the community and provide quality care services were recognized by local residents and governments.

As of the end of September 2019, it has four centers under direct management, including Seoul Agamazi, which provides newborn and postnatal care services, and Gwangjin Children's Psychological Development Support Center, which provides emotional therapy for children. It also operates two daycare centers contracted by the District Office, including Neungdong Dreamy Daycare. As for geriatric care, it directly operates Evergreen Care Center, which provides domiciliary visit care services for the elderly, and operates contracted nursing home centers, including Seoul Jungrang Senior Nursing Home and Seoul Junggye Senior Nursing Home, which provide around-the-clock senior care services, as well as the care centers attached to them, which offers care services during the day.

Dounuri is a leading social cooperative established under the Framework Act on Cooperatives, which went into effect in December 2012. Before that, it was preparing for transforming from a self-reliance enterprise(the legal status of a representative sole proprietorship) to a non-profit corporation. However, it recognized the problem of receiving membership fees from its members who are also the employees to run the corporation, and then use the sales to pay the salaries, so it gave up the idea of becoming a non-profit corporation. Instead, it adopted the form of a social cooperative because it aimed non-profit even though it centered around member workers, and was established in April 2013. As of the end of September 2019, the total number of co-op members was 794, 73% of which were member workers and 27% from sponsor-members and consumer-members. Considering that the total number of employees is 915, 63.4% of the employees constitute co-op members. As of the end of 2018, the capital amount stood at 267 million won, including the paid-in capital of 98 million won, and the total sales was 11.5 billion won. This shows that the sales are quite large compared to the amount of capital.

Figure 1. Dounuri's Organizational Structure(As of Aug. 2019)



1.2 Development Process

Dounuri is a social cooperative approved by the Ministry of Health and Welfare(MOHW) on April 1, 2013. Prior to its transition to the social cooperative, the organization's legal status was an organization to be treated as a corporation(with tax identification number). Dounuri started in 2001 as a self-reliance enterprise of Seoul Gwangjin Community Self-Reliance Center, which was an organization contracted out and run by a non-profit group named Gwangjin Residents' Solidarity for Participation, Autonomy and Sharing("Gwangjin Residents' Solidarity"). That is why Dounuri's operations have been closely connected with Gwangjin Residents' Solidarity from the beginning. In 2007, the center integrated a variety of social services, such as care services for patients, senior care services, personal assistance services for the handicapped, and new mother and newborn care services, into a single department named Evergreen Care Center.

Evergreen Care Center was founded as a self-reliance enterprise in February 2008, and became an independent business operator on April 1, 2008 by reporting the establishment of its business as a business eligible for providing social insurance for its employees. Accordingly, Evergreen Care Center got to have a dual status: an independent self-support community and an organization affiliated with Gwangjin Residents' Solidarity. It started to participate in the social service job creation project in 2009 and receive funds to cover the labor costs for some manpower, and was certified to a social enterprise of employment offering type on January 21, 2010. With regard to the prospects of its development after the certification, the organization started working on the transformation into a non-profit corporation from the second

half of 2010. However, it decided to become a cooperative as the Framework Act on Cooperatives was passed in December 2011. It made necessary preparations to become a cooperative in 2012, and with the Act taking effect in December 2012, it held the inaugural general meeting on January 18, 2013 and was approved of its incorporation as the first social cooperative by the MOHW on April 1, 2013.

It has been operating Seoul Jungrang Senior Nursing Home for six years now since the job was commissioned by the SM G in November 2013. It opened Gwangjin Child and Youth Development Center the same year, and it has been operating Neungdong Dreamy Daycare since it was commissioned in 2016. Later in 2018, it was commissioned to operate Gwangjin Housing Welfare Center and opened Care Restaurant 2nd Location “Warm Table.” It was also commissioned to Seoul Junggye Senior Nursing Home, and to provide rehabilitation support staff members for both nursing and care services at Green Hospital in Seoul.

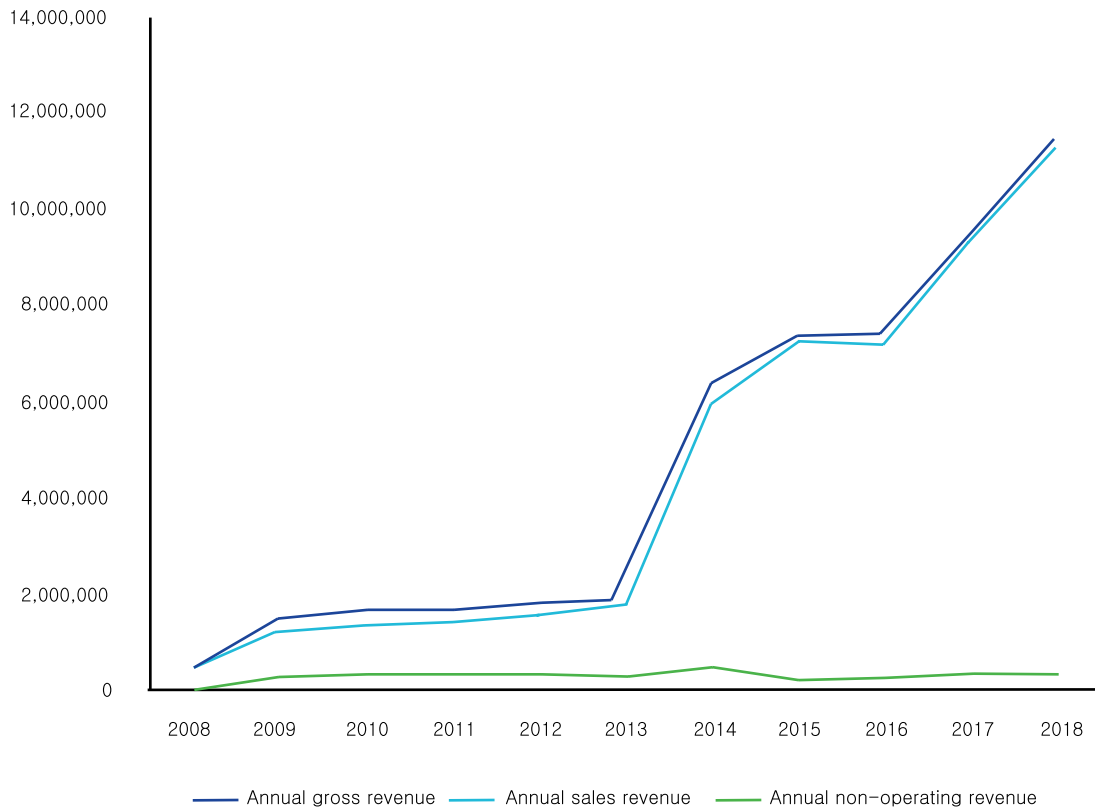
1.3 Reason for Selection

There are four reasons for which people take note of Dounuri: first, it is a great example where a social enterprise engaging in service workers helped them gain a sense of professional pride in Korea where social recognition of the value of care services is very low. Second, it is a social enterprise that has grown steadily by providing quality care service and carrying out business and organizational innovations to address various issues coming from the shift from family-oriented care system to market-oriented care system.

- 2011 Selected as an excellent institution for (comprehensive) senior care services
- 2012 Selected as an excellent institution for high quality service for child/adolescent psychological support; commendation from the Minister of Health and Welfare for (comprehensive) senior care services
- 2012 Selected as A-Class institution in terms of long-term care quality
- 2013 Selected by the MOHW as the best self-reliance enterprise
- 2014 Commendation of the Mayor of Seoul in celebration of Social Welfare Day; Certified as an excellent social enterprise by the SMG
- 2015 Commendation for meritorious service in the cooperatives sector from the Ministry of Strategy and Finance
- 2016 Re-certified as an excellent social enterprise by the SMG (for three consecutive years)
- 2017 Certified as an excellent self-reliance enterprise; Re-certified as an excellent social enterprise by the SM G (for four consecutive years); commendation from the MOHW for promoting social services; awarded Presidential Industrial Service Medal (awarded to the chairman for promoting social enterprise)
- 2018 Re-certified as an excellent social enterprise by the SMG (for five consecutive years)

Figure 2. Trend of Dounuri's Annual Gross Revenue

(Unit: in 1,000 won)



Source: Dounuri, Annual General Assembly Facts and Figures of each year

The third reason is the fact that the cooperative, in recognition that it is useful to provide care services through the public–civil society partnership due to their unique nature (Evers, 2005), has been active in creating partnerships with the SMG and the District Offices to result in good performance and has implemented an integrated care service system strategy, which can create a synergy between different types of services. Lastly, its development from a community civic organization to a main player in the local social economy network has been remarkable, and its strategies have been innovative, including fostering common assets in the community and creating a community–based care network.

1. Social Mission and Outcomes

2.1 Social Problems Dounuri Wants to Address

The services taking care of people, including children, senior citizens, new mothers, patients, and the disabled have long been produced and consumed within

and by the family. However, as a shift has been made from such family-oriented care system to a society-oriented care system under the market economy, new issues have arisen. They are what Dounuri aims to resolve. This shift mainly creates two problems: first, the value of care services is often considered low; second, there is a high information asymmetry on the quality of services when the service recipients and the persons paying for such service are different, or when the recipients are vulnerable. For these reasons, advanced countries have long had an increased awareness that care services should be provided by the public entities or non-profit organizations. At the same time, government regulate the entry of for-profit companies into this sector and institutionally promote non-profit corporations(Weisbrod, 1975; Hansmann, 1987). For instance, in Japan, whose welfare system has lower standards than those of European countries, which are often known as welfare states, public daycare centers account for 40.3% and the remaining “private” centers are mostly operated by non-profit social welfare corporations. As for senior care facilities, only 5.9% of them are public, but the rest is operated by non-profit social welfare corporations, ensuring the public nature at the very least(Kim et al., 2016).

Although the need to expand social services such as childcare and elderly care has been on the rise due to the increasing rate of economic participation of women and aging population, the government has dealt with this problem by encouraging the private sector to create more care facilities and fostering social service worker(e.g. childcare teachers, caregivers) in a short period of time due to limited government budgets. As of 2015, only 11.4% of the 1,453,000 children who use child care facilities are in state-run or public facilities, and the rest uses private daycare centers. In the case of elderly care services, 50% of the beneficiaries use facilities operated by private businesses and only 5% use those operated by local governments(Kim et al., 2016).

This resulted in an increase in the number of service providers that focus on making profits or that are too petty. As the government controlled the the care service fees, smaller organizations fail to meet the diversified needs of the users and do not cut profits to pay more wages to its workers. This has led to a decline in the quality of service and growing distrust in the organizations that provide services. In fact, between 2008 and 2015, 19.8% of the total home-care service agencies(i.e. 3,841 out of 19,434) were repeatedly open and closed(Kim et al., 2016).

The government classifies care workers as "day laborers" and maintains a uniform hourly charge system(similar to the hourly wage system) for elderly care services, domiciliary visit care, housework and care services, and personal assistance services for the handicapped regardless of each individual's skills. This hourly charge set by National Health Insurance Service is slightly higher than the minimum wage, but considering that it includes office administration costs, it reflects how care labor is undervalued. Thus, care workers have little incentives to make effort to improve the

quality of their service or to improve their skills, or get any opportunity to receive training necessary for the provision of services from most small-scale service agencies. This unfavorable system makes people avoid working in the sector.

Dounuri was founded to resolve three problems in the field of care services: first, it aims to improve the compensation structure for care workers, to change the environment so that they are no longer treated as day laborers and they can also work on self-development and feel the joy of working with others. Second, it intends to increase the satisfaction level of service recipients and improve trust and communications between service providers and recipients. Third, it aims to enhance a sense of community in the city district.

2.2 Dounuri's Missions

Dounuri has three missions: first is to create quality jobs and maintain employment. It was established with a mission to improve the working conditions of care workers and to improve the satisfaction of service recipients. To do so, it considers care workers as those who form the community at workplaces rather than those bringing profits. Also, it encourages them to work with a sense of ownership and autonomy.

The second mission is to provide quality care services required for the life cycle, and the third is to improve social impact by building networks of local social economy and altruistic resources.

2.3 Dounuri's Outcome

1) From the perspective of member employees

Dounuri has achieved no small results in terms of the quantity of jobs created for the socially vulnerable groups. The number of employees increased from 106 in 2008 to 630 in 2018, about a six-fold increase in a decade. However, it is not easy to figure out how “good” these jobs are. It seems clear, at least, that Dounuri is well aware of the problem of low quality of employment in the overall care service industry as mentioned above, and has made some progress thanks to its efforts.

Table 1. Dounuri Employee Breakdown(2008-2018) /As of December, each year

Category	2008 (Feb)	2008 (Dec)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
No. of employees	6	106	135	143	130	139	140	277	284	305	532	630
Employees from vulnerable groups	5	60	71	87	77	67	67	119	127	146	327	386
Low-income	3	27	30	37	29	19	15	13	16	8	15	31
Elderly	2	33	34	45	36	38	45	99	105	128	288	338

Disabled	-	-	2	4	1	2	3	2	3	6	21	17
Other vulnerable groups	-	-	5	1	11	8	4	5	3	4	3	0
Employees from non-vulnerable groups (including Representative)	1	46	64	56	53	72	73	158	157	159	205	244
Ratio of the vulnerable groups(%)	83.3	56.6	52.6	60.8	59.2	48.2	47.9	43.0	44.7	47.9	61.5	61.3

Source: Dounuri's internal data

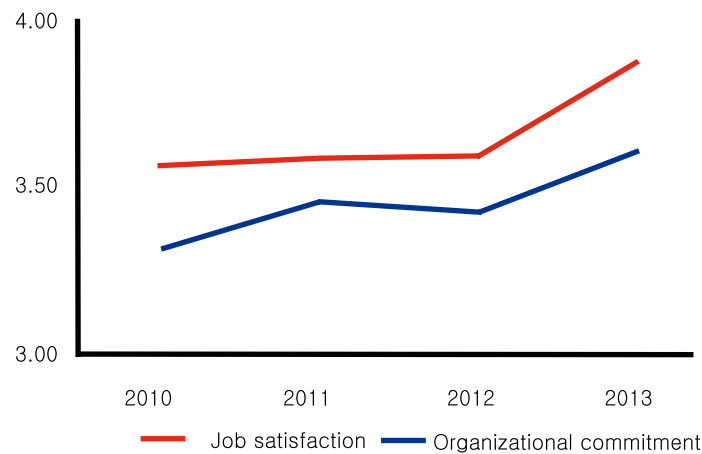
In 2009, Dounuri applied and was selected for the Small and Medium Business Workplace Innovation Consulting Program provided by Korea Labor Foundation(then known as Workplace Innovation Center affiliated with Korea Labor Institute) and received the consulting services the following year, which provided diagnosis and assessment on high-performing workplaces. Every year from 2010 to 2013(four times in total), the evaluation was done on the level of job satisfaction and organizational commitment of short-term care workers based on the criteria that constitute elements of high-performing workplaces, such as human resource management, human resource development, participatory work system, trust between labor and management, and the degree of workers' awareness of the values for labor-management cooperation.

In 2010, the first time they were measured, the job satisfaction and organizational commitment for Dounuri's employees were 3.31 and 3.57, respectively, which increased to 3.61 and 3.87, respectively(out of 5-point scale) in 2013. The level of job satisfaction, which measures overall life of care workers at work, is on a steady increase since 2010, but it made particular growths in 2011 and 2013(Min, 2014). The organizational commitment asks how much employees are committed to their works and whether they want to stay in the company. Not much changes were seen from 2010 to 2012, but in this number increased considerably in the 2013 survey. What is noteworthy in the findings regarding the commitment level is that Dounuri's employees gave higher scores in the work and organizational commitments than the overall job satisfaction. Although the overall score seems fine, the detailed look into the answers offers different insights. For instance, to the 17 questions related to job satisfaction, the scores are absolutely low in the questions related to wage level, promotion opportunities and employee benefits³⁰ while the scores to the(eight) questions assessing organizational commitment are quite high, particularly in the

³⁰ Dounuri strives to increase the pay to the care workers under the care insurance fee system regulated by the government. To do so, it has diversified its business and secured social support (e.g. SK Group's Social

areas of pride in the company, willingness to stay with the company, agreement with the company's ideology and visions, evening out the overall score. This means that Dounuri's care workers agree with the company's vision and values, have a sense of self-esteem, and want to continue to work for the company despite their dissatisfaction with the income level and promotion opportunities.

Figure 3. Changes in Dounuri Employees' Commitment Levels



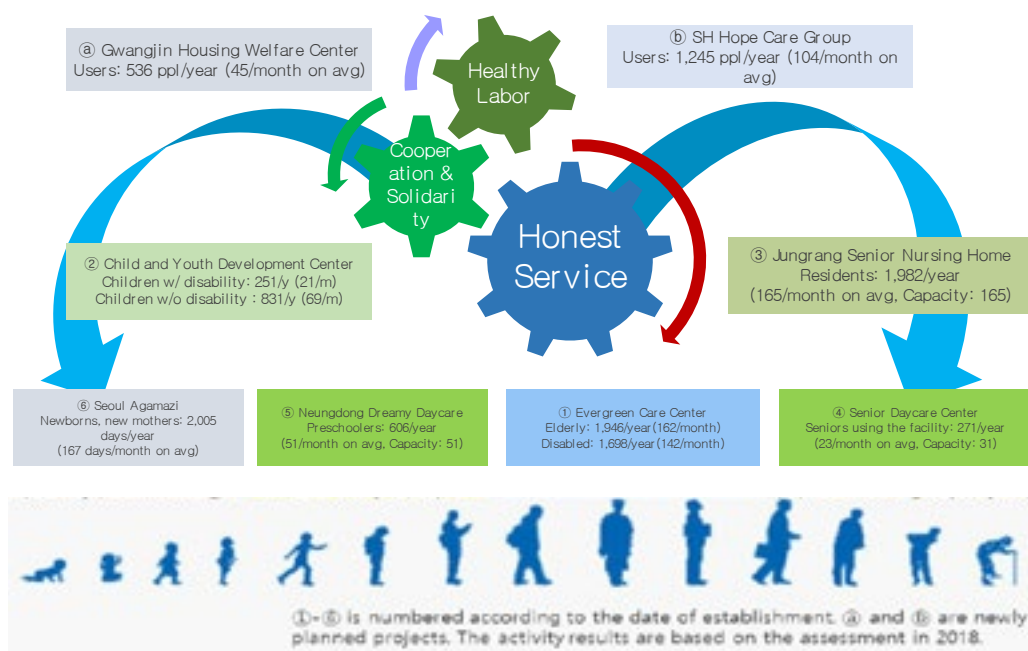
Source: Min, 2014.

2) From the perspective of the cooperative

In the beginning when Evergreen Care Center was established in 2008, Dounuri's care services focused mostly on housework and care services, senior care services and personal assistance services for the handicapped as part of the Social Service Voucher Program. However, as of the end of 2018, it has stepped up and become an organization that provides the care services for the entire life cycle. Its services include the following: at-home cares for new mothers and infants, emotional support services for infants, children and young adults (language therapy, play therapy, cognitive therapy, art therapy, parent counseling), services for middle-aged women including a project offering customized jobs in local communities and job counseling services, personal assistance services for the handicapped, domiciliary visit cares for patients and vulnerable families, and at-home care services (domiciliary visit care, domiciliary bathing, domiciliary nursing), day and night senior daycares and nursing home services for senior citizens with reduced mobility.

Progress Credit program) and the government subsidy. As a result, the average hourly wage for domiciliary visit care services was 10,800 won in 2018 and 11,633 won in 2019, which is about 10% higher on average than other care service agencies.

Figure 4. Dounuri's Services Covering the Entire Life Cycle(as of 2018)



3) From the social perspective

Dounuri's efforts to create quality jobs and provide quality care services has positively affected the communities in which the service recipients live. While most of its employees are women from vulnerable groups, a large percentage of the recipients is from vulnerable groups, including low-income earners, the elderly, the disabled and children in poverty. This number was 84.1% in 2018, and reached 95.7% in 2014 (See Table 2).

In addition to providing the services, Dounuri also conducts a survey on service satisfaction levels and makes a variety of efforts to improve customer satisfaction. Moreover, it collaborates and partners with diverse social economy organizations located in Gwangjin District, where it provides its services, thereby enhancing a sense of community in the district.

Table 2. Dounuri's Service Recipients(2009-2018)

Category	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
No. of total service recipients	2,628	3,215	2,931	3,008	2,833	5,535	6,256	6,917	7,768	10,166
Vulnerable groups	2,417	2,938	2,457	2,609	2,608	5,295	5,732	6,410	6,863	8,547
Low-income	632	757	605	629	377	358	253	210	1,117	1,743
Elderly	695	944	945	979	945	2,854	3,043	3,455	3,455	3,805
Disabled	481	526	617	774	899	1,100	1,357	1,561	1,482	1,698
(Poor) children	609	711	290	227	387	983	1,079	1,184	809	1,301
Non-vulnerable groups	211	277	474	399	225	240	524	507	905	1,619
Ratio of the vulnerable groups(%)	92.0	91.4	83.8	86.7	92.1	95.7	91.6	92.7	88.3	84.1
Rate of increase in the no. of recipients(%)	-	18.3	-9.7	2.6	-6.2	48.8	11.5	20.0	28.7	38.5

Source: Dounuri's internal data

3. Success Factors

3.1 Alignment between mission and organizational structure

One of Dounuri's success factors is that it has chosen the most suitable corporate ownership structure to realize its mission to create quality jobs in the sector of care services. It chose to be a social cooperative, jointly owned by care workers and supported by sponsor-members.

The bylaw of Evergreen Care Center entered into December 15, 2008 stipulates that the reason for their existence is "to provide social services and create jobs in a manner to promote the welfare of our members and improve the life of individuals and families who need social services, thereby contributing to the realization of a community where the values of participation, autonomy and sharing are practiced and human dignity is respected." In 2008, Evergreen Care Center established its business strategies and operated independently, and the income statement of the second half of 2008 indicates the loss of 5,282,542 for the term. The management assessed that the loss occurred because the wages paid to the employees were higher than the service fees, the burden for social insurance premiums was high, and the number of managers was higher than in other similar institutions.

In fact, the center's unit hourly wage for the workers providing the services was higher than that of other companies. It provided them the social insurance benefits, except for statutory short-term workers, so that they are protected under the status of employee. In addition, since it was contracted by the SMG to operate Seoul Jungrang Senior Nursing Home, it changed the wage structure so that managers are paid similar or lower salaries while caregivers are paid slightly higher wages and better benefits.

After the transition to a social cooperative, now the board of directors is composed of 11 labor representatives, including caregivers, and four sponsor-members. The cooperative has a few consumer-members and volunteer-members. This effort to engage in worker member-oriented operation is supported by the fact that the number of worker members who makes a monthly investment in paid-in capital exceeding a certain amount after the shift to the cooperative accounts for 10% of the total employees, and it demonstrates their autonomy in the “collaborative worker ownership” (CICOPA, 2011).

3.2 Entrepreneurship of the leader who has transformed the operational process from customers' perspective and pursued a continuous workforce development program

To maintain stable employment, Dounuri did not stop at ensuring staff's participation in the decision-making process and improving benefits and compensation for them. It worked on developing human resources, making human resource management more systematic, improving staff leadership, and developing new services. Moreover, it reinforced its job training designed to manage customers in a more systematic manner, improve customer satisfaction and service quality, thereby prioritizing the rights and interests of service users and providing friendly and professional services.

To carry out this plan in an organized manner, Dounuri adopted in 2010 the strategy to operate high-performing workplaces under the leadership of its Chairman Dong-se Min. It conducted an annual survey of its workers on the criteria that constitute elements of high-performing workplaces, such as human resource management, human resource development, participatory work system, trust between labor and management, and the values for labor-management cooperation, and then reflected the results into policies and programs, which were at the center of the company's operations.

Chairman Min, who conducted this diagnosis and assessment on high-performing workplaces in 2010 for the first time, reflected “performance management task program” into the operation in order to remedy the weaknesses found in the analysis. The discussion focused on the areas that required immediate attention in the areas of human resource management and development, which were considered weak points in the social service sector. In 2011, it selected 19 key tasks in the business plan and designated six of them as “performance management tasks,” whose progress and accomplishments had to be checked at monthly team leaders' meetings. The performance management tasks for 2011, which reflect the results of the diagnosis and assessment on high-performing workplaces in 2010, include user satisfaction surveys, employee satisfaction surveys, Task Force team for

prevention and management of muscular skeletal diseases, monthly reporting of the check-up status, job training tailored to the on-site needs, and monthly study and discussion sessions of team leaders. In selecting these tasks, Chairman Min realized that it would be difficult to address such problems as the relatively low wage level, promotion system and fair evaluation at the level of an individual organization because they are closely linked to government policies. Accordingly, he suggested an alternative solution to address them with corporate transparency. In other words, he decided to disclose Dounuri's financial statements and management-related information to its employees to ensure transparency, and to determine the wage level publicly in consultation with the employees in accordance with the changes in the government's pricing policy every year (Min, 2014). Since 2011, the company has established and implemented plans to bring the innovation to the operational process from the customers' perspective thereby achieving the mission of providing fair social services as well as the financial strategies to grow human, information and organizational assets (See Figure 5.).

3.3 Strategies to create an ecosystem that can enhance the performance of care services by starting from a local movement and building various networks in the local community

Dounuri originated from a local movement called Gwangjin Residents' Solidarity and rooted in the spirit of grassroots movement and its organizational foundation. That is why it is at an advantage to realize the values of cooperatives and is less likely to lose missions even when its business and organization grow in partnership with the local government. Also, it takes advantage of its position to play a pivotal role within the social economy network in the local community. According to Jin (2016), the statistical and network structure analysis done on a survey of 50 institutions and organizations affiliated with the community network in Gwangjin District in Seoul showed that Dounuri has a high level of centrality in various fields, including education/training, information exchange, joint projects, trust, and hope for mutual exchanges. In particular, it is found to have very high centrality in the last two fields, confirming that the cooperative is playing a pivotal role in the community network.

Figure 5. Evergreen Care Center's Strategic System to Accomplish Its Missions in 2011

Mission	Work community that provides fair social services			
Goals	Provide good care services	Create decent jobs and maintain employment	Expand public nature of care services	Reinforce community welfare activities
Customers' Perspective	Users (Guardians)	Employees (Working-level staff)	External Clients	
			Policy agencies	Local communities (city district)
	<ul style="list-style-type: none"> -Friendly and professional services -Systematic management -Services satisfying customer needs -Comprehensive welfare service 	<ul style="list-style-type: none"> -Steady jobs -Training to improve job performance -Better working conditions -Rewards as part of welfare system -Participation in decision-making process 	<ul style="list-style-type: none"> -Implement social service system (appropriate service, fraud prevention) -Create jobs for vulnerable groups -Manage social jobs transparently -Observe labor management principles * MOHW, NHIS, relevant authorities, MOEL (Employment Centers), district offices 	<ul style="list-style-type: none"> -Care services for the public good -Service providers -Provide jobs -Carry out local welfare projects (in collaboration with city district)
Operating Process	Operation management	Customer management	Innovation process	Social responsibility
	<ol style="list-style-type: none"> 1. Make operational regulations into manuals <ul style="list-style-type: none"> -Customer management plans -Prioritize vulnerable groups in employment -Employee management plans 2. Decision-making process that ensures employee participation <ul style="list-style-type: none"> -Steering Committee, Representatives Conference, etc. 3. Systematic management system <ul style="list-style-type: none"> -Customer/Employee: Team leader management -Coordinator: On-site operation management -Prevention of fraudulent approval 4. Disclose financial and operational information 	<ol style="list-style-type: none"> 1. User management (initial consultation) <ul style="list-style-type: none"> → Establish service plans to meet their needs → Regular visits and consultations 2. Computerize personnel cards and customer management cards 3. Operate local welfare team <ul style="list-style-type: none"> -Link welfare resources 	<ol style="list-style-type: none"> 1. Provide differentiated services <ul style="list-style-type: none"> -Health management by nurses -Training tailored to on-site services 2. Employee health care <ul style="list-style-type: none"> -Examine harmful factors -Prevent and control muscular skeletal disease -Health care for middle-aged women 3. More systematic employee training 4. Reward model employees 	<ul style="list-style-type: none"> -Prioritizing vulnerable groups in employment -Donating proceeds to communities -Local medical welfare activities -Connecting welfare resources and engaging in voluntary activities -(Working on) becoming a non-profit corporation

Source: Evergreen Care Center's 2011 (fourth-term) Activity Report, p.18

4. Implications and Prospects

4.1 Strategic and Policy Implications

The case of Dounuri offers quite a few implications. First, it confirmed that efforts need to be made for service workers to take initiative based on the community organization in order to improve the outcome of social care services, and a social cooperative centering around the cooperative's member caregivers may be the most

appropriate organizational strategy. This can alleviate the problems of care service transactions through market: i.e. ex ante and ex post information asymmetry on the quality of service. This is also confirmed advantage among social cooperatives in Italy (Borzaga & Depedri, 2010). Second, the case of Dounuri suggests the importance of innovation in the work process and human resource development in order to address the lack of consistency in service quality in the social service sector.

Third, this case confirmed the effectiveness of the public–civil society partnership strategy in care services. Its success has been confirmed with a number of recognitions and awards. It is considered as a success case of the MOHW's policy supporting self-reliance enterprises in the care services sector, an area benefiting from Seoul's local cluster support project in the care services sector, and a success case of the Ministry of Employment and Labor's policy supporting social enterprises. In addition, it is also counted as a success case of contracted operation of senior nursing homes of SMG and public daycare centers of the district government office, and chosen as a beneficiary of SK Group's Social Progress Credit program. As such, Dounuri was able to create quality jobs and improve service quality in the social services sector based on these partnerships.

However, it is worth noting that all these supports have led to success as they were combined with the initiatives of the local civic groups in the community. This is a leading example of community care, and it provides important implications for future policy related to community care in South Korea.

Fourth, the case of Dounuri implies that it is hard for a social cooperative in the care service sector in Korea to secure consumer-members unlike in the medical service sector. Last but not least, it suggests the effective and important elements for growth of a social enterprise, such as consulting on how to bring about innovation to small and medium-sized workplaces, and capacity-building programs for leaders and mid-level managers on various topics, including human resource management, human resource development, and the work process modulization, to ensure a certain level of both quantitative growth and qualitative development.

4.2 Challenges and Prospects

Dounuri faces the challenge of having to expand its equity capital, which is on a relatively small scale compared to its sales. It is encouraging that the number of member employees who make additional monthly contributions to paid-in capital has reached 80, resulting in additional paid-in capital of 43 million won in 2018. The 2019 general meeting of the representatives reached a resolution to make an additional paid-in capital of 50 million won, which is promising. Moreover, it is quite limited for Dounuri to improve the quality of the jobs in the care service from the economic perspective due to the

government regulations, which calls for policy improvement in this regard. Lastly, as the leader in the community care, Dounuri is required to play a contributing role in helping the government create and spread the community care model. In this regard, it may be necessary to try social franchise of Dounuri's model.

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IV. Members of Happy Bridge Cooperative, Moving towards the Innovation from Wage Workers to Collaborative Worker Owners

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Summary

Overview and Reason for Selection	<ul style="list-style-type: none"> · Happy Bridge Cooperative (“HBC”) is a cooperative serving mainly as the franchisor of a noodle restaurant franchise brand called Noodle Tree Restaurant. In March 2013, it changed its juristic personality from a corporation to a worker cooperative under the Framework Act on Cooperatives. As of the end of 2018, HBC engages in restaurant franchising business and food supply business with 524 Noodle Tree Restaurant franchisees, 23 Hwapyongdong King Cold Noodle Restaurant franchisees, and 43 Tokyo Steak franchisees. It also includes Happy Bridge Factory in Gongju, producing raw materials used in franchisees, including sauce, pork cutlet, noodles and ribs, Happy Bridge Culinary Center and HBM Cooperative Management Institute. Excluding those of its subsidiaries, HBC’s total sales in 2018 recorded 51.4 billion won and had 117 employees, 94 of which are the cooperative’s members considered to be the “co-owners.” · It is a case in which workers conduct a medium-scale experiment on a worker cooperative to create quality jobs on their own, and a case of conversion from a corporation to a worker cooperative.
Social Mission	<ul style="list-style-type: none"> · The social problems that HBC is trying to solve are unemployment, income inequality, and employment insecurity due to the pursuit of short-term profit maximization for shareholders, which is one of the ills of capitalist enterprise sector. The issues also include a weaker culture of being considerate for people and community in the firm, and dogmatic firm operations by a few executives. · HBC’s mission in 2013 was to achieve economic satisfaction and self-realization of co-op members and customers(the franchisees). In 2018, HBC established the Future Planning Committee, which approved the new mission of creating sustainable jobs. Its 2030 vision was established as a worker cooperative group of innovative entrepreneurs.

Out-comes	<ul style="list-style-type: none"> · From the perspective of co-op members, the co-op has improved job security and lower turnover rate and the members feel stronger that they are growing with the co-op. · From the perspective of the cooperative, higher transparency in business operation and a higher sense of ownership of the employees has motivated them to take initiative in finding and working on tasks, and has contributed to the growth of sales. · From the social perspective, the company implemented an adventurous project to address the problem of youth unemployment and a program to nurture team entrepreneurs.
Success Factors	<ul style="list-style-type: none"> · Effort to put into practice the operation principles of a worker cooperative (Implementation of the structure allowing member employees' management participation) · Pursuit of the policies reinforcing advantages of a worker cooperative, such as improved fairness of compensation · Effort to supplement the weaknesses of a worker cooperative by increasing the amount of mandatory contributions to paid-in capital and internal reserves
Strategic and Policy Implications	<ul style="list-style-type: none"> · The importance of the will and attitude of management team of the cooperative: economic concessions and dedication of the leaders · Close cooperation with worker cooperatives at home and abroad to correct errors and gain better insights · The need for a network organization to further develop into a worker cooperative of openness and solidarity · The need for practical research on the identity of worker cooperatives: establishment of a separate Chapter in the Framework Act on Cooperatives
Challenges and Prospects	<ul style="list-style-type: none"> · Lack of knowledge and know-how regarding the cooperation-based management as compared to competition-based management · Task of creating a network group to cope with the problems arising from accumulation of senior employees in a worker cooperative, which has high employment security
SDGs	<ul style="list-style-type: none"> · SDG #4 Quality education and lifelong learning · SDG #5 Gender equality · SDG #8 Decent work and economic growth · SDG #10 Reduce inequality

1. Overview and Reason for Selection

1.1 Current State and Characteristics

Happy Bridge Cooperative(“HBC”) is a cooperative serving mainly as the franchisor of a noodle restaurant franchise brand called Noodle Tree Restaurant. In March 2013, it changed its juristic personality from a corporation to a worker cooperative under the Framework Act on Cooperatives. As of the end of 2018, HBC engages in restaurant franchising business and food supply business with 524 Noodle Tree Restaurant franchisees, 23 Hwapyongdong King Cold Noodle Restaurant franchisees, and 43 Tokyo Steak Restaurant franchisees. It also includes Happy Bridge Factory in Gongju, producing raw materials used in franchisees, including sauce, pork cutlet, noodles and ribs, Happy Bridge Culinary Center and HBM Cooperative Management Institute. Excluding those of its subsidiaries, HBC’s total sales in 2018 recorded 51.4 billion won and had 117 employees, 94 of which are the cooperative’s members considered to be the “co-owners.”

1.2 Development Process

Although later converted into a worker cooperative, Happy Bridge was established as a corporation in 2010 by the merger of Haemiga Co., Ltd. and Food Core Co., Ltd. Haemiga was a corporation established in 2008 and Food Core Co., Ltd. in 2003. The founders of these two corporations knew each other very well since 1997 as they have supplied raw materials to restaurants and developed franchise businesses in Seoul and Daejeon. The people in the group that started a business in Seoul were the members of a Catholic Youth Association in Seongbuk District, Seoul, and the people in the group that was involved in labor movement in Daejeon started the food distribution business together. In other words, several partners worked together to grow their business, instead of being capital-oriented.

For 13 years between 1999 and 2010 when Happy Bridge was founded by merger, the companies have developed into a franchise business model by going through business foundation, growth, failure and comeback. During this period, the business model was established to some extent, and its management philosophy and corporate culture were formed. The founders shared the values of people and labor, rather than capital. Their philosophy was “Let’s not make money if we have to exploit others,” and “Let’s make a great company to work for, where workers are the owners.” Based on these shared values, the corporate missions were set to be “sincere food” and “an alternative company.” Sincere food means that they strive to safer and healthier products as A company that handles food, and an alternative company means that they want to put employees and people at the center instead of shareholders and capital like other companies. As a result, the salaries between new

employees and CEO were only three to four times different, many employees stay with the company for a long time (five years or more), and the workers are active in corporate social responsibility activities. This is also the reason why the company was named Happy Bridge.

In 2011, as the sales soared to 27.2 billion won and the number of Noodle Tree Restaurant franchisees to 253, the founders of HBC gave a lot of thoughts about the company's long-term visions. They visited Bologna, Italy, in 2011 and saw various cooperatives, coming to think that the organizational form and business model of a cooperative were more suitable for their corporate mission. In particular, HBC was able to survive in the food service industry, where the failure of a brand could put the entire company at risk, because its employees did not leave the company even in times of crisis, and that there was enough trust among them to go through the difficulties which the company had been faced with. With this in mind, the founders came to a conclusion that the form of a worker cooperative would be ideal in order to continue the business in a more stable manner while remaining competitive because the members of the cooperative tend to have a high level of trust and a sense of ownership.

However, at that time, there was no law governing a worker cooperative. Nevertheless, their interest in cooperatives was so high that they formed a special committee to review the articles of association to figure out ways to enable the governance and operation of a cooperative while maintaining the form of the corporation. With the passage of the Framework Act on Cooperatives in December 2011, the committee name was changed to "a special committee to convert into a cooperative," which initiated a feasibility study on such conversion. As part of this effort, the committee members visited France, the U.K., and Mondragon in Spain to learn more about worker cooperatives in advanced nations. In February 2013, it held a general assembly for the transition to a worker cooperative.

At this meeting, the major issue was how to convert the capital of a corporation to the capital of a cooperative. The shareholders, who held 80,000 shares with a par value of 5,000 won, decided to convert the capital into the investment for the cooperative based on the par value, not the market value. The internal reserves of 3 billion won in the book were allotted to three groups evenly: the shareholders, the employees working for the company for five years or more, and all co-op members. 1 billion won of internal reserves allotted to all co-op members was considered as indivisible capital.

HBC continued to grow even after this conversion. The number of co-op members increased from 68 in 2013 to 94 in 2018, the sales from 34.8 billion won to 51.4 billion won and the number of Noodle Tree Restaurant franchisees from 351 to 524. While the number of Hwapyongdong King Cold Noodle Restaurant franchisees decreased from 48 to 23, the number of Tokyo Steak Restaurant franchises increased from

four to 43. HBC also established and operates Happy Bridge Culinary Center and HBM Cooperative Management Institute.

1.3 Reason for Selection

1) case in which workers conduct a medium-scale experiment on a worker cooperative to create quality jobs on their own

A worker cooperative is a type of conventional social economy organization. It is different from a social enterprise, though, which is a new type of social economy organization that directly aims to address social problems, such as labor integration of the socially vulnerable groups, provision of social services, environment and fair trade, and promotion of local communities, while the purpose of a worker cooperative is to ensure employment stability of company workers and promote workers' participation in management. However, creating quality jobs and ensuring job security have recently become an important social problem in Korea as structural unemployment, including youth unemployment, has become chronic, the polarization is intensifying in terms of job quality, and the labor and management continue to have confrontation. The case of HBC is unique in that workers get active in resolving this issue, not capitalists, venture entrepreneurs, or the government.

In particular, the cooperatives in Korea had been controlled by the government for a long time, including the National Agricultural Cooperatives Federation, the National Federation of Fisheries Cooperatives, and the National Federation of Small and Medium Enterprise Cooperatives, so cooperatives had been used as a means of the government's industrial policy rather than considered as an organization that is based on the cooperation among its members to create values and promote democratic, joint management. Furthermore, unlike in advanced countries, it was prohibited under the law to establish a worker cooperative in Korea. That is why the idea of workers establishing and operating A company together, represented by such concepts as "collaborative worker ownership" (CICOPA, 2005) and "team entrepreneur" (Diaz-Foncea & Marcuello, 2013), had not been much realized. A number of cooperatives have been established since the enactment of the Framework Act on Cooperatives, but worker cooperatives still account for a very small fraction. With these in mind, the experiments that HBC has conducted in the past six years as a medium-sized business can offer many insights.

2) case of conversion from a corporation that was "doing well" to a worker cooperative

Happy Bridge was growing, recording the annual sales of 32 billion won and the net profit of around 1 billion won in 2012. Therefore, it is a different case from an Italian counterpart that converted to a worker cooperative at the time when it

went bankrupt(Vieta, 2015). Happy Bridge did not have any financially desperate reasons to switch to a cooperative. That is what makes HBC so unique. Its missions have also changed as time goes by. At the early stage when it just became a worker cooperative, its mission was organization-oriented, striving to improve the economic benefits of its members. However, the recent missions are society-oriented, focusing on becoming A company that creates jobs, becoming a group of innovative entrepreneurs, and expanding solidarity with other cooperatives. In theory, a worker cooperative has relative advantages and disadvantages in terms of firm ownership than a corporation(Jang, 2013). Since Happy Bridge changed from a corporation to a worker cooperative, it had to change the way it operates, including ownership structure, governance, finance, and role and duties of workers. In this process, it brought about institutional and cultural innovations that maximize strengths and make up for weaknesses of a worker cooperative. The efforts it made to achieve results not only at the member level but also at the social solidarity level mean a lot to the Korean society.

2. Social Mission and Outcomes

2.1 Social Problems that HBC Wants to Address

The social problems that HBC is trying to solve are unemployment, income inequality, and employment insecurity due to the pursuit of short-term profit maximization for shareholders, which is one of the ills of capitalist enterprise sector. The issues also include a weaker culture of being considerate for and people and community in the firm, and dogmatic firm operations by a few executives. Although these social problems cannot be resolved only by the efforts of HBC members, the perception that some leaders had of these issues was behind the conversion from the corporation to the cooperative.

Some of the leaders believe that while efforts need to be made to take institutional and policy-level approaches, workers at the fields themselves should create and expand new business models to address these social problems. However, they did not make the decision to transform into a cooperative solely due to their attitude towards social problems,

First, they believed that the transition to a worker co-operative, aiming at stabilizing long-term employment, would increase employees' motivation and be beneficial in recruiting talented people. Since food franchise business is a labor-intensive industry, the commitment of employees is an important factor in improving productivity and competitiveness. The leaders believed that this new form of corporate ownership and new philosophy of a worker cooperative would promote employees' work initiative and enhance the company's competitiveness.

As explained earlier, the founders of Happy Bridge had built and grown the company with a “people-centered” corporate culture, but with an increasing number of employees, the ratio of shareholder employees went down. As the corporation saw the need to have a system under which new employees can act with a sense of ownership, a worker cooperative is deemed the best fit. Moreover, it is not easy for a small and medium-sized company to recruit talented people. The founders wanted to hire young talents who are committed to making the most of their ability with conviction, and being a worker cooperative was one of the strategies to do so.

Second, they thought that a worker cooperative would be stronger in the face of a crisis. One of the advantages of cooperatives is that competent people tend to share the pain instead of simply leaving the organization in times of difficulty. The founders had a belief that the cooperative would be more likely to survive and overcome a crisis as long as talented people keep their places.³¹

2.2 HBC's Mission

At the time of the general assembly for the transition to a worker cooperative, the mission was established as “to achieve economic satisfaction and self-realization of co-op members and customers(the franchisees).” However, in 2018, the cooperative established the Future Planning Committee, which proposed a new mission, vision and corporate structure, which then were approved by the board of directors. The new mission is “to create sustainable jobs.” Happy Bridge lists four ways to create sustainable jobs: expanding new jobs through corporate growth; replacing existing jobs to prevent unemployment in advance at a time of structural changes in the industry; improving jobs with poor working conditions into jobs with good working conditions; and sharing jobs as a way of restructuring in times of recession.

The fact that HBC has set its 2030 vision as “a worker cooperative group of innovative entrepreneurs” shows that its members strive to grow into innovative entrepreneurs rather than remaining wage earners. Furthermore, it has clearly displayed its goal of becoming a cooperative “group” promoting solidarity among cooperatives. These new mission and vision are assessed to be closer to the purpose of a worker cooperative declared by International Organisation of Cooperatives in Industry and Services(CICOPA, 2005), which reads: “generating wealth in order to improve the quality of life of the worker-members, dignify human work, allow workers’ democratic self-management and promote community and local development.”

31 This is the philosophy of the first Chairman In-chang Song, who led the transition to a worker cooperative. This idea is different from a previous study on worker cooperatives, which stated that an emphasis on an egalitarian compensation structure would lead to a relatively higher turnover rate of talented employees(Kremer, 1997). On the other hand, in the light of Mondragon’s success, there clearly are other factors that make a capable employee stay at a worker cooperative.

2.3 HBC's Outcomes

1) From the perspective of co-op members

(1) Improved job security and lower turnover rate

Companies in the franchise industry tend to replace workers with those who have expertise in working for larger companies as their size grows. Also, people move around a lot in the industry³². However, HBC shows very stable employment. After the general assembly for the conversion to a worker cooperative at the late 2013, a female member said the following:

*"I am now much less concerned about changing jobs. As my job is secure, I can think about and take care of other parts of my life. That is the most satisfactory part about the conversion. Also, I like the fact that I can claim my rights in the cooperative because the members share the cooperative's values such as equality. Female members do not have to worry about getting married or going on maternity leave. Also, we can speak up when we are dissatisfied."*³³

When HBC conducted a survey in 2014 on its members' intention to change jobs, 40% responded that they would stay with the company even if they are offered a pay rise of 500,000 won per month. In fact, after the conversion to a cooperative, only three members have withdrawn from the cooperative and four members have changed their jobs for six years. This is considerably low compared to a high turnover rate in average companies in the franchise industry. In the meantime, the number of members increased from 68 to 94. In an interview conducted at the end of October 2019, a female member stated the following:

*"I just came back from my maternity leave. After seeing how well the cooperative helped me settle down, I realized this organization is a really great place to work. If the company suffers for a certain period, I would like to keep working here even if it means my pay will be cut. I do not think I can ever find a place that provides as much job security as Happy Bridge. Also, I am not sure whether I will be able to adapt myself to working for a for-profit corporation. Now I get to say everything I want to, but in a corporation, you have to do blindly what you are told to do. I do not think it is fair to go to another company for my own interest considering how much the cooperative has done to provide stable employment for us."*³⁴

(2) A feeling that members are growing with the cooperative

Rather than replacing existing workers, or members, HBC helps its members grow as well as the cooperative grows in size. That is why its growth is different from other franchise companies. Most of the members agree that while the organization

32 "Seven Proposals for Franchise Industry(6): Great Shortage of Professionals," Korea Franchise News, 15 December 2016

33 song(2013).

34 An interview conducted on 7 November 2019 with a manager in the seventh year at the cooperative.

may grow slowly, it grows with its members(Sohn, 2019).

Therefore, improving the competency of its members is of paramount importance. HBC tries to use its profits to reinforce the overall capability of the cooperative, rather than for personal gains through dividends. For instance, HBC tends to invest heavily in overseas study trips for the worker-members so that they can improve their expertise in marketing. In general, franchise companies send their employees to Japan or Taiwan for market research, but only a few can be given the opportunity. Those who are not selected may feel a sense of deprivation or may not do as well in new product development. On the other hand, HBC tries to give such opportunities to as many members as possible. There was a time when the company spent the surplus to send all the members to an overseas study trip, instead of distributing it. A member has been given at least one opportunity to go on a study trip(Sohn, 2019). A female member in the eighth year at the cooperative said the following: There are many positive aspects of our horizontal culture. You are always welcome to share your opinion at any time, and give your opinion for projects. I think new employees would be more satisfied with such a culture in our cooperative, where they can express themselves, than in other companies because they are eager to do something. Compared to other companies in the industry, I think you would feel a greater sense of achievement because of the freedom given to you to share or suggest ideas.

2) From the perspective of the cooperative

The outcomes at the member level are very closely linked to the outcomes at the cooperative level. The latter can be expressed as improved productivity through diverse innovations. The conversion from a corporation to a worker cooperative has its own advantages and disadvantages in terms of the company's sustainability. Existing literature argues that major weaknesses include members' inclination towards low investment in capital, talents leaving the organization due to an overly egalitarian culture, and higher costs of collective decision-making(Pencavel, 2012; Burdín, 2014; Hansmann, 1996). On the other hand, such shift means that the worker-members also change from wage earners to residual claimants, making them work hard as the "owners" of the cooperative. This results in the reduction in the company's expenses and supervisory costs. Also, as they take an active part in the decision-making process, they tend to work with a sense of responsibility as well(Burdín, 2014). It is difficult to predict the net effect of these advantages and disadvantages, though.

Although the net effect of the transition could not be quantified, it is promising to see a steady increase in the number of members and in the amount of contributions to paid-in capital per person: the former increased from 68 in 2013 to 94 in 2018,

and the latter from 14.07 million won to 18.7 million won in the same period. The ratio of the members to the total employees also increased from 75.6% to 80% in the same period, improving the quantitative level of so-called “mutuality” (See Table 1).

Table 1. Changes in the Number of HBC's Employees and Members

Year	Total No. of Employees	No. of Members	No. of Preliminary Members	No. of Non-member Employees	Paid-in capital (in million won)
2013	90	68	6	16	957
2014	86	74	0	12	1,086
2015	88	74	0	14	1,095
2016	98	73	10	15	1,229
2017	116	83	16	18	1,429
2018	117	94	8	15	1,758

1) An employee is qualified to be a preliminary member for one year on his/her second anniversary of the employment.

2) An employee is qualified to be a member on his/her third anniversary of the employment.

3) In the early days when the cooperative was established, the employees with three or more years of continuous service were granted the eligibility for membership.

Source: Happy Bridge's internal data

Happy Bridge's sales increased by about 1.6 times from 31.5 billion won in 2012 to 51.4 billion won in 2018. Its net profit, however, decreased and recorded net losses in 2017 and 2018(See Table 2). There are several reasons for these net losses. The major reason is that the rate of the sales increase was not as high as the increase of the number of franchise restaurants with the transition to a worker cooperative because the company raised the rate of allowance for retirement payment while the price of the raw materials and supplies provided for Noodle Tree Restaurant franchisees has little increased since 2016³⁵. In addition, an internal analysis shows that the failure of the new start-up and investment project in the food industry called the Five, which was put in place as a measure to address the problem of youth unemployment, affected the decline in the cooperative's profits. The third reason is an increase in the loss as the cooperative improved the method of VAT handling for Noodle Tree Restaurant franchisees in 2018, which required the cost of about 1 billion won. Still, an in-depth analysis of the causes of such losses further needs to be done. In response to these losses, HBC increased the members' contributions to paid-in capital and reestablished its mission and vision by organizing and operating the Future Planning Committee.

35 A considerable portion of the raw materials and supplies provided for Noodle Tree Restaurant franchises comes from Happy Bridge Factory in Gongju established in 2015, 90% of whose capital is owned by Happy Bridge. The net profit of this factory records about 1 billion won per year, so the loss is not made at the level of the entire group. The cooperative maintains the chain competitiveness by realizing backward integration in the vertical value chain to reduce procurement costs and sharing the saved amount with Noodle Tree Restaurant franchisees.

Table 2. Changes in Happy Bridge's Sales and Profits

Year	Sales (in 100 million won)	Net Profit (in million won)
2012	315	1,117
2013	348	955
2014	361	598
2015	395	779
2016	425	764
2017	485	-137
2018	514	-414

Source: Happy Bridge's Annual General Meeting Proceedings

In fact, the employees who were interviewed for this study clearly demonstrated their sense of ownership as the co-owners of the company.

When Happy Bridge was a corporation, I thought things are over once the agenda was decided. I just thought I was doing what's being decided by the management, but now I can feel that how the projects that I voted for are implemented in the field. In a sense, I get to know them better, which makes me think about what kind of roles I need to play for what projects. I tell myself I should work more on certain parts and certain parts need more progress while you get directions and guidelines from the above in a corporation. A cooperative is different in that you have a better understanding of your works.³⁶

In late 2013, or six months after the general assembly for the transition, a female member said as follows:

*"I work in the accounting team and I love the fact that the flow of money I deal with is transparently disclosed to all members, and that everyone thinks about the finances. Employees who are not in the accounting team try to reduce costs and think about the profit structure because they also invested their own money in the cooperative. They also pay attention to how the money is spent and left. A worker cooperative is wonderful in that we do more than merely reporting the accounting results, but we also consult each other in the process."*³⁷

However, we should still wait and see whether HBC's long-term job security would make workers become more skilled for and knowledgeable about its business and work better with their colleagues in teams, ultimately leading to successful economic results.

³⁶ An interview conducted on 7 November 2019 with a manager in the seventh year at the company

³⁷ Song (2013).

3) From the society's perspective

HBC has made social contributions in various aspects. First of all, it allows local self-reliance support centers to take advantage of Noodle Tree Restaurant for their self-reliance enterprises' business. Named Noodle Tree Restaurant Green Project, this project helps low-income groups run a restaurant in a stable manner and ultimately aims to establish a franchise headquarters specialized for the low-income people. Central Self-Reliance Support Foundation(CSSF) and its local centers participate in this project and HBC provides consulting for them.

Moreover, HBC has been active in the foundation and operation of Korean Federation of Worker Cooperatives(KFWC) as well as the foundation of HBM Cooperative Management Institute and Happy Bridge Culinary Center, thereby nurturing team entrepreneurs and promoting start-up and job creation projects.

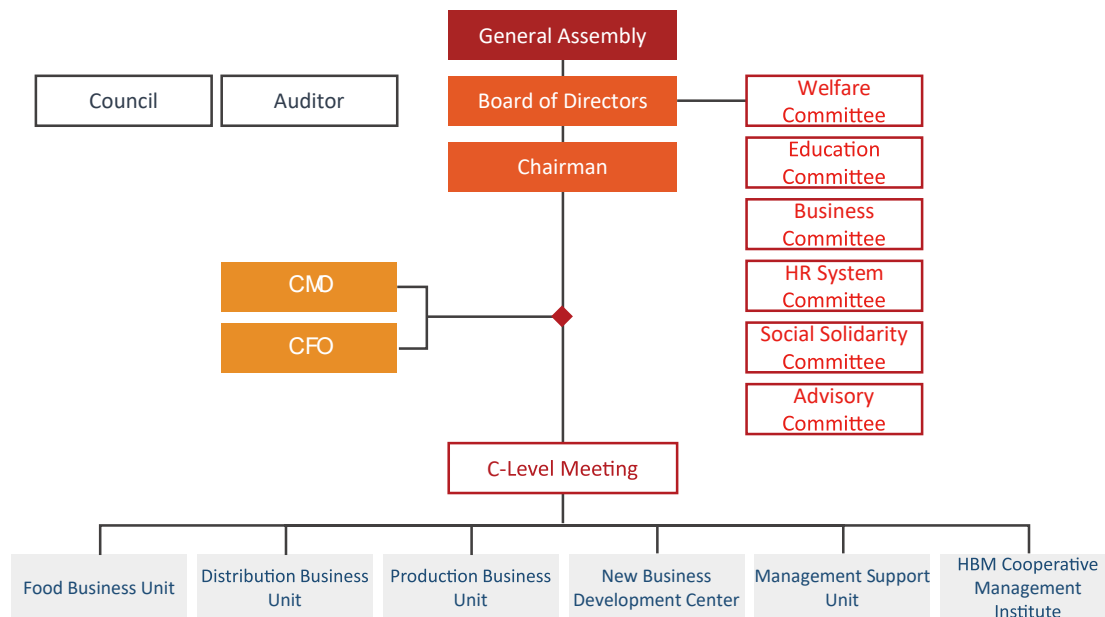
3. Success Factors

3.1 Implementation of the structure allowing member employees' management participation

Although HBC's recent outcomes in the financial aspect are not great, they do not seem to be a warning sign for its sustainability at the level of the entire group because it they happened in the process of business adjustment. The overall quantitative indicators are under development, and the cooperative can even be deemed positive in terms of workers' pride in the organization and the level of social contribution. The factors contributing to this achievement can be divided into two: the implementation of the structure allowing member employees' participation in the management, and the system supplementing the weaknesses of worker cooperatives.

Firstly, the biggest changes after the transition are the ownership and governance structures. Workers have earned the rights to vote and receive dividends by making investments and becoming members of the cooperative. The worker-members attend the general assembly and participate in making important decisions, such as revision of the articles of association or reorganization, and the directors elected at the general assembly make detailed managerial decisions. The chairman, chief manufacturing officer(CMO) and chief financial officer(CFO) make up the c-level meeting, being responsible for day-to-day managerial execution(See Figure 1)

Figure 1. HBC Organizational Structure



HBC followed Mondragon Cooperative and establish the council of the members in addition to the board of directors(BoD). The council can be convened at any time when there is a matter that requires the discussion and decision of all the members. The council is divided into six groups by region and age group, through which members can interact with other members and express their opinions. Under the BoD are welfare committee, education committee, and HR system committee, allowing almost all members to engage in the cooperative activities through the BoD and committees(Sohn, 2018). Committees go through in-depth discussions to make a draft, which is then submitted to the BoD and the general assembly. The cooperative presents such diverse organizations to ensure the member employees actually participate in the management.

For instance, 12 out of 67 members participated in the HR system committee in 2013 when members suggested the wage and performance evaluation systems should be adjusted. The committee adjusted the wage system and distribution principles in a way that improves the equality and fairness of compensation, including ensuring that the gap of the highest and lowest pays does not exceed fivefold. There was considerable controversy in this democratic decision-making process, but it was a great achievement that the members witnessed the importance of keeping the balance of three values for the compensation structure, namely equality, fairness, and improvement of the organization's future values. Moreover, the participation of workers has encouraged them to take initiative in performing their tasks and solving problems, which brought about the vitality within the cooperative and enhanced its business performance.

3.2 Pursuit of the policies supplementing the weaknesses of worker cooperatives

As mentioned earlier, the biggest obstacles to the development of a worker cooperative are a shortage of capital and the cost of collective decision-making. A worker cooperative in Italy and Mondragon Cooperative are known to have successfully made institutional and cultural efforts to make up for these two weaknesses (Jang, 2013). HBC has visited Mondragon Cooperative multiple times and set up a sisterhood relationship with it, showing that it is deeply aware of this problem. To address this issue, HBC has established a system where members contribute sufficient capital to the cooperative. The subscription contribution was set to be at least 10 million won per person, and 6–7% of the net surplus was executed as a priority as a dividend (close to interest) on the investment. 10% of the net surplus was executed as labor dividends. Another 10% of the net surplus is allocated to the legal reserve and about 8% to the fund, and keep the remaining 65% or so as internal reserves (Sohn, 2018). At the general assembly in 2015, the resolution was voted for the labor dividends to be mandatorily converted into paid-in capital³⁸. As a result, HBC's total capital was 5.6 billion won, consisting of 2.7 billion won in equity capital of the members and 2.9 billion won in internal reserves as of the end of 2018.

As such, HBC has solved the problem of capital shortage by making members to contribute to paid-in capital and conversion of dividends into equity. To find ways to compensate members for their capital contributions, the welfare committee is seeking measures to improve the welfare of the co-op members, such as granting loans to preliminary members.

4. Implications and Prospects

4.1 Strategic and Policy Implications

It is still too early to determine whether HBC is a success case or not, but it is definitely making efforts to pursue socially acceptable business in substance and method while keeping its identity as a worker cooperative. HBC offers two major strategic implications. First, the key factor behind Happy Bridge's transition into a worker cooperative despite the fact that its business had already reached a certain level is the concession and dedication of some of the founders of the corporation. HBC would not have been here today if they did not make a practical decision to address polarization and realize economic democratization through corporate democracy. This is especially true in that they had their shares converted into subscription

38 However, at the 2018 general assembly, the decision was made to abolish this provision.

certificate at a par value, which was much lower than the market value, and donated two thirds of the internal reserves for the cooperative. In this regard, the case of Happy Bridge, where A company shifted to a worker cooperative, is significant in that it has proposed a new alternative to business succession of the owners of small and medium-sized businesses near retirement in Korea.

Second, HBC has continued to learn from other cases, including Mondragon Cooperative, and discussed with its members to establish the institutions and policies successfully. In addition, it reached a conclusion that a network of multiple worker cooperatives would be necessary to develop into a worker cooperative of openness and solidarity. This perception has been confirmed to be a must for a worker cooperative aiming at job security because it ensures middle-aged members' mobility to other cooperatives once they have built several decades of professional experiences.

The policy implications of this case can also be summarized into two. The first one is that the success of a worker cooperative largely depends on the business leader who is well aware of its values and identity. This suggests the need for education and training programs to nurture "alternative" business leaders. Some of HBC's executives believe that a democratic decision-making process and egalitarian distribution of surplus of a worker cooperative are not efficient in the market competition and have a tendency to expand business by establishing subsidiaries of a corporation type when a conflict occurs within the cooperative. This implies the need to enhance our understanding of cooperative management that combines a worker cooperative with management.

Second, the indivisible reserves system is necessary for worker cooperatives' capital finance and capital stability, and they should be given tax benefits where the amount of the reserves is deducted from the corporate tax. However, the Framework Act on Cooperatives currently in force does not provide the basis, calling for the revision of the said Act as well as the relevant tax laws. In HBC, the internal reserves, which are not allocated as the shares of individual members and hence have the nature of indivisible capital, are not ruled by the Framework Act on Cooperatives. As a result, there is a controversy over this issue between the members who plan to retire or leave for a new job and the members who plan to stay with the cooperative.³⁹

39 With regard to the scope of the return of capital for the members who plan to retire or leave for a new job, there is a criticism that the indivisible internal reserve is a rule that does not have any legal basis under the Framework Act on Cooperatives. The policy makers should take it seriously that some members still hold membership in the cooperative even if they retired or changed jobs as this issue has not been settled, and they are having a negative impact on the decision-making of the cooperative. Song(2017) identified indivisible capital as one of the success factors of Woojin Bus Inc. in Cheongju, one of Korea's most well-known worker-owned firms, and named it a "shared ownership system."

4.2 Challenges and Prospects

It is impressive how HBC has developed its business of a worker cooperative in Korea, where competition between companies is extremely intense, often referred to as “Jungle Capitalism”, the awareness of a worker cooperative is practically non-existent, and the institutional environment including the tax system is quite poor. However, there remain a number of challenges that must be addressed in order for HBC to continue to grow.

Firstly, it is necessary to build awareness and create a culture in which members take advantage of their ownership in the cooperative to create values instead of distributing the values generated by the cooperative. In this regard, HBC is still in the experimental stage. Second, in case of a transition from a corporation to a worker cooperative, executives and mid-level managers, who are used to the management style of corporations, sometimes find it difficult to adjust to that of worker cooperatives. That is why some cooperatives, although they are cooperatives in form, may return to corporations in terms of the substance of the management. Therefore, it is a very important task to prevent and overcome such tendency. For example, in 2015, after the transition, when HBC decided to launch a manufacturing firm producing raw materials to supply for Noodle Tree Restaurant franchisees ingredients and supplies in the backward of the value chain, it took the form of a corporation, not a worker cooperative. This suggests how difficult it is to establish and operate a worker cooperative.

Therefore, it takes more than the members’ efforts to ensure HBC’s continuous development and see more similar cases spreading; the central and local governments, support agencies, and the academia should show a keen interest and put effort in creating an environment favorable to worker cooperatives. In particular, the persons concerned should be devoted to studying and putting into practice business know-how and strategies that will promote the shift from the values emphasizing competition to the values focusing on cooperation and collaboration. Moreover, considering that it is difficult to expect voluntary cooperation between members of a worker cooperative under the vertical management structure within the organization, it is essential to conduct microscopic research and practices regarding the factors and mechanism that will facilitate such transformation.

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V . BeautifulStore

Creating a beautiful world of sharing and recycling where everyone participates

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Summary

Overview and Reason for Selection	<ul style="list-style-type: none"> · BeautifulStore is a non-profit organization that promotes environmental awareness through recycling and rerecycling activities and puts sharing into practice through the use of proceeds to support the underprivileged and activities in the public interest at home and abroad. · As of the end of 2018, 443 employees worked for 111 charity shops and 28 repair centers with the help of 17,532 volunteers. Annually, 21.6 million items were donated and KRW 31.8 billion was generated in sales, KRW 4.3 billion of which is spent for sharing activities. · It is the first Korean NGO to attempt to resolve social problems through business, or through the social economy, to be exact. · BeautifulStore is a classic example of creating a meaningful social influence in resource recycling and sharing. It created an attitude that donating or buying used goods was natural, and developed a business model that gives back to society through the profits generated in this resource recycling process.
Social Mission	<ul style="list-style-type: none"> · Social Problems to Tackle <ul style="list-style-type: none"> – The activities involved in promoting the recycling of goods were conducted as part of “life and cultural campaigns” and were small in size, or one-off events. This presented limitations for expansion to the public. – Negative perceptions and social resistance to recycled products and second-hand goods are significant. · Social Mission <ul style="list-style-type: none"> – The goal: “Creating a beautiful world of sharing and recycling where everyone participates” – BeautifulStore has successfully extended the desire for recycling and sharing from one-time events to a refined and permanent form through effective combination of the public interest, efficiency and expertise.

Out-comes	<ul style="list-style-type: none"> · BeautifulStore rapidly spread a habit of donation and recycling by making its non-profit, recycling business national, scaling it up, and systematizing it all. · It has promoted the habitual use of second-hand goods, improving the environment and reducing resource use. · It generated a total of 239.5 billion won from 2006 to 2018 by selling 75.32 million pieces of donated items. · Sharing <ul style="list-style-type: none"> – Various types of charity projects are implemented to create social value. – The accumulated amount spent on these charity projects since 2003 has reached 48.4 billion won so far.
Success Factors	<ul style="list-style-type: none"> · Entrepreneurship and strong, capable leadership(founder/social entrepreneur): The founder's determination and ability to work in the public interest, his sense of social entrepreneurship, his ability to present his vision to employees and volunteers, leadership, planning skills and extensive network · Strong organizational culture, value sharing, dedicated employees and volunteers: Expert participation and commitment, sharing of vision and dreams · Wide stakeholder participation and contribution: Securing resources and reducing costs through the participation of Angels(volunteers), the board of directors, and local advisory committees · Paradigm shift in the recycling industry through a low-cost structure and store innovation: A low-cost business structure(volunteers, donations, an integrated logistics system in the Seoul metropolitan area), customer-oriented store innovation(bright, clean and warm store atmosphere, POS(point-of-sale) and dedicated accounting system for transparent store management, etc.) · Mixed value management and unique employee/volunteer empowerment systems: The goal was to have BeautifulStore be characterized by both corporate expertise and non-profit value-orientation and flexibility. The mixed value management system has accomplished the desired goals, as well as expertise and efficiency. Revenue structure diversification has been realized. A human resource development system known as "Grow Together" has been introduced. · Early building and application of brand awareness: Using the popularity and recognition of the founder and a variety of celebrities, support from the media, and transparent management, trust built over time.
Strategic and Policy Implications	<ul style="list-style-type: none"> · BeautifulStore demonstrates that it takes appropriate strategies and effective execution to make a business model work well in the field and to lead to actual social outcomes. · New alternatives to NGO activities: It was a pioneer in social enterprises that emerged on its own in the private sector, showing that non-profit organizations can implement projects and continue value-seeking activities while increasing in size. · Effectiveness of mixed management system: It has proven the possibility of building expertise and efficiency to realize social values by combining NGO strengths with corporate management tools.
Challenges and Prospects	<ul style="list-style-type: none"> · Operating costs increasing and drop in profitability · Increasing number of employees and volunteers leads to weaker sense of unity on the vision and the need to improve working conditions
SDGs	<ul style="list-style-type: none"> · SDG #10 Ensure sustainable consumption and production patterns(Recycling) · SDG #12 Reduce inequality within and among countries(Sharing)

1. Case Overview and Reason for Selection

BeautifulStore is a non-profit organization that promotes environmental awareness through recycling activities and puts sharing into practice through the use of proceeds to support the underprivileged and activities in the public interest at home and abroad.

It started off as the Alternative Business Team of People's Solidarity for Participatory Democracy (PSPD) in 2002. It is the first Korean non-profit organization that has attempted to resolve social problems through business, or through the social economy, to be exact. It has grown steadily after being certified as a social enterprise on Oct. 29, 2007 and establishing itself as a foundation corporation in July 2008. As of the end of 2018, 443 employees worked for 111 charity shops and 28 repair centers with the help of 17,532 volunteers. Annually, 21.6 million items are donated, generating KRW 31.8 billion in sales, 4.3 billion of which is spent for sharing activities.

The five leaves on the logo refer to the five domains that BeautifulStore aims to cover: donation, restoration, green consumption, volunteering activities and profit sharing



Impulsive and unnecessary consumption, waste of resources, garbage, and the resulting environmental pollution are problems for all of humankind. The solution requires that everyone's awareness increase and that they take action. Oxfam GB has showed us that recycling and sharing (through donation) of used goods can be done as part of anyone's daily life and can be the miracle that improves overall happiness.

BeautifulStore is a classic example of creating a meaningful social influence in resource recycling and sharing. It created an attitude culture that donating or buying used goods was natural, and developed a business model that gives back to society through the profits generated in this resource rerecycling process.

BeautifulStore has gone one step further and led innovation in resource recycling by implementing alternative trade (fair trade) practices and upcycling in earnest, which had either been only at the discussion phase or practiced on a small scale in Korea.

2. Social Mission and Outcomes

2.1 Social Problems to Tackle and Social Mission

In 1990, YMCA (Young Men's Christian Association) set mitigating environmental pollution as a major task and launched related campaigns and activities, leading to the opening of permanent stores for resource recycling where used goods could be exchanged. These stores included YMCA Green Stores, thrift stores run by the Citizens' Coalition for Economic Justice (CCEJ) and YWCA flea markets. When BeautifulStore was launched in 2002, the market for second-hand household goods had already formed to some extent.

However, these activities were small-scale, or one-off events, calling for a scaling-up and development into sustained movements. Activities by existing groups promoting the recycling of goods were conducted as part of "life and cultural campaigns" aiming at changing perceptions and attitudes, and therefore presented limits in terms of public expansion. Furthermore, the negative perception and social resistance against recycled products and second-hand goods needed to be reduced.

BeautifulStore has pursued a goal of "Creating a beautiful world of sharing and recycling where everyone participates" through economies of scale as part of the movement for social change, which is carried out by experts to use social changes to address social issues. As stated in its articles of association, the foundation hopes to bring about ecological and eco-friendly changes to our society by promoting the recycling and recycling of goods, supporting the underprivileged and public interest activities at home and abroad, engaging in sharing activities, and contributing to more mature civic awareness and development of grassroots communities.

BeautifulStore has successfully extended the desire for recycling and sharing from one-time events to a refined and permanent form based on a well-established strategy that effectively combines efficiency and expertise in the public interest, and excellent implementation.

Moreover, it does not stop at merely selling reusable goods. It wants to identify and support public projects that present revolutionary solutions to environmental issues and social problems based on the values of sharing and recycling. This vision is also seen in the "spirit of net knot," which is one of the foundation's fundamental philosophies. Like the knots of a net tightly woven with horizontal and vertical lines, BeautifulStore views the world as a series of relationships that help us realize that we are responsible for each other. In the long run, it seeks to start a "silent revolution" where people and nature coexist in peace, making our society greener and introducing fundamental changes to the way we live our lives.

2.2 Establishment and Growth

1) From exploration to launch(2001-2002)

The beginning of BeautifulStore was when a volunteer took the initiative to begin holding a small flea market in May 2001 in the forecourt of the PSPD Office in Seoul. The flea market would take place once every few months, but soon more frequently as the public response became more and more positive. Won-soon Park, then Secretary General of PSPD, proposed developing the project in earnest in early 2002 based on his experience with Oxfam in the U.K. Consequently, the PSPD established an Alternative Business Team dedicated to cooperatives and flea market projects. The flea market originally began as a simple dream to create a “lunchbox fund” for full-time employees. However, with Park’s suggestion, it was established as a movement to raise awareness of the importance of sharing and recycling.

Market research was conducted prior to making it a full-scale organization. In April 2002, the project taskforce visited Goodwill and the Salvation Army in the U.S. for international benchmarking. It also visited cooperatives and second-hand shops in Japan to learn about successful cases.

It finally opened its first store in Anguk-dong, Seoul in October 2002 with an inaugural assembly. The initial plan was to start as an independent non-profit corporation; however, it was the first time that a non-profit organization attempted to run a business in the social economy sector, so it was denied status as a non-profit corporation. It was forced to take its first steps as BeautifulStore, a for-profit business entity under the Beautiful Foundation.

2) Initial establishment and growth(2003-2005)

In 2003, the business system began being established in earnest to secure a stable foundation. The organizational structure became more systematic, with separate divisions responsible for different tasks: the Sales Division for opening and managing stores in the Seoul metropolitan area, the Recycling Division for collecting, sorting and pricing donated items, and the National Division for opening and managing stores in cities outside the Seoul metropolitan area. In addition, it opened the Net Knot Center in Anyang and the Yongdap Repair Center, facilities that gather and handle the items donated from the Seoul metropolitan area. Efforts to have stores across the nation led to the establishment of regional headquarters in Gwangju, Daejeon, Busan and Daegu. Moreover, it enjoyed media exposure via JoongAng Daily and SBS TV, improving public awareness across the nation.

During this period, the business began to produce outcomes and realize the revenue needed for sharing while it engaged in experimentation and trial expansions. New stores specializing in different regions and goods opened, and Mobile BeautifulStore began operations in April 2003 to promote donating and sales in areas without a store.

It also developed large-scale marketplaces to share reusable goods in public places, such as the Baby Chick Flea Market for Kids(from May 2003), the Largest Flea Market(Nov. 2003), Weekly Beautiful Marketplace in Ttukseom(from Mar. 2004), and Wiaza Bazaars(from Sep. 2005).

To further increase sales outlets, it opened Saengsaeng Mall, an online mall where second-hand goods could be donated and traded(Feb. 2003) as well as BeautifulStore on Interpark, an online shopping mall, for the public to purchase donated items(Jun. 2005). BeautifulStore was the first in Korea to begin selling fair trade products(Sep. 2003).

3) Stable growth(2006-2010)

With the receipt of social enterprise certification in 2007 and independence from the Beautiful Foundation in 2008, BeautifulStore entered a period of stable growth.

As the operating system(e.g. POS system) and the project to have stores nationwide settled, the total number of stores exceeded 100(Jun. 2009) and the accumulated amount spent for sharing activities exceeded KRW 10 billion(Jun. 2009).

BeautifulStore launched a fair trade product called “Gifts from the Himalayas” (Aug. 2006) and opened its first Beautiful Cafe(Jun. 2008). It also launched an upcycling brand called Eco Party Mearry⁴⁰(Jan. 2007) and opened a shop in Ssamji-gil in Insa-dong, Seoul.

It was also around this time that international relief and assistance programs began: Namaste Ganges in 2007, Good Morning Vietnam in 2009 and Beautiful Libraries in 2010.

Domestic charity projects have diversified as well, including free child education on sharing, a Small Library Support Project, and Tasty School Break: “Cookbang” project, which provided meals for children who would otherwise go hungry during summer and winter breaks.

This was also a period of executives change and stabilization. Efforts were made to reduce dependence on Won-soon Park, who had played a leading role as the founder, and move to a system-based operation focusing more on the BeautifulStore brand.

4) Maturity(2011-present)

Since 2011, BeautifulStore has been fully established in terms of the number of stores and profit stability. Other projects are also doing well: Beautiful Coffee was spun off into a fair trade corporation(Jan. 2014), and the online business led to the re-opening of Beautiful Market(Jul. 2011) after much trial and error.

The charity projects at home and abroad continue to expand within the same framework. In 2011, Beautiful Fellows was launched as the first project supporting

40 “Mearry” in Korean means “Echo” in English.

social enterprises, followed by one helping businesses find markets for their public interest goods⁴¹, and specialized and advanced courses on starting a social enterprise. These charity projects have even scaled up to include an overseas social enterprise impact investment project in Indonesia (Jun. 2016–present).

BeautifulStore is doing well with the number of accumulated volunteers exceeding 140,000, the accumulated number of activity hours totaling 9 million, and the accumulated shared profits amounting to KRW 48 billion as of the end of 2018.

2.3 Fields of Business

BeautifulStore has mainly two fields of business: recycling and sharing.

1) Recycling Business

BeautifulStore Charity Shop

At the center of the recycling business are BeautifulStore charity shops. Since the first opened in 2002, some 150 have opened in total. However, with the closure of some stores for a variety of reasons, including poor sales or rent that was no longer free, the number is 113 as of 2019.

In the early days, specialized stores were operated in addition to general stores, in accordance with the nature of the areas in which they were located. For example, Seocho Store would auction some of its items while Hongdae Store would focus on cultural products. Banghak Store specialized in kids' items while Bomulseom Store in Paju Book City was known for offering used books. Most of the specialized stores have now become general stores, except for Bomulseom Store. Aside from this classification, there are other special stores in terms of how profits are shared. For instance, Gangnamgu Office Store uses its proceeds to help the Green Santa Project in collaboration with Sanofi–Aventis, while Yongdapdong Recycling Plaza Store runs as an Eco Party Mearry store, BeautifulStore's upcycling brand.

In the early stages when there were few stores, BeautifulStore operated "Mobile Store," a mobile store that used a renovated five-ton truck, with corporate sponsorship. However, as a number of stores have opened across the nation, this project ceased in 2016.

41 Public-interest merchandise refers to goods produced with care and dedication by people working at social enterprises, eco-activist groups, fair trade organizations, and organizations for rehabilitation of the disabled.

The BeautifulStore Foundation Bazaars(flea markets)

The BeautifulStore Foundation Bazaars, which take place in public places on a regular basis, are another important pillar of the recycling business. Starting with the Largest Flea Market held in Seoul Olympic Stadium in 2003, six types of special markets are in operation, welcoming members of the public to buy and sell goods themselves and practice the values of recycling and sharing. The entire amount donated voluntarily by these sellers is used for the Small Library Support Project and Tasty School Break: “Cookbang” project. The most well-known flea markets include Wiaza Bazaars, which take place simultaneously in four major cities and are the largest flea markets in Korea, Weekly Beautiful Marketplace in Ttukseom, which opens on weekends(closed in winter and on days of extreme summer heat), and Baby Chick Flea Market for Kids that takes place on Children’s Day(May 5) in BeautifulStores across the country.

Fair Trade

Fair trade holds another key position in the recycling business. After BeautifulStore gained experience selling traditional handicrafts made by the poorest people in Southeast Asia, it jumped into more popular markets, such as coffee and chocolate. It launched Beautiful Coffee and even accounted for about 35% in terms of sales(KRW 3.56 billion) of the fair trade market in 2011. The coffee division became an independent corporation in January 2014.

Upcycling

Eco Party Mearry, which first commercialized upcycled products in Korea in 2007, has continued to use a variety of disposed items to make products that are unique yet practical. The brand paved the way for new upcycling social enterprises, such as Reblank and Touch4Good.

Charity Bazaar

Beautiful Saturday, a bazaar program in which executives and employees of corporations donate used goods and sell them in BeautifulStore shops, plays an important part in recycling business. Participation has increased thanks to media exposure and the widespread five-day workweek. Today, the event takes place about 200 times a year and involves hundreds of companies.

2) Sharing projects(charity projects)

BeautifulStore’s profit-making activities from recycling and resource recycling bring about beautiful changes in the world through its charity projects. It aims to use the profits generated in the community to help those in need in that community,

thereby serving as an organization that local residents and grassroots organizations can trust and lean on. It upholds five principles: fairness, suitability, effectiveness, locality and transparency.

Charity projects are planned and implemented at a regional(store) level, and encompass diverse social groups. A variety of projects are carried out to support basic living, establish a base for self-reliance, create a community atmosphere, promote social innovation and support social enterprises. A project launched in 2011 to support social enterprises is particularly significant in that it is the first one in Korea where a social enterprise is helping other social enterprises.

BeautifulStore charity projects are generally classified according to their method of operation. Major projects include the following.

Hope Sharing Project

This project helps low-income families maintain a basic standard of living and helps socially and economically vulnerable groups to establish a foundation for self-reliance. Each store and region can choose the projects they want within the framework of providing support for basic living; self-reliance for vulnerable households in the fields of health, medical service, education, housing, and energy; or public interest activities to solve local issues.

Beautiful Sacks of Sharing

Since 2004, this project has delivered daily necessities to the underprivileged elderly living near the stores before holidays, such as Lunar New Year's Day or Chuseok(Korean Thanksgiving Day). Corporate, club and individual volunteers assist with delivery of the gift sacks.

Specially designed charity projects

These projects are designed to address certain social problems, particularly related to children, including the Tasty School Break: Cookbang project, projects providing emotional support for underprivileged children, education projects for childcare facilities, and projects that support teenagers who have grown out of orphanages. The Cookbang project assists local children's centers with funding for meals, nutrition education, and themed culinary programs for children during summer and winter school breaks.

In the environment sector, BeautifulStore runs Beautiful Forest Project, which plants trees along the road to prevent the spread of fine dust. In the social economy sector, it runs Beautiful Fellows project, supporting social entrepreneurs. This project not only covers living expenses for entrepreneurs in social innovation but also develops their leadership skills through consulting and overseas training.

Contracted, designated, or event charity projects

Projects in this category allocate donations or profits from stores or events for the public interest based on agreements with event organizers or donor intent. They include Green Santa Project, which provides emotional support for young patients with chronic, rare, or incurable diseases, projects supporting youth culture and art clubs, projects promoting an attitude of donation, and projects supporting the underprivileged in the metropolitan Busan area. In addition, items donated by event partners are sold on Saturdays as part of the Beautiful Day project, and the proceeds distributed to local communities in need. The donations made by participants in various flea markets, such as Wiaza Bazaars and Baby Chick Flea Market for Kids, are also allocated under certain themes.

In-Kind Sharing Project

This project uses BeautifulStore's strengths as a charity shop; it basically distributes the donated items to those who need them.

Knowledge Sharing Project

This educational project aims to help students identify the purpose and method of sharing, and help them put sharing into practice in their daily lives. The program encompasses a variety of ages: preschoolers, elementary school students and teenagers. Working-level workshops are offered as well.

Social Enterprise Market Support Project(Public Interest Goods)

This project discovers excellent public interest goods suffering from poor sales due to a lack of sales channels, and sells them in BeautifulStore's offline shops and online channel nationwide. The benefits provided are worth over KRW 3 billion per year, including product and gift set development, marketing training programs, and sales opportunities in stores.

Overseas charity projects

BeautifulStore's overseas charity projects include Beautiful Libraries, which began establishing libraries in Nepal and the Philippines in 2010; Namaste Ganges, which began in 2007 to help Bangladesh and Nepal – two nations suffering from frequent flooding and drought – improve their disaster preparedness and generate more income(in partnership with Oxfam until 2015); Good Morning Vietnam, which started in 2008 to support sustainable self-reliance among teenagers in ethnic minority groups in Vietnam through higher education and vocational training(in partnership with Oxfam until 2015); Beautiful Works, which creates jobs in

Bangladesh to help survivors of a factory collapse by hiring them to produce Eco Party Mearry products; and Overseas Social Enterprise Support Project, which helps charity shops in Nepal stand on their own feet.

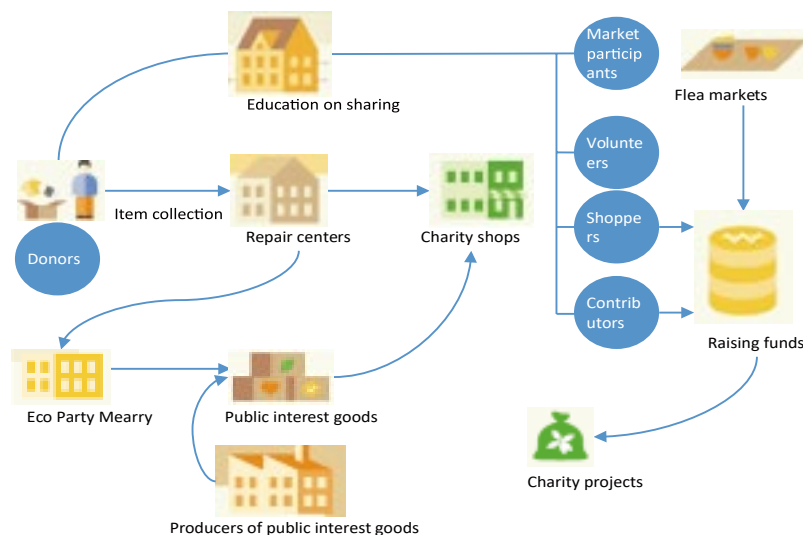
In addition to these regular programs, there is also an emergency relief program to help Nepal affected by major earthquakes and other regions.

2.4 Social Outcomes of BeautifulStore

The biggest social achievement of BeautifulStore is taking a mere charity shop to the next level. It has rapidly spread the habit of donation and recycling by systematizing its non-profit, recycling business, expanding it and making it national. It created a system whereby people can easily donate or purchase used goods nearby, thereby creating more opportunities to participate in donation and recycling. In particular, it has reduced the resistance of the middle class to second-hand products. It has even benefited society by helping to improve the environment and reduce the use of resources. Proceeds from its processes are shared with local communities to create additional social value.

The social values created from BeautifulStore's various activities can be summarized in the flow chart below:

Figure 1. Flow Chart of BeautifulStore's Activities



Reorganized from its 2016 Sustainability Report

BeautifulStore uses the proceeds from its recycling activities in its charity projects, investing over KRW 4 billion per year. The accumulated amount invested in such charity projects since 2003 – in other words, the amount of social value created through sharing – totals KRW 48.4 billion.

Figure 2. Quantity of Donated Items Per Year, and Sales(Unit(left axis): in million)

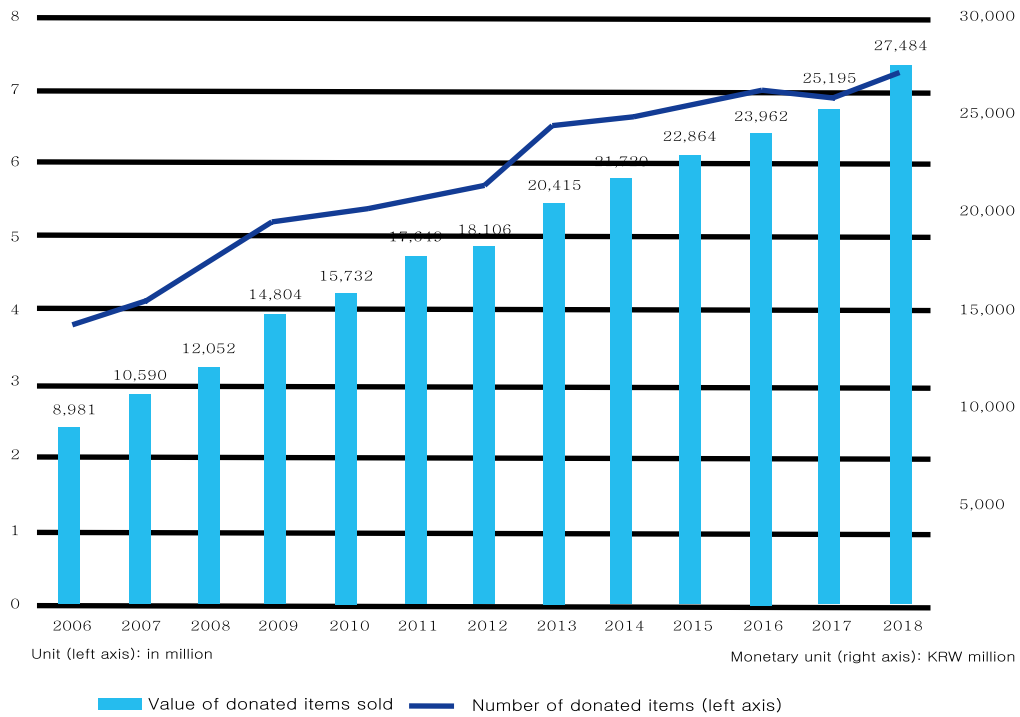
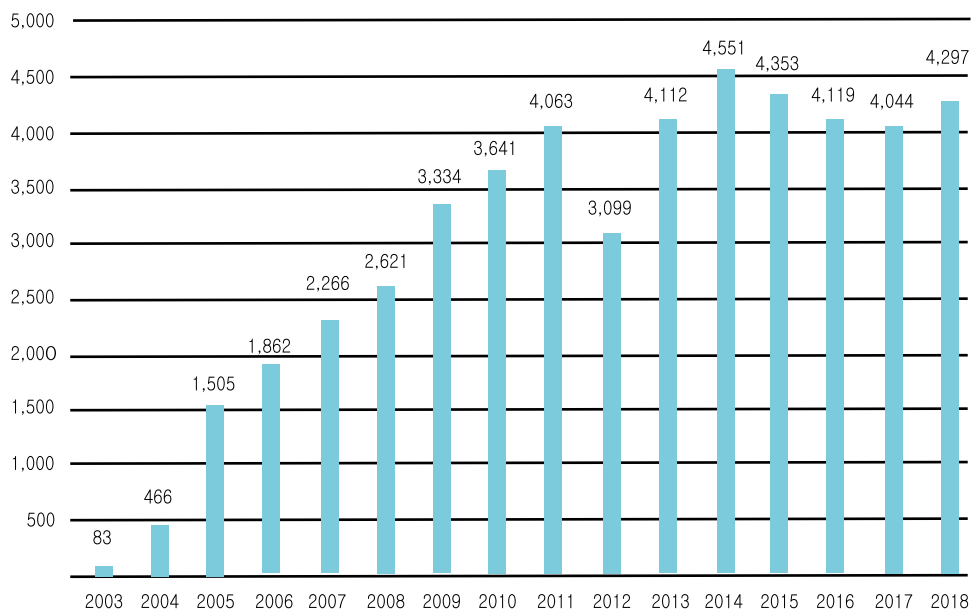


Figure 3. Profits Shared Per Year (KRW million)



3. Factors and Strategies for Success

3.1 Entrepreneurship & Strong, Capable Leadership(Founder/Social Entrepreneur)

Won-soon Park, who was the founder and a real entrepreneur, played a large role in establishing the foundation for BeautifulStore in its earliest stages.

Determined, able and possessing a strong desire to work for the public good and a sense for social entrepreneurship, Park presented his vision to employees and volunteers in the 286-page project plan entitled “BeautifulStore and the World of Net Knot.” His ethics and warm-heartedness made him a true leader and someone the employees and volunteers could follow.

He used his excellent planning skills and extensive network built on trust, which was critical in securing the physical infrastructure and human assets in the early stages of BeautifulStore, to develop the business smoothly.

A staff member who witnessed its establishment and growth stated, “We cannot talk about BeautifulStore without talking about Mr. Park. I can easily say that his ability, social relationships, and ability to lead by example accounted for over 90% of BeautifulStore’s success.”

3.2 Strong Organizational Culture, Value Sharing, Dedicated Employees and Volunteers

Commitment was another factor of success. In the early years, experts gathered to realize the "dream" of BeautifulStore and worked hard day and night to create the world they envisioned while receiving only low salaries. They called themselves civic activists, and not simply employees. Their shared vision and dreams, their passion and dedication made BeautifulStore what it is today.

3.3 Wide Participation and Contribution of Stakeholders

As the articles of association state, BeautifulStore aims to change the world with the participation of all. Participation from local residents and stakeholders was in itself the organization’s purpose, but it also contributed greatly in terms of securing resources for operations. BeautifulStore presented a variety of methods of and opportunities for participation suitable for each participant, which allowed it to secure the necessary resources and reduce costs.

The volunteers are called “Angels.” They are donors, civic activists and independent agents that seek to bring about change our society and play a major part in business operations as they share their talents and time in a wide range of areas, including working in stores, donation call centers, logistics centers, flea markets, outdoor events and providing administrative support. As of 2018, 17,352 Angels were involved, working an average of 12 hours and 45 minutes per month,

contributing greatly to reducing operating costs.

The board of directors also played an important role in letting people know about BeautifulStore and attracting the needed resources. As for local stores, the advisory committees consisted of influential local people held in high regard and provided great support with attracting donations and store operation. The Sponsorship Board, a donation entity established to attract social resources, also plays a significant role. Moreover, 'Beautiful Saturday' program, in which corporate executives and employees take part, is another major channel for resources and building relationships.

3.4 Shifting the Paradigm of the Recycling Industry with a Low-Cost Structure and Store Innovation

Used goods, including clothing and all sorts of things, used to be considered unappealing, so they were mainly handled on a basis by a few non-profit organizations and sold in small shops. However, BeautifulStore innovated the paradigm of the recycling business and made it turn a profit. During the initial project review, it was pointed out again and again the challenges BeautifulStore would face in making a profit because there were so many costs to cover, including logistics, storage, repairs and store operations. To address this, the first thing the organization did was establish a low-cost operating structure.

In the beginning, 95% of the stores, centers and vehicles were donated. The organization also worked to cut operating costs considerably by innovating the logistics system and using free promotions(e.g. TV BeautifulStore, a campaign with JoongAng Daily, the Largest Flea Market event). Logistics efficiency was enhanced particularly in the Seoul metropolitan area, where a high volume of items is handled, through a "one-stop system," under which all the donated items are collected, sorted, reprocessed and priced in logistics centers(also called "repair centers"). Furthermore, it ran a variety of donation campaigns and built partnerships with logistics and parcel delivery companies, creating a system to obtain large amounts of donated quality used goods. The campaigns included Beautiful Saturday, the Moving-Out Campaign, the Moving-In Campaign, and the Wedding Campaign, promoting donations and reducing the overall cost of stocking the stores with items to sell.

BeautifulStore also made volunteering easy; it allowed many volunteers to work near home and for short periods of time. Thanks to their participation, the stores were able to operate with one manager per store, which was only one fourth of what would have been needed without the volunteers. This was a large contribution to enhancing the efficiency of store operation.

Another pillar that revolutionized the structure of the recycling industry was customer-oriented store innovation. To break away from the dark and dingy atmosphere of typical charity shops, BeautifulStore boldly invested in the interior, lighting, and eco-friendly concept of its stores. This created a bright, clean and warm atmosphere, thereby lowering people's resistance to second-hand goods and making them feel good

about donating and purchasing used things to better society. In addition, the stores displayed and managed their items like other retail stores with professional displays and visual merchandising techniques as well as creating and following its own manuals.

To manage donations and sales systematically and in a transparent manner, the organization established from early on an accounting system for used products and suitable for the situations in Korea, and adopted store POS systems.

3.5 Mixed Value Management and Unique Empowerment Systems

From the very beginning of its establishment, BeautifulStore has striven to have both for-profit corporate expertise and the value-oriented nature of a non-profit. Its mixed-value management system (i.e. the values of profit and non-profit organizations) served as a great foundation for its success. While BeautifulStore built on the strengths of non-profit organizations (e.g. value-oriented, management upholding a cause, passion, dedication, communications, agreement), it also implemented corporate virtues (e.g. strategic thinking, systematic and process approaches, cost awareness, economies of scale, focus and concentration strategy.), honoring its values and achieving expertise and efficiency. In the process of researching, learning and collaborating with the systems of other for-profit companies, BeautifulStore modified and adopted management techniques (e.g. balanced scorecards, key performance indicators, capacity evaluation models, designing job responsibilities and authority, internal training programs) into forms more suitable for the organization. This enabled it to overcome the inefficiencies that may arise from democratic participation and decision-making processes of NPO and gain expertise.

Efforts were made to identify diverse ways of getting resources in the framework of mixed value management. In terms of financial resources, the company had business profits from charity shops, donations, recycling, upcycling, fair trade, flea markets, and subsidies from state and local governments. In terms of non-financial resources, it reduced costs through the use of volunteers and their skills, and rent-free stores and spaces. With diversification of the revenue structure, the company was able to rely less on subsidies and donations, which ensured business sustainability and stability.

Credit should also go to its systematic talent management system called “Grow Together”. This system is unique to BeautifulStore, and means that the employees need to grow together with the company. With the objective to build world-class expertise in their fields, it provides support for employees’ internal and external professional development and help with graduate school tuition.

In the beginning, BeautifulStore deposited 2% of its sales into the Grow Together fund. As the objective of this fund was to help develop employee and volunteer skills, it was strictly controlled so as to be spent only for educational purposes. This was a revolutionary system for a non-profit organization at the time.⁴²

42 It still reserves a certain portion of its sales for the fund, but the percentage is slightly lower. Unused funds at the end of each fiscal year are shared in the following year.

3.6 Early Building and Application of Brand Awareness

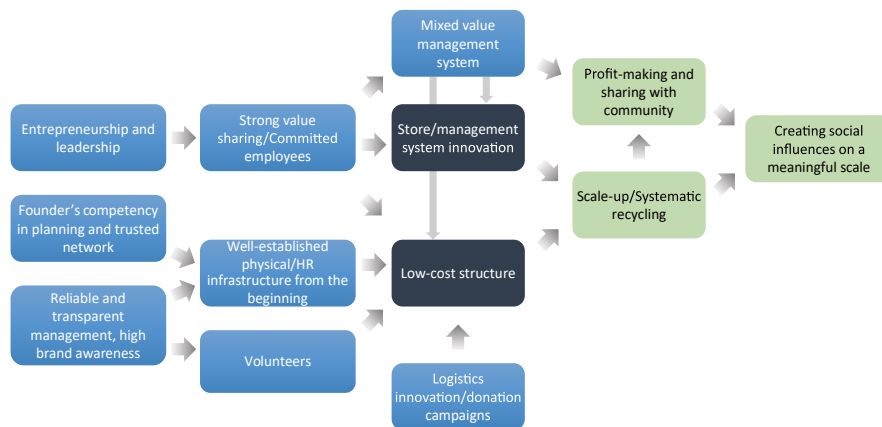
BeautifulStore succeeded in building brand credibility early on and using it properly, which helped lay the foundation for its growth.

In fact, people's confidence in the founder, Mr. Park, and the celebrities who were recruited as founding board members or brand ambassadors contributed greatly to the organization's success. BeautifulStore still holds the title of being the social enterprise that has recruited the most celebrities, entrepreneurs and other prominent figures in Korea. It was also helpful that major media outlets featured BeautifulStore for a long time during its early stages. In 2003, JoongAng Daily selected BeautifulStore as one of its top 10 projects and featured it for a year, and SBS TV ran a one-hour weekly show named 'BeautifulStore' for a year and a half.

The support from celebrities and media outlets was possible not only due to Park's personal network but also due to the trust gained from BeautifulStore's transparency to the extent that all financial information was disclosed.

This trust, built over time, served as an asset. A virtuous cycle was created as a number of organizations from the public, private and NGO sectors wanted to partner with it and as these new partnerships created more assets. Moreover, a higher brand awareness allowed them to collect a large number of donated items without spending on promotional activities and marketing

[Figure 5-4] Flowchart of the Factors for BeautifulStore's Success



4. Policy and Strategic Implications and Challenges

4.1 Policy and Strategic Implications

BeautifulStore's basic business model, which is about resource recycling and profit sharing through the operation of charity shops, may be deemed not so innovative as it is based on overseas methods by such entities as Oxfam, Goodwill and Salvation Army. However, the real innovation is not its business model, but how it broke away

from existing paradigms, how well it organized its strategies, and the effectiveness of its execution. All this made the business model work on a large scale and created significant influence.

It has overcome the causes and obstacles that made donating and recycling remain small-scale in Korea. It systematized and increased in size, which has brought about social change in that people of all classes are now putting sharing into daily practice.

The story around BeautifulStore is another reminder that while it is necessary to develop a good business model that can bring about social changes, the right strategies and effective execution must be part of the equation to making that model work in real life and lead to actual social outcomes.

In addition, BeautifulStore's success has great implications in that it suggests new alternatives to the activities of non-profit organizations. It was a pioneer of social enterprises that emerged on its own in the private sector based on the social values it sought. It began business well before the government introduced a policy of fostering social enterprises. In particular, it used an innovative and integrated tool called "mixed management," proving that it is possible to realize social values and achieve expertise and efficiency all at once. It also showed that non-profit organizations can continue their value-seeking activities through project implementation, without relying on sponsorships or subsidies, and that activities and entity size can always be scaled up.

4.2 Prospects and Challenges

Although BeautifulStore has reached maturity and is doing well, it faces a number of challenges due to changing circumstances.

The first challenge is a rise in operating costs and a drop in profitability. In particular, labor costs are significantly increasing, as are store rents and logistics costs, which account for the largest share of total operating costs. In the early stages of growth, these expenses were limited owing to the dedication of activists and volunteers, rent-free stores, and free publicity. However, labor costs have been sharply increasing because the number of employees and their length of service are increasing, younger employees are asking for a better working environment, and labor policies have become more worker-oriented. Adding to these challenges are the facts that fewer stores enjoy rent-free status, while rent and logistics costs are increasing due to expansion of the business.

BeautifulStore is responding by closing some stores with poor sales or high rent, increasing the sale price of used goods, developing its own brand of goods to increase profit margins, and reviewing the introduction of new areas of business, such as its online platform. However, it is not easy to see the desired results as per-capita productivity is reaching its limit in recycling business, which is by nature a

relatively inefficient, high-cost business.

In addition, from the perspective of organizational culture, the consensus on the vision formed in the beginning has weakened. As the organization has grown, there has also been a weakening in transparency of decision making and an undermining of the “horizontal” culture. In addition, there are increasing demands for better remuneration and benefits to be provided by the organization. Against this backdrop, it even saw the establishment of its first labor union in November 2019. The reasons behind this phenomenon are: the break from early leadership over time since its establishment; unstable leadership resulting from frequent replacement of top executives in recent days; less importance placed on the public interest due to the emphasis on profitability; the growth in organizational size; and more younger employees. The most important challenge that BeautifulStore must address is how to recreate its organizational culture so that it can carry on its initial vision and mission while responding to the realities associated with its maturing business and the changing environment.

So far, BeautifulStore has been a role model for many non-profit organizations with its pioneering perspective, an innovative approach, outstanding ability to execute plans, and extensive outcomes. It now needs steady effort to respond actively to today’s changing environment and maintain sustainability instead of resting on a nationwide infrastructure and stable management under the well-established system. It needs to remember what it was like in the very beginning, when everyone thought hard about what to do and constantly made new attempts to increase the organization’s ability to stand on its own feet and expand its impact. It should also reinforce the already-strong solidarity and cooperation with external organizations, whether they are for-profit, non-profit, part of the social economy or civil groups.

BeautifulStore has managed to overcome small and big crises. Hope is alive that it will continue to play a leading role among NGOs and continue serving as a role model for non-profit organizations.

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VI. Dasomi Foundation: Shifting the Paradigm of Care Services through Partnership and Innovation

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Reviewer: In-jea Lee

Summary

Overview and Reason for Selection	<ul style="list-style-type: none"> • Dasomi Foundation is a social enterprise that employs low-income breadwinning mothers as professional caregivers to provide quality care services to low-income patients free of charge and to patients in other income brackets at low cost. • It has business units in five regions nationwide and employs a total of 502 paid workers, carrying out caregiving-related activities worth KRW 16.9 billion⁴³ a year. • It has given the care market a patient- and caregiver-oriented structure by enhancing the efficiency of resource allocation and improving quality of service and satisfaction. • This allowed the company to kill two birds with one stone: caregivers enjoy decent jobs and the quality of care services has increased. • This is a good example of how the combination of a stable supply of resources ensured by the trilateral partnership between companies, the government and NGOs and business innovation based on a successful business model and ICT technologies can overcome the fundamental limitations of social enterprises and create a stable structure for business operations, thereby spreading social outcomes to a greater extent.
Social Mission	<ul style="list-style-type: none"> • Social Problems to Tackle <ul style="list-style-type: none"> – The care service market had an agency-oriented market structure, which leads to poor working conditions of the workers and low quality of care service. The wages and working conditions of the workers were very poor, too. – Caregivers had a low sense of pride in their careers and suffered from poor working conditions. • Social Mission <ul style="list-style-type: none"> – “Providing quality social services and job opportunities to contribute to improving quality of life for the socially disadvantaged”: It provides workers with stable decent jobs and a sense of professional pride, and offers affordable, quality care services to patients.

43 Average exchange rate for 2019 was \$1 = KRW 1166.5, that is KRW 1,000 = \$ 0.86.

<p>Out-comes</p>	<ul style="list-style-type: none"> · Dasomi Foundation generated a total of KRW 62.1 billion in social value through paid care services for a total of 1,258,000 man-days and free care services for a total of 157,000 man-days over the 10-year period from 2007 to 2016. · Improvement of employment structure in the care service market and creation of decent jobs: <ul style="list-style-type: none"> – It provided much better working conditions for caregivers in the overall care service market through direct employment; – It hired 502 people(83% from vulnerable groups) (As of June of 2019). – The direct and indirect financial impact of the foundation's employment totaled KRW 16.4 billion over the 10-year period from 2007 to 2016. · Affordable and quality care services for patients: <ul style="list-style-type: none"> – Low-income patients gained access to more affordable care services and other patients enjoyed the benefit of lower costs. – Low-income patients also benefited from free care services, and their families were able to lessen the burden of care and find opportunities to work and generate income instead of only being able to care for their family members. – The direct and indirect financial impact of this affordable care is estimated to be KRW 45.7 billion won in total over the 10-year period from 2007 to 2016.
<p>Success Factors</p>	<ul style="list-style-type: none"> · Value-based long-term partnership & adequate policy support: It secured a value-based long-term partnership by combining with a CSR model in the beginning and was supported by the government's social employment projects during its growth phase. · Constant practice of social entrepreneurship: With the spirit of social entrepreneurship, it was strongly committed to breaking away from dependence on CSR activities and government support and achieving self-reliance and reinforcing social values. · Innovation in business model, service quality and business management: joint care service, a new system of multiple caregivers in one patient's room instead of one-on-one service, quality management system, human resource management innovation, business management and IT system innovation
<p>Strategic and Policy Implications</p>	<ul style="list-style-type: none"> · Significance as a partnership model between CSR activities, government policies and civil society groups: illustrating that the combination of various resources through partnerships can resolve social problems that are difficult for individual social enterprises to tackle in an innovative, efficient and continuous manner, and on a large scale. · A series of innovations in business model and system resulted in the creation of stable, quality caregiver jobs based on direct employment: this created a virtuous cycle where for-profit management principles and innovative tools are applied to social enterprises, thereby contributing to improving values, enhancing operational efficiency, ensuring sustainability, and making opportunities to create new social values.

Challenges and Prospects	<ul style="list-style-type: none"> · New sources of revenue: With the end of Kyobo Life's support and funding, the company needs to strengthen the profitability of its current business portfolio and find new sources of revenue. · Response to changes in the labor market: The issue of increasing wages, allowances and operational expenses needs to be addressed. · Business portfolio expansion: It needs to expand to new fields of business, including home care, long-term care, and regional expansion through social franchising.
SDGs	<ul style="list-style-type: none"> · SDG #8 Promote inclusive and sustainable economic growth, employment and decent work for all

1. Case Overview and Reason for Selection

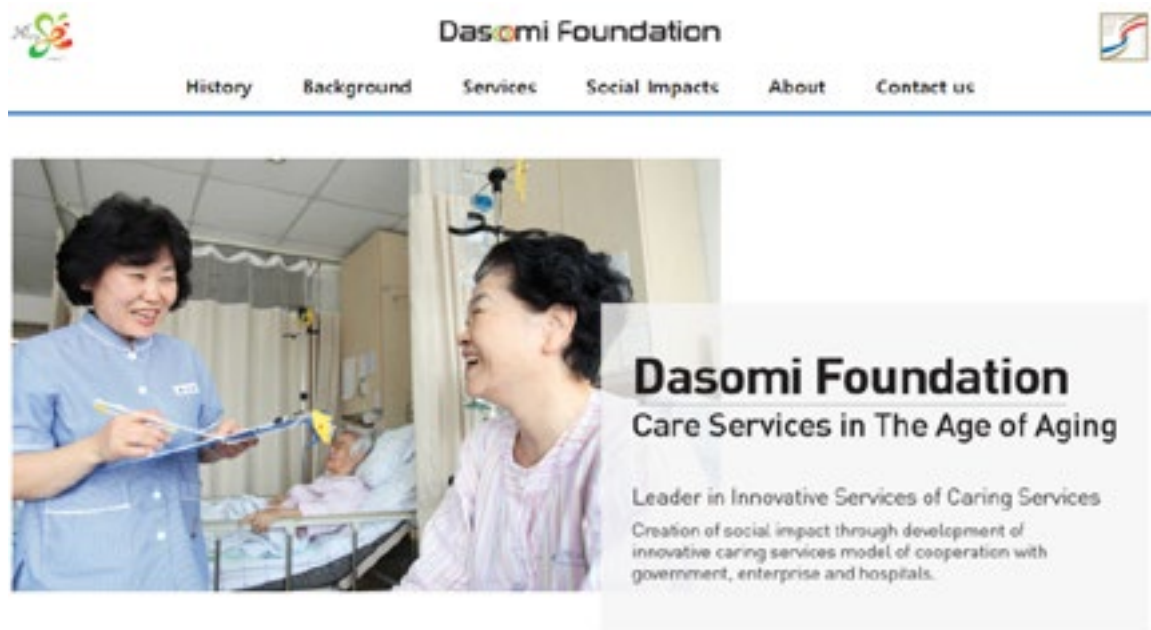
Dasomi Foundation is a social enterprise providing caregiver services. It employs low-income breadwinning mothers as professional caregivers to provide quality care services to low-income patients free of charge and to patients in other income brackets at low cost. It helps its caregivers achieve economic independence through stable and good jobs while it improves the welfare of low-income patients with high-quality social services.

Having its roots in one of Kyobo Life's corporate social responsibility(CSR) programs called Kyobo Dasomi Public Volunteer Team, the foundation was established in 2007. Based on a close partnership between company(Kyobo Life), the government, and NGO(Work Together Foundation), it has created a new trend in the care service market by providing better working conditions than the minimum legal requirements, strictly adhering to labor law, and applying an exemplary personnel management system. Moreover, it has improved service quality and efficiency through the introduction of a new "joint care model" (under which several caregivers work together and in different shifts), quality management and service innovation.

As of the first half of 2019, it has business units in five regions nationwide and employs a total of 502 paid workers, carrying out caregiving-related activities worth KRW 16.9 billion a year. Its main projects include Dasomi Care Service, which is a paid care service for general patients(B2C) and hospitals(B2B), an education and consulting business called Dasomi Care Consulting Academy, and free care services for low-income patients(formerly known as Kyobo Dasomi Public Volunteer Team). ⁴⁴

⁴⁴ Care services are no longer offered under the name of Kyobo Dasomi Public Volunteer Team as the agreement with Kyobo Life ended and funding ceased in 2019.

Figure 1. Dasomi Foundation Website



Introduction and History

Dasomi Foundation was established to create decent jobs for the women breadwinner from the disadvantaged and provide quality care services for patients in the hospital in 2007

- It has been planned since 2004 with the tripartite effort of the government, private company and the civil sector organization to address social issues both in care business and employment for the vulnerable woman household leaders

Dasomi Foundation is significant in that it has shifted the framework and order of the care service market. While other social enterprises and NGOs were merely providing slightly better jobs, Dasomi Foundation has considerably increased resource efficiency(input-side) by improving working conditions and innovating business operations. At the same time, it has given the care market a patient- and caregiver-oriented structure by improving the quality of service and satisfaction(output-side). This has allowed the foundation to kill two birds with one stone: caregivers enjoy decent jobs and the level of care services has increased.

Furthermore, this case is a good example how the combination of stable resource supply ensured by trilateral partnership and business innovation based on a successful business model and ICT technologies can overcome the limitations often faced by social enterprises and can create a stable business operation structure, thereby spreading social outcomes to a greater extent.

2. Social Mission and Outcomes

2.1 Social Problems to Tackle and Social Mission

Kyobo Dasomi Public Volunteer Team, which served as a starting point for Dasomi Foundation, first began its activities in the mid-2000s. At that time, the care service market had a poor structure, sourcing caregivers mainly from employment agencies. Wages and working conditions for the workers were very poor, too.

Most companies were close to staffing agencies rather than those specializing in caregiving services. While they charged excessive commissions, they did not provide any protection for caregivers, education for their development, or quality services for patients. This resulted in financial burden for patients using the services while failing to meet their expectations. The situation was not any better for caregivers, who had to work long hours, even 12 to 24 at a time, in poor working conditions, for less than the minimum wage. A study showed that over 80% of caregivers were employed on a daily basis through staffing agencies and worked over 100 hours per week for an average monthly salary of KRW 1.28 million, or about KRW 3,700 per hour. No legal leave was guaranteed and none of the basic four social insurances were provided. Naturally, there was no sense of pride in the caregiver, and the quality of service was inconsistent as workers were not motivated⁴⁵. It was only natural that there was no sense of pride among workers and service quality suffered greatly due to the lack of incentive.

Dasomi Foundation addressed these structural problems by providing workers with stable, decent jobs and a sense of professional pride and offering affordable, quality care services to patients. This is well demonstrated in its mission: "Providing quality social services and job opportunities to contribute to improving quality of life for the socially disadvantaged."

Dasomi Foundation's top priority and major outcome was to drastically improve the working conditions and wages of caregivers, who were mostly female breadwinners in their 40s and 50s, one of the most vulnerable employment groups. The foundation's initiative enhanced the position of caregivers as a profession and provided decent jobs to help the workers become self-reliant. Quality of employment has been enhanced by providing working conditions that are much better than those prescribed by law and providing opportunities for education and professional development. The foundation signed employment contracts, complied with minimum wage requirements, granted weekly days off and holidays, enrolled employees in the four major social insurances and retirement pay plans, and purchased accident insurance and caregiving liability insurance. These efforts have resulted in improved employment relations and better working conditions for caregivers in the overall

45 "Labor Rights of Caregivers in the Informal Sector: Current Status and Alternatives" Publication of Presentations at the 52nd Women's Policy Forum(2009)

care service market. Dasomi Foundation has constantly increased its employment of caregivers every year through job innovation and business expansion, offering good jobs to a total of 502 people as of June 2019, including 418 from vulnerable social groups.

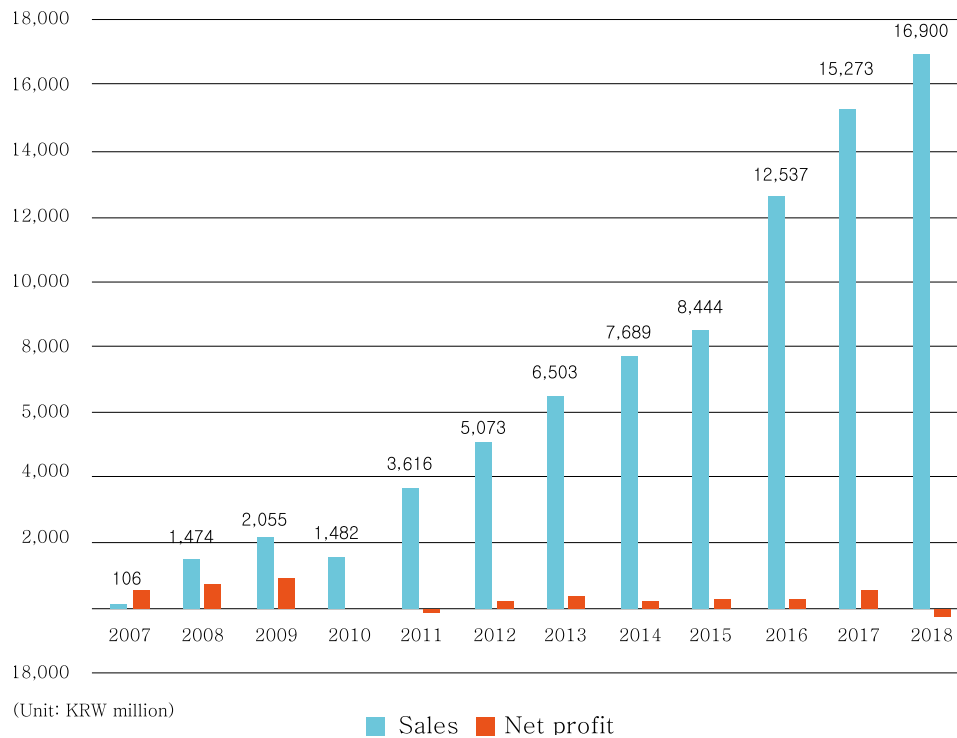
The second goal and achievement of Dasomi Foundation is to provide affordable and quality care services for patients. Other companies would serve mostly as agencies, simply finding workers for the institutions that needed caregivers. However, Dasomi Foundation developed a joint care model and introduced a service quality management system. This business innovation improved customer service productivity and quality, resulting in care services 40% cheaper but of much higher quality than existing at the time. This market structure reform allowed more patients access to care services. In addition, Kyobo Dasomi Public Volunteer Team provided free care services for low-income patients who needed but could not afford care services. The target of this CSR program included those eligible for medical aid, the elderly, those with disabilities, and inpatients from low-income families. Between 2004 and 2018, 240,529 man-days were provided through this program.

Although there have been several organizations that attempted to create good jobs and provide quality care services in this market known for its poor conditions, Dasomi Foundation is almost the only one that took such efforts to the next level. It did not stop at running a contracted business and created good jobs by directly hiring the workers. Moreover, it has brought innovation to its services and operations through quality management, a joint care model, and management of customer satisfaction. This system has enabled the organization to provide quality care services at a relatively low cost. By doing so, Dasomi Foundation has brought sustainability to its social enterprise and expanded the scale of social value realization.

In recognition of what it has done to address the social issues related to employment in the care service market, Dasomi Foundation was awarded the Peter F. Drucker Grand Award for Nonprofit Innovation in the area of social enterprise(2010), the Presidential Award for Job Creation by the Ministry of Employment and Labor(MOEL) (2013), the Korean Social Enterprise Grand Award for Job Creation(2017), and the National Quality Management Convention Award of Service Excellence with Ministerial Commendation(2018).

Dasomi Foundation's achievements can also be seen in the growth of its annual financial performance.

Figure 2. Dasomi Foundation Financial Performance



2.2 Establishment and Growth

Dasomi Foundation went through four growth stages: pre-social enterprise, initial growth as a social enterprise, hardship and reform, and business stabilization.

1) Pre-Social Enterprise Stage: Kyobo Dasomi Public Volunteer Team creating social jobs(2003-2006)

Kyobo Dasomi Public Volunteer Team, which later became the Dasomi Foundation, was established in April 2004 under a partnership between Kyobo Life Insurance and People's Foundation for Overcoming Unemployment (currently known as the Work Together Foundation) as a CSR project. This project created jobs for women on career breaks and offered free care services for vulnerable groups. It was carried out in five major cities nationwide as a "social employment program" (i.e. jobs to provide people with social services seldom available due to low profitability) with 70 workers. The business has expanded since the MOEL chose it to be part of the "Self-Reliance Projects through Social Employment" in 2005. When a double shift system was introduced, working conditions improved in compliance with the Labor Standards Act, and workers were given benefits, such as social insurances and retirement pay.

Dasomi Foundation had a stable business foundation with the operation of Kyobo Dasomi Public Volunteer Team and government funding as part of the Self-Reliance Projects through Social Employment. However, it did not stop there and focused on securing sustainable growth engines. That is how it launched a fee-based care service called Dasomi Care Service in 2006. It provided free care services for low-income patients using the profits from the fee-based business and re-invested its profits in expanding needed social services and welfare benefits for caregivers. This shows how Dasomi Foundation was ahead of its time in putting into action the values of social enterprises even before the concept of social enterprise became widely known.

2) Growth as a Social Enterprise(2007-2011)

Dasomi Foundation began its full-fledged growth as a social enterprise as Kyobo Dasomi Public Volunteer Team became independent from the foundation in October 2007 and as it was certified as the nation's first social enterprise by the MOEL in the same year.

With the improvement in care service quality, the foundation signed more contracts to provide paid services for hospitals. Soon, contracts were signed with 10 hospitals while the number of caregivers for Dasomi Care Service increased to 250, respectively. Paid services further expanded based on the joint care model, laying the foundation for growth as a sustainable social enterprise.

In particular, the joint care system implemented in 2007, the first of its kind in the industry, reduced the intensity of caregiver labor while increasing per-capita productivity. At the same time, it brought greater satisfaction to recipients of the service and reduced their financial burden. In 2006, the foundation pilot-tested a two-shift system with two teams in three hospitals. In 2007, a three-shift system with three teams was established in 10 hospitals, and in 2008, things diversified into various systems, such as three shifts with four, five or seven teams. In 2009, this joint care model became a standard practice across the nation.

In addition to these efforts, Dasomi Foundation also strengthened caregiver training and business management. It required all workers to take a 40-hour training program using the materials it developed in 2007. Moreover, they were required to take 80 hours of training every year provided at the local level. It also developed the first version of the care-service management system and applied it to the work in June 2008. The system was upgraded multiple times, and in 2010, mobile services were launched for caregivers and patients' guardians. Furthermore, it introduced a "senior caregiver system" in 2011 to identify caregivers with leadership skills, who were granted the authority to make some decisions on the spot.

Its business innovation and ethical and transparent management can also be found

in its Sustainability Reports published in 2008 and 2010. The publication of such reports was quite unusual at that time for new, small and medium-sized social enterprises.

Dasomi Foundation enjoyed smooth growth until the end of 2009 when government funding for social employment projects ended. In 2010, it faced a crisis due to a sharp decline in sales and increased labor costs.

3) Innovation based on Quality Management and Diversification of Business(2012-2016)

With government funding at an end, Dasomi Foundation experienced a decrease in sales in 2010 and suffered losses for two consecutive years(2010 and 2011). During this period, the care service industry in Korea faced a new environment of expansion in quantity and advancement in quality. Cheaper labor from China entered the industry, worsening the situation.

Instead of jumping into a price competition, Dasomi Foundation bid for victory by improving quality through innovation. In 2012, it received specialized consulting for social enterprises and called for research projects to measure social values and establish quality management. Also, the company sought to implement service quality management to realize customer value and gain competitive advantage through value innovation and business reform beyond the level of sustainable management. All departments of the headquarters participated in developing a strategy map and the “Balanced Scorecard” and put quality management into practice, thereby promoting innovation and growth. These activities led to publication of its own Care Service Manual(2013), publication of the first Quality Management Report for the care sector(2013), and acquisition of Service Quality Certification(2013).

To expand its business scope and revenue sources, the company did not hesitate to develop new projects, leading to launching of Hello Care Service, an in-patient care system that combines ICT and care services, and a new project that dispatches workers to hospice and palliative care. Moreover, it used its accumulated know-how in skill development in the care service market to provide consulting services and establish Dasom Care Academy, a care certification program and a continuing education center.

These efforts allowed Dasomi Foundation to overcome the hardship and stabilize its business, shifting back to growth.

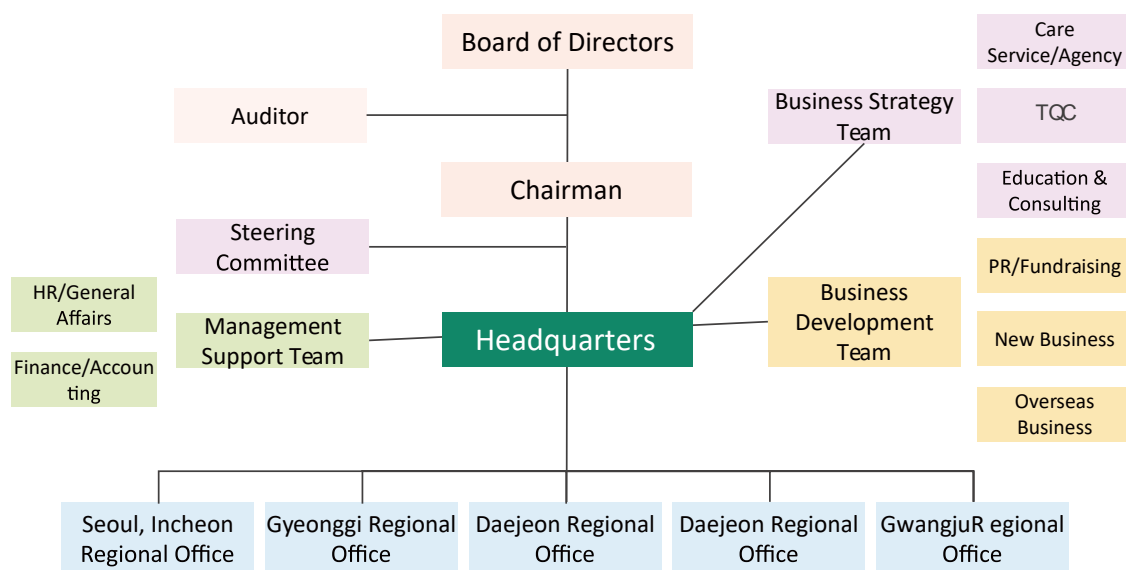
4) Reform and New Initiatives(2017-present)

A new chairman took office in 2016. Under this new leadership, Dasomi Foundation has shown steady growth in its three main projects: Dasomi Care Service(fee-based care services for individuals and hospitals), Dasom Care Consulting, and free

care services. In particular, expansion in the field of paid care services, such as hospice and in-patient care, has contributed greatly to the growth.

However, the new situation presents a new and bigger challenge to Dasomi Foundation, which currently employs over 500 workers. Although recent amendment of the Labor Standards Act, including the provision of a new 52-hour work week, and the continually increasing minimum wage are positive news for workers, they also mean a rise in labor costs for the company. To overcome this challenge to sustainability, the company is considering entering new markets, including home health care and long-term care, and introducing a social franchise system.

Figure 3. Dasomi Foundation Organizational Chart(as of Nov. 2019)



2.3 Social Outcomes of Dasomi Foundation

As explained earlier, there are largely two social outcomes that Dasomi Foundation has realized: improvement of employment structure in the care service market and creation of decent jobs; and provision of affordable and quality care services for patients.

1) Improvement of Employment Structure in the Care Service Market & Creation of Decent jobs

From its early days, Dasomi Foundation provided much better working conditions for caregivers in the overall care service market by signing employment contracts, complying with minimum wage requirements, granting weekly days off and holidays, enrolling employees in the four major social insurances and retirement pay plans, and purchasing accident insurance and caregiver liability insurance. This effort created decent jobs that

the market has never seen before.

The table below compares the quality of jobs provided by other market players prior to the establishment of Dasomi Foundation and by Dasomi Foundation later on. It clearly shows the significant changes that the Foundation has brought to the market

Category		Care service companies (mid-2000s)	Dasomi Foundation (As of 2010)
Form of Operation		Focused on maximizing company profits	Focused on caregivers and patients
Employment Contract	Conditions	Membership (agency service) (Membership fees: KRW 25K-60K/month)	Contract workers (employment contracts)
	% of workers signing contracts	33.9%	100%
Working Hours	Weekly average working hours	107.2 (19.3h/day)	41.25 (8.25h/day)
Wage	Monthly average income	KRW 1,284,000 (KRW 3,669/hour)	KRW 1,327,000 (KRW 4,110/hour)
	Overtime, nights, weekly holiday pay	Partially Y	Y
	Annual paid leave, retirement pay	N	Y
Benefits	National pension & health insurance	Self-employed insured	employed insured
	Employment, occupational health and safety insurances	Lack of or insufficient coverage	employed insured
	Accident, liability insurance in case of injury to patients	Lack of or insufficient coverage	employed insured
	Special holiday(family events)	N/A	Y
Training	Training program	None (Short-term program in some cases)	Standard training program, continued extension courses

※ Partially modified data from 2010 Sustainable Management Report

Dasomi Foundation has steadily increased the number of jobs through direct employment so that more caregivers can benefit decent jobs. In particular, it made efforts to increase the employment rate of those in socially vulnerable groups, such as female breadwinners. As a result, as of June 2019, 83%, or 418 of 502 employees, were from such vulnerable groups

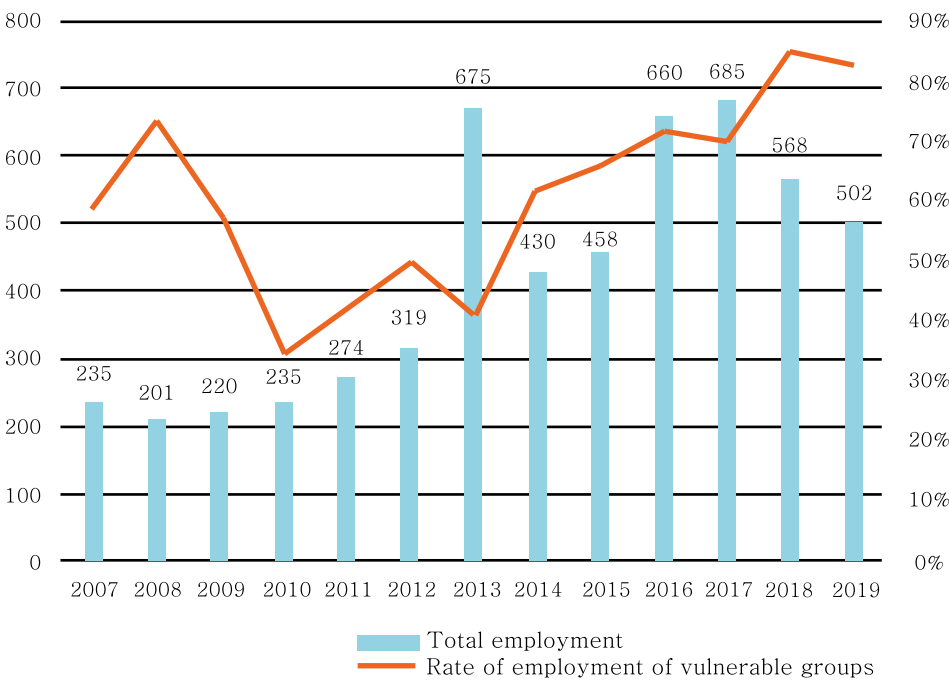
Furthermore, starting in 2012, innovation of its business process(task segmentation)

allowed mentally handicapped persons to work as care assistants, thereby providing them with stable and long-term employment. This created new social values in the care service market.

The direct and indirect financial impact of the foundation’s employment of women on career breaks and mentally handicapped persons in terms of income increases are estimated to total KRW 16.4 billion over the 10-year period from 2007 to 2016.

This social enterprise has played a leading role in shifting the industry paradigm of care services and innovating social services. In recognition of its success in creating good jobs for vulnerable social groups, it was awarded the Grand Prize in Job Creation at the 2017 Korea Social Enterprise Awards.

Figure 4. Trend of Employees from Vulnerable Groups in Dasomi Foundation



2) Affordable and Quality Care Services for Patients

Introduction of the joint care model and innovation in quality- and IT-based service management has allowed Dasomi Foundation to reduce costs significantly while improving quality of service. As a result, it has been able to create social value by providing affordable and quality care services for patients.

This includes increasing the access of low-income patients to affordable care services, lowering the costs for other patients, and providing free care services to some low-income patients. These free care services also benefited the family members of low-income patients as they resulted in a lower burden of care and allowed the family members to look for opportunities to work and generate income.

As seen in the table below, from 2010, Dasomi Foundation began to report the social outcomes generated from quality job creation and providing affordable quality care. It converts the outcomes into monetary value in accordance with social return on investment (SROI) principles. This practice is a very innovative, unprecedented and leading case for Korean social enterprises.

Table 1. Trend of Dasomi Foundation's Social Outcomes(SROI)(Unit: KRW million)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Sum
Income increase for workers in vulnerable groups	916	859	912	984	1,169	1,281	1,957	1,995	2,434	3,447	
Income-generating activities by families of mentally	-	-	-	-	-	11	98	105	140	151	505
Affordable services	2,257	1,628	1,590	1,895	2,321	3,654	3,933	4,674	3,544	7,398	
Free services for low-income patients	959	947	961	476	511	746	688	736	715	660	7,399
Income-generating activities by families of low-income patients	736	816	878	447	437	390	382	438	456	398	5,405
Yearly Total	4,895	4,250	4,341	3,802	4,438	6,082	7,058	7,948	7,289	12,054	

※ Calculation details

- Income increase for workers in vulnerable groups: (Income from Dasomi Foundation - Income from the previous company) × No. of employees

- Income-generating activities by families of mentally handicapped workers: Working period(months) of mentally handicapped workers × minimum wage per month

- Affordable services = (Average market price for care service - Dasomi Foundation's price) × No. of services

- Free services for low-income patients = Average market price for care service × No. of services

- Income-generating activities by families of low-income patients = No. of patients enjoying free service in man-days(No. of days) × minimum wage per day(8 hours)

※ For details, see Dasomi Foundation's 10-Year Sustainability Report.

It was reported that Dasomi Foundation generated a total of KRW 62.1 billion in social value by providing paid care services for a total of 1,258,000 man-days and

free care services for a total of 157,000 man-days over the 10-year period from 2007 to 2016.

Its social outcomes can be summarized as follows under the framework of “Activity, Outputs, Outcomes and Impact.”

Activity	Outputs	Outcomes	Impact
· Creating decent jobs (increasing caregiver income)	· General employment · Employment of vulnerable groups · Employment of the handicapped	· Income increased by KRW 15.9 billion in vulnerable groups · Income increase by KRW 500 million among the handicapped	· Improvement in structure and quality of employment in care service market · More decent jobs
· Affordable care services through joint care	· 1,258,000 people in paid care services	· Costs reduced by KRW 32.9 billion	· Affordable quality care services
· Free care services for low-income patients	· 157,000 people in free care services	· Benefit of KRW 7.4 billion from free care services · Income increased by KRW 5.4 billion from income-generating activities of patient families	· Better access to care services for vulnerable groups
※ Based on data accumulated between 2007 and 2016 (Source: Dasomi Foundation's 10-Year Sustainability Report)			

3. Factors and Strategies for Success

As it started off as a CSR project of Kyobo Life, Dasomi Foundation was able to secure its business base rather quickly. The government's enactment of the Social Enterprise Promotion Act and expansion of related policies drove its growth in the early stages.

However, Dasomi Foundation did not relax with that. It started to pioneer into the fee-based care service market early as a way to stand on its own feet. It worked hard towards management efficiency and to gain a competitive edge through innovations in employment, business model, and business management. As a result, not only has it gained such an advantage in the fee-based care service market, but it has also transformed the employment structure and expanded the practice of providing good jobs.

3.1 Value-Based Long-Term Partnership & Adequate Policy Support

The primary factor that allowed Dasomi Foundation to achieve social value and outcomes would be, among other things, the fact that it was possible to secure a value-based long-term partnership by combining with a CSR model in the beginning and the support it received from government social employment projects during its growth phase.

CSR activities used to focus on profit-sharing and charity, but Kyobo Life wanted to play a part in making sure no one is frustrated in the face of hardship in life. It wanted to find a sustainable way to prevent social problems and solve their root causes, and to work with a non-profit organization to create a working model together. In this process, Kyobo Life believed that it had a lot in common with the Work Together Foundation, which focuses on developing private models to overcome unemployment particularly for disadvantaged groups in the labor market, discovering and promoting social enterprises as alternative models for employment, and creating sustainable jobs in partnership with government, the private sector and civil society. The two joined hands to establish Kyobo Dasomi Public Volunteer Team (which later became Dasomi Foundation), setting up a joint headquarters as a key support organization, putting together a variety of resources, sharing the system to share performance, and seeking to put cooperative social values into practice, such as through constant communication. Kyobo Life did more than funding; it actively participated in the board of directors and the operation council and used its business expertise to benefit the social enterprise, including consultation on management activities, tax advisory services, and support for education and customer service consultation. This well-structured, long-term partnership continued for over a decade.

The government's policy and institutional support also laid the groundwork for initial growth. In 2005, only a few years after its establishment, the project was designated to be part of the Self-Reliance Projects through Social Employment by the MOEL. In 2007, it became the first social enterprise certified by the MOEL following enactment of the Social Enterprise Promotion Act. The government also implemented an industry-linked social employment policy and the Ministry for Health, Welfare and Family Affairs initiated a pilot project called "Hospital without Guardians" in 2007. All these policies and systems contributed greatly to a stronger base for the foundation's operations in the early days.

In other words, Dasomi Foundation is a success case in which the partnership model between the public, private, and nonprofit (civil society) sectors has achieved meaningful social outcomes.

The following table demonstrates the roles played, resources invested, and accomplishments made by each player, namely Kyobo Life, Work Together Foundation, and the government:

	Private Sector (Kyobo Life)	Government	NGO (Work Together Foundation)
Roles & Resources	<ul style="list-style-type: none"> · Funding for CSR program: additional wages, operating expenses of headquarters, educational expenses, etc. · Operational support: establishment of the foundation and its visions, participation in the board by professional executives. · Business consulting · Support for education 	<ul style="list-style-type: none"> · Funding: MOEL projects to create social employment (personnel expenses, social insurance, etc.) · Institutional support: Social Enterprise Promotion Act, link with a pilot project of the Ministry for Health, Welfare and Family Affairs called “Hospital without Guardians” 	<ul style="list-style-type: none"> · Business operations: based on expertise in caregiving services, administrative support · Funding: Part of the personnel expenses for headquarters staffs, security deposit and rent for office · Hiring and training of caregivers
Outcomes	<ul style="list-style-type: none"> · Creation of a new, long-term social contribution model that can solve problems · Practice of an corporate citizenship · Promotional effect by portraying better images of serving the public interest 	<ul style="list-style-type: none"> · Creation of stable decent jobs for disadvantaged groups in the labor market (low-income women on career breaks) · Improvement of the structure and quality of employment in the care service market 	<ul style="list-style-type: none"> · New business model to overcome the limits of supplying temporary jobs · Social reputation in the field

3.2 Constant Practice of Social Entrepreneurship

Kyobo Dasomi Public Volunteer Team started off as Kyobo Life's CSR project. It was an ordinary NGO, which could have sat on its laurels of the social outcomes from its free care services and participation in the government's social employment projects. However, Dasomi Foundation was strongly committed to breaking away from its dependence on CSR activities and government support and achieving self-reliance and reinforcing social values. As it jumped into the fee-based care services market, it implemented an innovative joint care system and improved the quality of services provided with an aim to secure profitability. In the long run, it aimed

to become a social enterprise able to sustain itself with only its fee-based care services. Moreover, it worked on improving the quality of jobs in the social service labor market even though it may have been quite a large burden in the early phase of the business. It focused on improving the working conditions for caregivers and providing training programs for them, pursuing both public interest and profitability.

Even when it suffered greatly, to the extent that shutting down the business was a real possibility due to termination of government-funded projects and increased price competition, Dasomi Foundation bid for victory by improving service quality instead of participating in cut-throat competition or downsizing. Its bold move to implement quality management to improve service quality paid off, enabling it to overcome crisis and find stable growth.

3.3 Innovation in Business Model, Service Quality and Operation Management

The reasons Dasomi Foundation was able to provide better jobs for caregivers and improve care service quality while controlling costs and turning a profit were, above all, reforms to its business model, innovation in service quality and constant innovation in operation management.

Dasomi Foundation was the first in the care service sector to adopt a new model called “joint care service,” which involved a system of three shifts with three teams. The model was very successful. In the past, companies would run two shifts with two persons, with each shift lasting for 24 hours. In other words, they partnered one caregiver to one patient for 24 hours, and then the second caregiver would come for the next 24 hours. However, since caregivers had to perform every task alone, it resulted in high fatigue. In some cases, it was physically impossible to handle multiple tasks at the same time. Based on a demand analysis, Dasomi Foundation established a more efficient scheduling system that assigns caregivers to specific hours to specific rooms as needed. This meant different shift patterns: three shifts with four persons, five persons or seven persons, for instance. This effective division of labor and a cooperative system reduced labor intensity while increasing per-person productivity and patient satisfaction. In 2009, it made adjustments to send four caregivers instead of five to each patient room, leading to a further 82% improvement to labor productivity, and thus providing care services for 40% less than the market price. This reduced patients’ financial burden and made the service more accessible to low-income patients.

To address the issue of poor and inconsistent care service, Dasomi Foundation worked on innovating customer service quality. First of all, it established a strategic goal management system by integrating the principles and tools of the Balanced Scorecard into strategic plans based on quality management. This was a very innovative case rarely seen in either the public or non-profit sector. In addition,

human resource management innovation was carried out extensively for caregivers, who are the final service providers, to enable customer service innovation. The operation system was converted into one centering around caregivers and patients; the organization employed caregivers directly and improved remuneration and working conditions considerably. Moreover, the foundation developed its own teaching materials and working manuals to help caregivers build competency. The training programs are organized by level and position, and workers are required to take at least 40 hours of training every year. Furthermore, work tasks are standardized and made into manuals to eliminate any service gaps between caregivers, ensuring consistent service quality. Diverse systems have been implemented to monitor service performance, and customer service has improved through customer satisfaction surveys and customer feedback.

Innovation in the task management and information system also played a major part in Dasomi Foundation's social performance. At the time it received social enterprise certification in 2007, there was no systematic management system, which made it difficult to manage attendance properly. Understanding the occupancy of hospital rooms and basic personnel management were performed manually. However, introduction of the joint care model in 2007 made it important to assign caregivers and manage their attendance. Accordingly, in 2008, a systematic care service management system began to be developed. Later on, Dasomi Foundation successfully set up a system that shows information on patients, caregivers, hospital beds and rooms in real time based on an enterprise resource planning(ERP) system and manages the information related to personnel and operations. From 2010, it has become possible to use a smartphone to check, in real time, the on-site information, such as patient's hospitalization/discharge situation, caregivers' working status, and salary payment. In 2015, the company implemented an integrated special care service platform called Hello Care to offer matching services that meet patients' needs immediately, distributes ICT-based social goods and services, provides services that develop skills, and services that verify qualifications. By doing so, it hopes to achieve gradual integration into existing care service management systems.

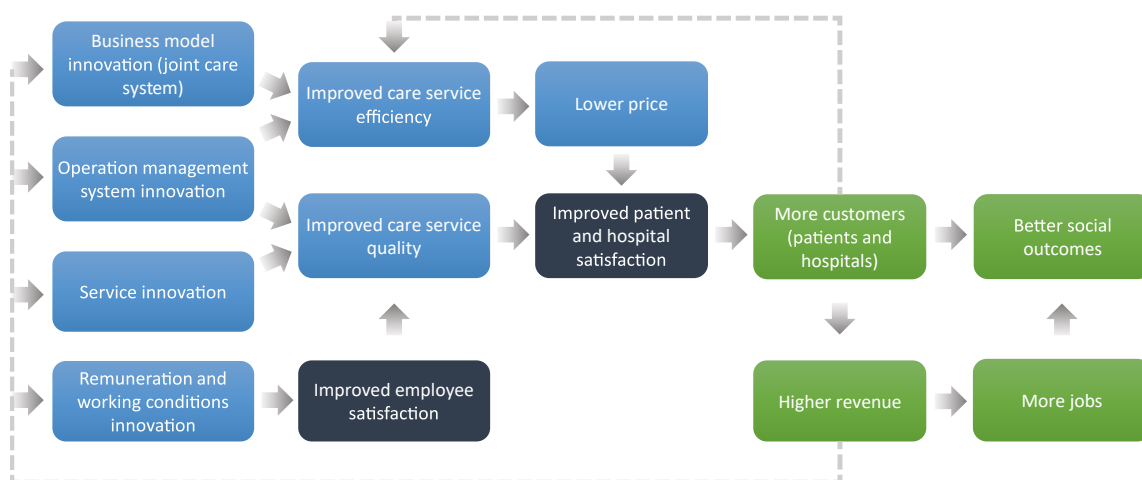
4. Policy and Strategic Implications and Challenges

4.1 Policy and Strategic Implications

The case of Dasomi Foundation is meaningful in that it is a major success story of the partnership model between CSR activities, government policies and collaboration with civil society groups. It illustrates that the combination of various resources through partnerships can resolve social problems that individual social enterprises find difficult to tackle in an innovative, efficient and continuous manner, and on a large scale.

This is also an example of how for-profit management principles and innovative tools can be applied to social enterprises, thereby contributing to improving value, enhancing operational efficiency, ensuring sustainability, and creating opportunities for new social values. A series of innovations initiated in the field of remuneration and working conditions led to innovations in business model, service quality, and operation management. These innovations resulted in higher job satisfaction for caregivers, higher service quality, and higher productivity. Moreover, they created a virtuous cycle where increased profits lead to more decent jobs and better wage levels.

Figure 5. Virtuous Cycle of Dasomi Foundation's Innovations and Outcomes



4.2 Prospects and Challenges

As of today, Dasomi Foundation is facing a new situation. As expected, Kyobo Life, which had gradually reduced its support on the condition of self-reliance, completely ended its support in 2019. In addition, the changing circumstances surrounding the care service market are not favorable, either; the nursing and care integration service has caused contraction of the existing care service market while the concept of community care has emerged and the competition between different areas of care service has intensified.

In fact, the biggest change is seen in the labor market. As the 52-hour work week system began to take effect in 2018 at workplaces with 300 employees or more, it has dragged Dasomi Foundation down, which has sought to expand decent jobs through direct employment. In addition, the hike in minimum wage increased the financial burden on the organization because other allowances increase accordingly, such as overtime pay, night-time pay, annual paid leaves, holiday work allowances, etc. While the Labor Standards Act and various labor-related policies are being reinforced to protect workers' rights and interests and ensure basic livelihood, they

are ironically posing a great burden and threat to social enterprises, especially those focusing on creating social employment and hiring socially vulnerable groups in the fields of care, cleaning and disinfection.

This change in the business environment presents new challenges to Dasomi Foundation. Until recently, it had been able to continue its growth thanks to the successful partnership between Kyobo Life, government and NGOs. However, a new partnership structure has been formed between the government and NGOs, because the private sector, which was one of the important pillars in the governance, broke away from the partnership in 2019. Now is the time to make changes and leap ahead through the introduction of new governance and organizational structures.

In addition, the business direction and operation management methods should be reorganized to properly respond to changing circumstances while the profitability of existing businesses should be enhanced and new sources of revenue urgently identified. As the private market is expected to grow with expansion of home and community care, Dasomi Foundation plans to provide home care services as a way to expand its business portfolio and find a new source of revenue. At the same time, the company is considering entry into the long-term care business, which will bring in stable revenue. Moreover, in an effort to diversify revenue sources, it is pushing for overseas projects while calling for more donations and fundraising activities. Another plan is to expand its regional bases through social franchising, developing an integrated care platform and using the same business model as Dasomi Foundation. As it challenges itself to go into new fields of business, its internal expertise in innovation and research and development, built and accumulated over time during the innovation process of quality and business management systems, will be very helpful.

Dasomi Foundation faces its second hardship since its establishment. We hope that it will overcome this crisis and make further advances towards realizing its vision to become a leader in community care.

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VII. A company:

Shining a new light of hope on the art market and rising artists

Author: Chang-ho Oh
Research Assistant: Gye-jin Choi
Reviewer: Cheol Park

Summary

Overview and Reason for Selection	<ul style="list-style-type: none"> · A company is a social enterprise established in 2011, specializing in art curating and consulting. · It focuses on creating spaces, markets and activity areas for young artists to work in and make money to continue their careers. · It is one of the few social enterprises that target the art market and artists directly.
Social Mission and Outcomes	<ul style="list-style-type: none"> · Social Problems to Tackle: The poor reality faced by up-and-coming artists, namely their financial hardship(insufficient income) and psychological pressure(sense of isolation); the unreasonable, unfair and non-transparent structure of the art world that has created today's situation. · Social Missions: To create a platform that makes art more accessible to the public and improves the working environment of young artists; and to create an accessible and sustainable art market by planning exhibitions where people can feel comfort and joy from art and building artist-fan relationships.
Outcomes	<ul style="list-style-type: none"> · Improving the environment for artists to create art <ul style="list-style-type: none"> – Direct support for new artists in selling their works and reducing the cost of sales – Developing merchandise based on their works and support for activities using their talents – Creating more opportunities to generate other income · Expanding the art market to the public

Success Factors	<ul style="list-style-type: none"> · Passion for improving the environment for creative works and social entrepreneurship: Free and creative thinking, a constant willingness to take on challenges and experiment, and a strong passion for improving the environment for new artists to create art · New experiments in market strategies and business models: New methods that revolutionized existing practices in the art scene to help the public find art more accessible, and diversification of the business model · Securing brand awareness through awards, commendations and media
Strategic and Policy Implications	<ul style="list-style-type: none"> · A long-term perspective and effort are required to bring about structural and fundamental changes that will reform the entire working environment and truly solve the issues faced by new artists, such as promoting “Fair Operation” rather than focusing on improving the financial situation of a few artists and making a sustainable art market accessible to the public. · More attention, support and expertise are needed for the businesses, like A company, that operate in the area of intangible assets such as culture, art, and content.
Challenges and Prospects	<ul style="list-style-type: none"> · Find new businesses in B2C area that can bring about a structural solution to the artists’ working environment in the existing art market (i.e. the market where works of art are traded directly or indirectly), and then expand them and bring stability. · Take advantage of it being a combination of brokerage company, social enterprise, and start-up.
SDGs	<ul style="list-style-type: none"> · SDG #8 Promote inclusive and sustainable economic growth, employment and decent work for all

1. Case Overview and Reason for Selection

A company is a social enterprise specializing in art curating and consulting. It particularly focuses on creating spaces, markets and activity areas for artists, especially young artists, to work in and make money to continue their careers.

Since its establishment in 2011, it has conducted a variety of experiments and engaged in diverse activities, including organizing exhibitions and art fairs, running a complex cultural space, providing art consulting, and developing and managing public projects related to culture and arts. In this process, it has taken up the challenge to expand the art market, which used to be monopolized by famous artists and the upper class, to include the general public, by teaching the general public how to make art a part of their daily lives.

In the domain of the social economy, there are few social enterprises that target the art market and artists directly. In this sense, A company's experiment is distinctively unique.

Figure 1. A company's Website]



The art market in Korea is worth KRW 494.2 billion⁴⁶ a year (as of 2017, data from Korea Arts Management Service), KRW 244.7 billion of which is from gallery sales, KRW 149.3 billion from auctions and KRW 65.5 billion from art fairs. However, looking at the structure more closely, all these segments are monopolized by a handful of players. The sales of the top three galleries account for 63%, the top two auction companies for 75%, and the top two art fairs for 55.2% of the total sales in their respective segments. The art market is also perceived as a luxury market centering around famous artists whose works are expensive, major galleries and

46 Average exchange rate for 2019 was \$1 = KRW 1166.5, that is, KRW 1,000 = \$ 0.86.

wealthy customers in a league of their own that is tightly closed, like an impenetrable fortress. This world is so closed that it is very difficult for new artists and new galleries to enter. Some statistics show that one of every four galleries do not sell a single piece over the course of a year. The reality is that there is so little room for so many new artists that are produced every year that it is difficult for them to even get a chance to present and sell their works.

Due to the nature of this market, new artists find it hard to earn a stable income that allows them a reasonable livelihood to continue their art. They either have to make money from incidental activities or give up their dreams and switch to other fields. For them, the problems are not just financial but emotional, and include psychological pressure, and a sense of intimidation and alienation from the absolute difficulty of being recognized as an artist.

As a social enterprise, A company believes in the social value of art and artists. It focuses on the economic, emotional, and institutional sides of the environment in which today's artists engage in creative activities. By doing so, it seeks to create an accessible and sustainable art market through innovation of its deformed and stagnant situation, where it is dominated by a few players.

2. Social Mission, Growth and Social Outcomes

2.1 Social Problems to Tackle and Social Mission

Jiyeon Jeong, founder and CEO of A company, was leading a life that had nothing to do with art. After studying computer science in college, she was working on the PR team of a securities company. She decided to start a social enterprise in the art field because she felt sorry for the sad reality of young artists whom she got to know in the course of her activities and the dreams they had to give up despite their passion and talents.

Jeong particularly noted the poor reality faced by up-and-coming artists, namely their financial hardship(insufficient income) and psychological pressure(sense of isolation), and the unreasonable, unfair and non-transparent structure of the art world that created today's situation. She believed the solution lies in creating an accessible and sustainable art market that the general public can enjoy. She wanted to offer such a market to pave the way for new artists to secure stable incomes and continue their art and pursue their dreams.

A company's social missions are to create a platform that makes art more accessible to the public and improves the working environment of young artists, and to create an accessible and sustainable art market by planning exhibitions where people can feel comfort and joy from art and building artist-fan relationships.

2.2 Start-up and Growth Process

Ms. Jeong had her eyes opened to art through a Cindy Sherman photo exhibition. However, as she studied computer science in college, she worked in a completely different field until she started A company. In her first job at a securities company, she was in charge of broadcasting. When she was hired by Yahoo! Korea in 2006 to host stock market shows, she occasionally introduced information on the art market. That was when she became more interested in doing something related to art.

After leaving Yahoo!, she joined a new business team in a consulting firm that was looking for someone to work on the art business, and she began conducting market research. In the process, she learned about the harsh reality where artists cannot make a living from their artistic activities. She wanted to introduce them to their fans and encourage them, so she opened an online fan club page called Artist Fanclub in July 2008 as a personal effort.

At this time, she did not intend to use this to start a business. She just thought it would be helpful in some way in the long run. After the market research, the consulting firm dropped the art-related project, but Jeong continued to run the online group and sought to start a business in the art sector.

In 2010, she organized Sparkling Show as a pilot project, where 10 young artists and consumers got together. The successful outcome gave her the final nudge to establish A company. In 2011, she established one and began a series of exhibitions and projects.

A company's important milestones are as follows:

- July 2008 Artist Fanclub(online community) launched
- 2010 First Sparkling Show
- 2011 Corporation established; exhibitions and projects begun(My First Exhibition; A-Cafe) Won award at the National Social Venture Competition; designated a Seoul prominent social enterprise
- 2012 First Breeze Art Fair; designated a Seoul innovative social enterprise
- 2013 First Minari House opened; designated a social enterprise
- 2014 Second Breeze Art Fair; Won award at H-ondream Developing Section
- 2015 Minari House re-opened Attracted investment from KAIST Venture Investment Holdings Selected to participate in the SK Group's Social Progress Credit(SPC) program
- 2016 Managed Seoul New Deal Job Project "My Store x My Artist(-2018)
- 2017 Planned and operated Art Gyeonggi 2017; exhibition planning at Soorim Arts Center
- 2018 Planned and operated Living Lab Project "We Lend You Paintings"
- 2019 Sixth Breeze Art Fair

A company's activities were a series of experiments. It made a variety of attempts to open a fissure in the existing closed art market and establish a new order.

Its projects can be divided into three categories according to purpose: 1) creating more opportunities to introduce new artists to consumers and facilitate meet-ups between the two; 2) expanding spaces and introducing new methods to sell artwork; and 3) increasing income for artists by exploring new business areas to apply their talents.

1) Creating more opportunities to introduce new artists to consumers and facilitate meet-ups between the two

A company carries out projects to promote new artists, who do not get a lot of opportunities to present their works and activities, and let them have direct exchanges with prospective consumers and grow in confidence. This started with an online community called Artist Fanclub in 2008, and has evolved into Sparkling Show, My First Exhibition, and Breeze Art Fair.

Artist Fanclub(2008-2015)

This online group was born in July 2008 out of a simple dream to introduce young artists in difficult situations and encourage them. It served as a place of exchange between artists and fans until 2015 and was also the company's early-stage business activity. Since 2015, a Facebook page has taken over this role and provides information on the company's activities and the artists who participate in the art fair.

Sparkling Show(2010-2013)

Based on the positive response from the online fan club, Sparkling Show was organized as the first offline event to gather young artists and their fans together. The name suggests the theme of the event, "Sparkling young artists meeting their fans." Unlike other gallery exhibitions, this program was organized like a party full of fun activities. Artists would introduce themselves and their works, and there were shows and quizzes. It was revolutionary in that it built a direct networking opportunity between artists and fans. With its first show in July 2010, Sparkling Show was held four times until 2013, with about 10 new artists participating in each.

My First Exhibition(2011)

My First Exhibition was the first project since A company was incorporated. Encouraged by the success of Sparkling Show, the company planned this full-scale exhibition in earnest. It is significant in that it held the first solo exhibition for talented and promising artists to debut. It broke the industry custom and conducted

an open screening process and interviews. Three artists were selected and the exhibition was held in Gallery Golmok in Itaewon, Seoul in April 2011.

Breeze Art Fair(2012-present)

The experiences and achievements of Sparkling Show and My First Exhibition have developed into a full-scale art fair called Breeze Art Fair. Since the first fair in 2012 – with 22 artists – in Anthracite Coffee Hapjeong, Seoul, Breeze Art Fair has taken place six times, and is one of the company's flagship projects. The latest event, the 2019 Breeze Art Fair, lasted for three days in Nodeulseom, Seoul and enjoyed the participation of 72 artists.

Figure 2. Breeze Art Fair



Breeze Art Fair claims to be a networking party that connects artists and visitors, and to host a young and trendy art market in which anyone can enjoy and buy art easily and conveniently. It features the following characteristics:

New and young artists: Prospective artists are discovered through an open call and introduced in the fair. Visitors can come and see their works in person, and make purchases on site as well.

Fun party: It is a fun place where artists and visitors meet and communicate in person along with a variety of events and band performances.

“Own Art” campaign: This is a program that benchmarks “Own Art Loan,” which offers interest-free art loans in the U.K. for first-time buyers. To lower the barrier for purchasing an art piece, this program offers the option to make 10 monthly

payments and provides a 10% kickback to cover credit card interest incurred over that time(5% by artists, 5% by Breeze Art Fair).

Fair Operation: The entire process of artist selection, contracting, exhibition and sales is transparent and reasonable.

In the 2019 fair, A company wanted to reaffirm its original intention, so it added a “Breeze New” section to put more emphasis on the artists who were just starting out. This section selected and presented 10 “completely new” artists, who had solo exhibitions up to three times.

2) Expanding spaces and introducing new methods to sell artwork

A company looks for a variety of contacts and opportunities to introduce the works of up-and-coming artists to prospective buyers. These efforts include exhibitions and sales in collaboration with cafés, an art rental project, and operation of its own exhibition space.

A-Café Project(2011-2014)

A company and cafés collaborated to exhibit and sell art works. This project was carried out in a few places in the Seoul metropolitan area: Touch Africa(Ilsan), Baobabtree(Yeongdeungpo, Seoul), Viamonoh(Hongdae Branch, Seoul), and Lapalette Café. The exhibits were replaced every one to two months. Sales were slow and profits low considering the costs of transportation and management. The project ended after three years, and the company began looking for its own exhibition space.

Minari House: A Painting Shop(2013-present)

After the poor outcome of A-Café project, A company realized the need to have its own space for exhibitions and sales. In 2013, it opened a complex cultural space called Minari House in Dongsung-dong, Seoul to introduce new artists and promote diverse cultural exchanges.

Ms. Jeong, who wanted to make galleries more accessible, and even change their roles and characteristics, gave it the nickname “A Painting Shop” instead of calling it a gallery. A number of programs were conducted here, including permanent exhibitions, artist-in-residence programs, a guest house on top of the gallery, and a networking forum called Minari Night. Minari Night was designed to discuss the social role of art and artists and identify a venue where the general public can meet art in daily life. About 30 people involved in art, including art experts, artists and the general public, got together at the forum to identify new problems in the industry, share information and experiences and engage in discussion.

After two renovations, Minari House today operates as a gallery, showroom and art shop.

Art Rental Project(2018)

A company also carried out an art rental project to bring people closer to art and be able to enjoy paintings in their private spaces. This was done as a part of Seoul's Living Lab Project in 2018 and had a slogan: "Enjoy the comfort of a painting in your own space, outside of a gallery." A participant would rent a painting for KRW 10,000 a week for the minimum rental period of two weeks.

However, there was not much demand; not many people were interested in having paintings exhibited in their private spaces. The low rental fee of KRW 40,000 per month was not enough to cover marketing, transportation and management costs. Due to poor profitability, this project was run only briefly.

3) Increasing artist income by exploring new business areas to apply their talents

A company did not stop at selling art work and connecting artists and prospective buyers. To resolve the financial and emotional hardships of new artists, efforts have been made to find new areas of business to which their talents can be applied.

These include public projects and running exhibition projects as contractors, where diverse attempts can be made to commercialize the works of art and artists can apply their creative talents in the field.

Work-based product development(2011-)

As it takes a lot of time to increase demand for and sell artwork, attempts were made to expand the market by turning art into "products", thereby making it easier for the general public to purchase and use artists' creations in everyday life.

This started when a social venture company named Bring Your Cup proposed making artwork into merchandise in 2015. Together with A company, it produced limited edition tumblers to sponsor new artists. A company also produced its own various products with art from rising artists, such as diaries, cards, notepads, and file holders, but they did not sell well. Stationery items recorded particularly low sales due to their low unit prices and high minimum production quantities, which led to high inventories. When a product did not sell well, the company suffered loss, which was the case many times. Moreover, it was not easy to develop merchandise because most artists were in fine arts, not applied arts.

This failure taught the company that collaboration between small companies does not create much synergy, and that products need to have high unit prices to earn a profit after covering time and costs involved.

In this context, A company has recently developed interior props(canvas art products) based on the works of artists, and sold them through home shopping channels.

My Store x My Artist(2016-2018)

The My Store x My Artist Project is a project to improve the spatial design of local stores by connecting young artists who majored in art(e.g. painting, design, craft) with small business owners. It was suggested during a meeting between young artists and the mayor of Seoul as part of Breeze Art Fair as a program to help artists suffering financial hardship.

This project began in 2016 as part of the Seoul New Deal Job Project. From 2016 to 2018, a total of 102 young artists took part in changing stores in various industries, including cafés, restaurants and photo studios. Small business owners received high-quality, customized outcomes at lower cost than working with other outsourced companies, while artists gained competency and earned income. As the project worked quite well and was well received by both sides, more local governments implemented this program, with the related budgets increasing, too. In 2016, it began with a budget of KRW 200 million allocated by the Seoul Metropolitan Government alone. However, in 2019, this budget increased to KRW 800 million. With the participation of 13 gu-districts in the city, the total budget stood at about KRW 2.8 billion.

Due to the nature of the project(i.e. job creation through government subsidies), the participating companies were not allowed to earn a profit until 2018. The personnel management system was complicated as the artists had to be registered as employees. However, in 2019, the system was changed to allow participating companies to earn a small profit. Other parts of the system improved to make it easier for artists and participating companies; for instance, one-to-one matching changed to a team-based system, in which up to three artists form a team and each team takes care of a couple of stores. They also work as freelancers instead of following regular work hours.

A company went through the bidding process and was contracted to implement this project for three consecutive years(2016 to 2018). It was unable to make any money despite significant resource investment, but it was meaningful in that it created and institutionalized a new area where young artists can display their talent.

Exhibition planning, operation and art consulting(2014-present)

One of the main areas of A company's activities is art consulting, which means that it is contracted to plan and run exhibitions in external cultural and art spaces. It is positive that the company can work with artists in the planning and operation process and that it can secure profits through the business.

Starting with its 2013 project called "Art Gallery by Movie Theater" in Megabox

COEX Mall, A company has conducted the following projects in the area of space exhibition planning and operation:

Public Art Project “Urban Guerilla” (Iron Lamp Street in Yongdu-dong) by the Seoul Foundation for Arts and Culture(2014)

Contracted operation of Euljiro Atelier Gallery(Seoul Facilities Corporation)
(2015)

Contracted operation of Humax Art Room(2015, 2016, 2017)

Planning and operation of special exhibitions at Soorim Arts Center(2016, 2017, 2018)

Planning and hosting of Soorim Art Awards

Planning and operation of Art Gyeonggi 2017(with 100 artists)

The projects that have been put in place thus can be summarized by their objectives:

Figure 3. A company's Project Timeline by objective

Project Type by Objective	Project Timeline											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1) Creating more opportunities to introduce new artists and for them to meet with consumers	<div>Artist Fanclub</div> <div>Sparkling Show</div> <div>My First Exhibition</div> <div>Breeze Art Fair</div>											
2) Expanding spaces and introducing new methods to sell artwork	<div>A-Café Project</div> <div>A Painting Shop Minari House</div> <div>Art Rental Project</div>											
3) Increasing artist income by exploring new business areas to apply their talents	<div>Product Development</div> <div>My Store x My Artist</div> <div>Exhibition planning & operation</div>											

2.3 Social Outcomes

In recognition of its achievements in resolving social problems through its projects, A company was selected as one of the first companies subject to the Social Progress

Credit(SPC) program, which is SK Group's social performance incentive system in 2015 and has received continued support until today.

SPC recognized that A company has created social outcomes worth KRW 630 million. However, SPC evaluates only the financial revenue actually paid out to the artists through the company, such as the proceeds from the sales of works and copyright fees. It does not include the income paid to the participating artists directly by the contracting authority for the projects commissioned to A company for their implementation.

The social outcomes generated by A company's businesses and projects are more than the direct income paid to the artists. They include the revenue generated from using their talents, the creation of indirect markets in which artists can be involved, and the improved environment for artists so they can work more freely.

From a broad perspective, the company's outcomes can be summarized in the following table:

Outcomes	Description	Detailed Items
Improving the(economic and emotional) environment for artists' creative works	Direct support for new artists in selling their works	Reducing the cost of sales
		Opportunities to sell and earn proceeds from sales
	Indirect support for new artists in selling their works and applying their talents	Developing merchandise based on their works and earn proceeds from the sales
		Income from activities using their talents
	Creating more areas for artists to work and expanding opportunities to generate income	Expanding new forms of art fairs
		Expanding new model for public projects
	Improving the emotional environment for artists	
Expanding the art market to the public	Creating a new market where the public buys art pieces	

1) Improving the(economic and emotional) environment for artists to create art

Ms. Jeong decided to start a business in the art market field because she wanted to improve the work environments for young artists. Accordingly, A company's social missions were to innovate the financial, emotional and institutional environment for their creative works and create an accessible and sustainable art market.

The outcomes of this effort include quantitative(i.e. direct and indirect support for

sales, support for artists in using their talents to make money, more opportunities to generate income by exploring new areas for them to work in) as well as qualitative(i.e. emotional support).

a. Direct support for new artists in selling their works

New artists tend to have to hold an exhibition at their own expense to present and sell their works, but an exhibition can easily cost them millions of won. A company reduces the cost burden by allowing new artists, fairly selected through an open contest, to participate in exhibitions and art fairs at no cost. Furthermore, it lets them generate revenue as they get to present and sell their works in exhibitions and art fairs.

b. Indirect support for new artists in selling their works and using their talents

New artists can increase revenue not only by selling their works but by developing and selling products based on those works and engaging in revenue-generating activities using their talents. A company implemented projects that may be difficult for individuals to carry out, thereby helping new artists earn more and improving the overall environment for their creative works.

c. Creating more areas in which artists can work and expanding opportunities to generate revenue

A company has also created new fields where new artists can work and have greater opportunities to sell their works, although it may not lead to income right away. These efforts have improved the overall environment in the long run.

A company introduced small art fairs where artists and the public can interact, such as Sparkling Show and Breeze Art Fair, which were rare in the art market. This was a breath of fresh air to the market, and gave birth to a number of similar types of art fairs, such as Korea Arts Management Service's Art Marketplace and Chuncheon Orange Art Fair.

In addition, its suggestion and implementation of the project model for My Store x My Artist has created a new system where artists can use their talents to do jobs for local stores. The success of this project increased meant its budget increased from KRW 200 billion to KRW 2.8 billion over the years.

d. Improving the emotional environment for artists

While A company focused on the financial hardship faced by up-and-coming artists, it also looked at their emotional needs. It carried out projects and activities that encourage them and help them take pride in their work.

Artist Fanclub, which Jeong began to introduce fans to new artists in the early

days; Sparkling Show and Breeze Art Fair, which provided opportunities for artists to meet and interact with fans; and Minari Night at the Minari House, a forum of exchange between artists, experts and consumers, are good examples. The artists participating in these events gained confidence and courage, which helped them work harder in their artistic endeavors.

“I was happy to have the opportunity to present my work to the world with support from A company for my first solo exhibition,” said an artist who has worked with A company from the very beginning. “I liked that I was able to continue to participate in exhibitions and art fairs, engage with other artists and talk with visitors. I am grateful to A company for creating an opportunity to make new artists’ works more available to the public. From an artist’s point of view, A company is the company that takes care of us and loves art,” he added.

2) Expanding the art market to the public

One important thing that A company emphasized to improve the creative environment for new artists was the importance of building a platform that makes art more approachable to the public and creating an art market for the general public. It believed that a new market would be created that differs from the existing high-end market when ordinary people experience the joy of art, and own their own art pieces in daily life, and that this new market would present more opportunities for up-and-coming artists to create and sell their works.

To do so, A company developed a variety of exhibitions, art fairs and exhibition spaces accessible to the public, as well as running an “Own Art Campaign” to lower the barriers to purchasing art. These efforts have gradually expanded the general art market, which used to be insignificant.

A customer who purchase some art at Breeze Art Fair shared this experience: “Breeze Art Fair has lowered the barriers for anyone who wants to own artwork. Unlike ordinary exhibitions, I was able to enjoy the young and cheerful ambiance with music and a beer, and I was able to talk to other people easily. Artists were standing near their works explaining them. It was good to be able to buy artwork without feeling pressured. Friends to whom I recommended the fair and people who received the pieces I bought as gifts were all satisfied, and many people ended up buying works during or after their visit.”

Its social outcomes can be summarized as follows under the framework of “Activity, Outputs, Outcomes and Impact.”

Activity	Outputs ¹	Outcomes	Impact
<ul style="list-style-type: none"> · Artist Fanclub · Exhibitions and art fairs · Forum “Minari Night” · Securing exhibition spaces · Developing merchandise using artwork · Generating income using talents 	<ul style="list-style-type: none"> · Cumulative No. of artists participating in the events: 560 · Cumulative No. of artists benefiting from merchandise development: 55 · Cumulative No. of artists participating in the event using their talents: 247 · Cumulative No. of potential customers participating in the events: 12,316 (Breeze Art Fair) 	<ul style="list-style-type: none"> · Increase in artists’ income <ul style="list-style-type: none"> : KRW 6.72 billion in total – Reduced cost of presenting works : KRW 3.92 billion² – Artists’ income from selling merchandise : KRW 630 million³ – Artists’ income from events using their talents : KRW 2.18 billion⁴ 	<ul style="list-style-type: none"> · Improved economic and emotional environment for new artists · A bigger market connecting artists and small business owners · A bigger art market for the public · Improved sustainability for up-and-coming artists, increased number of new artists coming into the market
<p>1) Calculated on the basis of the figures from 2010 to Nov. 2019</p> <p>2) Reduced cost of presenting works = the cost that artists normally have to pay to hold an exhibition (KRW 7 million on average) x No. of artists given the exhibition opportunity</p> <p>3) Sum of the four-year outcomes calculated by SPC from 2015 to 2018</p> <p>4) Artists’ income from events using talents = average income per person per project (KRW 8.82 million) x No. of artists who participated in the project</p>			

3. Factors and Strategies for Success

3.1 Passion for improving the environment for creative works; Social entrepreneurship

While Ms. Jeong’s initial goal was to create a better environment for artists on the basis of business without becoming a non-profit organization or receiving sponsorship, the reality was not so easy. It held exhibitions presenting the works of prominent young artists and developed various ways to promote and sell their works, but the outcomes have not been significant enough to change the market.

Still, she continues to experiment with new innovative ways and business models. As it has developed, A company has established Breeze Art Fair, Minari House, and various public projects. In 2017, it was the only entity in the field of fine arts to generate more than KRW 1 billion in sales.

Behind A company’s social outcomes is Jeong’s social entrepreneurship. These outcomes were possible because of her free and creative thinking, unbound by existing order and practice, an experimental attitude of taking risks and challenging herself constantly, innovative ideas and ways of doing business, and above all, her strong passion for the social value of improving the environment for new artists to create art. Jeong once said that her being a non-art major actually works in her favor. This allows her to be free from existing networks and practices in the art

field and take on bold, new experiments and challenges. She also mentioned that the joy of working with artists and the rewarding feeling that she gets while working for them are what keep her going.

Recently, Ms. Jeong and A company have taken on new challenges and experiments. Public projects are a large part of the business in the art field, and it is hard to secure sales or resources without participating in them. However, Jeong wants to reduce the public projects that focus too much on quantitative outcomes, including My Store x My Artist and Art Gyeonggi, and go back to where she started. She hopes to jump into a new direction by focusing on the B2C business as she initially planned.

The company is downsizing and reorganizing the business structure into a form of expert collaboration. It is exploring a new business model that will create a little space for art in the lives of the general public. It does more than just sell the works; it goes one step further and attempts to commercialize them, and bring artists' talents into our daily lives to generate revenue.

3.2 New experiments in market strategies and business models

If A company had tried to compete in the closed traditional art market in the same way the existing players do, it would not have achieved the outcomes that it has. The reason the company stands where it is today in fine arts is largely attributable to its new experiments in market strategies and business models.

1) Expanding the art market for the public into a blue ocean of potential

The biggest challenge for A company is targeting the members of the general public who love art rather than those who want to invest in it, and expand the art market for the public into a blue ocean of potential. To this end, it put in place new methods that revolutionized existing practices in the art scene to help the public find the art more accessible, enjoy works and even own a piece, such as at an art fair where you can party with the artists, see art portfolios and understand price, have extended exhibition hours to 10 p.m., and lower barriers to purchasing artwork through the Own Art Campaign. As a result, the art market for the public is gradually developing, which presents more opportunities for up-and-coming artists to create and sell their artwork.

2) Diversification of the art work business model

The artists rely mostly on revenue from the sale of their works and partially on income from working as art teachers. In other words, a lack of sales directly results in financial hardship. To increase artist incomes, A company seeks to develop and apply a wide variety of business models to ensure stability and sustainability, ranging

from changing direct sales methods to generating profits by commercializing works or utilizing artists' talents.

Table 1. Types of Business Model Used by A company

Business Model	Description	Actual Cases
Sales of works of art	Innovative form of art fair where artists and visitors meet	Sparkling Show, Breeze Art Fair
	Development of new spaces for exhibition and sales	A-Cafe, Minari House
	Art work rental	Art Rental Project (Living Lab Project)
Commercialization of works of art	Merchandise development using art works	Tumblers, stationery, art canvas
Using artists' talents	Public projects	My Store x My Artist, Art Gyeonggi 2017
	Planning of space exhibition	Soorim Arts Center

3.3 Securing brand recognition through awards, commendations and media exposure

Thanks to A company's unique position of being a social enterprise in the field of fine arts, it has attracted much attention through awards and commendations at various competitions and contests and gained publicity. This contributed greatly to its business in terms of networking, collaboration, and winning contracts for public projects.

The list of major awards that A company has received is as follows:

- 2011 SK World Contest, Champion _ The Happiness Foundation
- 2011 Seoul/Gangwon Social Venture Contest, Grand Prize _ Korea Social Enterprise Promotion Agency(KoSEA)
- 2011 National Social Venture Contest, General Award _ Ministry of Employment and Labor(MOEL)
- 2012 Social Contribution Program Contest, Excellence Award(Incheon International Airport Corporation) _ Community Relations Center
- 2012 Designated as a Seoul innovative social enterprise _ Seoul Metropolitan Government
- 2013 Star Social Entrepreneur Award _ KoSEA
- 2013 Designated as a social enterprise _ MOEL

- 2014 Creative Tourism Venture Contest, Grand Prize _ Korea Tourism Organization, Ministry of Culture, Sports and Tourism
- 2014 H-ondream Developing Section Award _ Hyundai Motor Group
- 2015 Selected for the SPC program _ SK Group
- 2016 Commendation from the Minister of Employment and Labor in commemoration of Social Enterprise Day

In addition, KoSEA and the social economy world talked about A company in the media, which increased the company's media exposure even more. This led to sponsorship and support, which helped the business greatly. In particular, Dokyun Kwon, CEO of a start-up accelerator named Primer, promised to provide financial support for Breeze Art Fair for three years, which largely contributed to putting the fair on the right track.

4. Policy and Strategic Implications and Challenges

4.1 Policy and Strategic Implications

Social enterprises in Korea focus on creating jobs for vulnerable groups, providing social services, and resolving problems related to the work environment and the industry. A company is more special in that it operates in Korea's art market, which is more unreasonable and unfair than anywhere else. It is a pioneer that strives to improve the environment for up-and-coming artists to engage in creative activities and earn a livelihood in this market.

In addition to arranging art sales for a few artists or helping them increase income by using their talents, the company has taken a structural approach to creating an art market that is accessible to the public and sustainable, thereby improving the entire environment so that new artists can continue their dreams. These efforts need to be made in the long term because they must open a fissure in the existing closed art market and create innovations for a new market. The accomplishments that A company has made over the past eight years may seem insignificant. However, its approach and experimentation deserve recognition because fundamental changes need to be made to address the problems suffered by new artists rather than improving the financial condition of some individual artists.

A company seeks to bring a new sensation to the existing art market ecosystem, which has been very disadvantageous to new artists. For instance, by promoting "Fair Operation," it followed a transparent and reasonable process from artist selection to contracting, exhibition and sales in every project and program. It made sure the contracts signed are fair, introduced a profit-sharing structure more

favorable to artists, and disclosed the price of the art works. Moreover, it was active in connecting artists and customers directly, which galleries will not do over concerns of being left out of direct dealing.

These small innovations and changes, although not noted in the mainstream art market, are beginning to change the order of the existing market.

While many systems and policies have been implemented to promote the social economy, the businesses like A company that operate on intangible assets such as culture, art, and content, still require more attention, support and expertise. This case also highlights the need for systematic support and institutional improvement for those that require long-term business development to solve structural problems.

4.2. Prospects and Challenges

It is very encouraging that a growing number of companies are working to improve the quality of life for artists in the social economy realm, such as by connecting local communities and artists and developing projects to create spaces with installation art. However, due to the characteristics and limitations of the closed art market, it is not easy to find new businesses in the existing art market (i.e. the market where works of art are traded directly or indirectly) and make structural changes to the artists' working environment, other than businesses in the education and public project sectors. This presents many challenges to A company, too.

Despite its continued efforts, the company has yet to establish a firm base for profits at the operational level, and the expansion of social influence remains limited. However, with Breeze Art Fair and Minari House serving as a small yet solid foundation, its performance is gradually stabilizing. The company plans to limit its participation in public projects unless they fit its mission, particularly those that can make artists shine at the center, rather than using them as tools. It intends to focus on B2C business as it originally planned, and grow by establishing a solid business foundation and attracting outside investment.

Ms. Jeong sees A company as not just an art brokerage company, not just a social enterprise, and not just a start-up, but a combination of the three. It may not attract much attention in each sector as it is not in the mainstream in any of them, but on the flip side, this means that the company has everything. It can converge, connect and collaborate, and this is what will shape the future for A company.

Eight years after its establishment, the challenges, experimentation and innovation of Ms. Jeong and A company are still ongoing.

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VIII. TestWorks: Testing New Possibilities in the Employment of Socially Vulnerable Groups

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Summary

Overview and Reason for Selection	<ul style="list-style-type: none"> · According to the Korea Disabled People's Development Institute(2018), most developmentally disabled people are financially dependent on their parents. Even when they do find employment, they are usually hired under a fixed-term contract, meaning that their job security is not guaranteed and their income levels are very low. Although people with developmental disabilities tend to be eager to work in order to help support themselves and their families, companies are often reluctant to hire them. However, there is an innovative social enterprise that finds jobs for people with developmental disabilities, who are then able to unlock their potential and add value to firms. It is called TestWorks, and it is "testing" the placement of people with developmental disabilities in new roles in high-tech industries including IT and artificial intelligence(AI) and proving that this approach "works." The case of TestWorks offers new perspectives on social integration and the sustainable employment of developmentally challenged people, giving us hope for a better future
Social Mission	<ul style="list-style-type: none"> · Social Problems: Lack of jobs for socially vulnerable groups · Social Mission: "Growing with Employee, Customer and Society"
Outcomes	<ul style="list-style-type: none"> · 2017 Grand Prize at Social Entrepreneur Promotion Business Festival · 2017 Hyundai Motor Group H-OnDream 6th Fellowship · 2017 KT Change Maker Award · 2017 Selected for SK Group's Social Progress Credit(SPC) program
Success Factors	<ul style="list-style-type: none"> · Jobs and related training programs for socially vulnerable groups tailored to their competitive advantages · A social business model that strikes a balance between social and financial values
Strategic and Policy Implications	<ul style="list-style-type: none"> · It is possible to achieve a competitive edge by taking advantage of the unique strengths of socially vulnerable groups · It is necessary to make continued effort to help these socially vulnerable groups with any challenges they may face
SDGs	<ul style="list-style-type: none"> · SDG #8: Decent Work and Economic Growth

1. Overview and Reason for Selection

According to the Asan Medical Center, “developmental disability” refers to a type of impairment characterized by delays or abnormalities in cognitive development, communication and social relationships, or a condition by which a person does not show an age-appropriate level of mental or physical development. Developmental disability encompasses a variety of concepts, including brain abnormalities, intellectual disability, autism and epilepsy. People with developmental disabilities typically find it difficult to engage in daily and social activities.

As a result, most people with developmental disabilities have difficulty finding a job. In Korea, the employment rate of the total population as of 2018 stood at 60.8% and the unemployment rate at 4.4% while the employment rate of the people with a developmental disability stood at 24.8% and the unemployment rate at 10.6% (Korea Employment Agency for Persons with Disabilities(KEAD), 2018). Moreover, Table 1 shows that the unemployment rate for people with a developmental disability is twice as high as that of the total disabled population.

Even if people with developmental disabilities are lucky enough to get a job, the situation can be tough. As they are usually hired under a one-year contract, their job security is not guaranteed and their salary is not high enough for them to become truly independent. As of 2014, the average monthly wage for people with developmental disabilities was about 510,000 won, which was the lowest among the 15 official disability categories in South Korea, which include physical disability, brain abnormality and visual impairment(Ko, 2017).

The difficulties that people with developmental disabilities face do not only affect their own lives. On April 2, 2019, a mother who killed her autistic child was sentenced to probation. The presiding judge stated in the sentencing that “the Defendant fulfilled her duty as a parent, raising and caring with devotion for the victim, who had a disability, for almost 40 years. The guilt of having killed her own child is probably heavier than any punishment we could hand down.” The judge added, “The law stipulates that central and local government should be taking the necessary measures for people with developmental disabilities and their families, and it is difficult to say that the Defendant and her family received sufficient protection or support.” According to the Korean Women's Development Institute(2005), a parent taking care of children spends on average 11 hours and 36 minutes per day doing so. That number is 13 hours for someone taking care of an elderly person, and 13 hours and 16 minutes for a parent of a disabled child. Children require less care as they grow older, and the elderly tend to require care only in their last years. However, people with developmental disabilities need care for their entire life, so the level of fatigue felt by family caregivers tends to be very high(Kim, 2019).

Table 1. Economic Activity Status of the Handicapped - by Disability Type

	Population aged 15 or over	Economically active population	Employed persons	Unemployed persons	Economically inactive population	Economic activity rate(%)	Unemployment rate(%)	Employment
Total	2,495,043	922,897	861,648	61,249	1,572,146	37.0	6.6	34.5
intellectual disabilities	1,251,749	564,549	531,608	32,941	687,200	45.1	5.8	42.5
External physical disability other than intellectual disabilities	246,875	35,753	31,293	4,460	211,122	14.5	12.5	12.7
Visual impairment	250,978	112,035	103,916	8,119	138,943	44.6	7.2	41.4
Sensory impairment other than visual	316,335	107,110	100,743	6,367	209,225	33.9	5.9	31.8
Mental disorder	295,805	68,217	60,975	7,249	227,588	23.1	10.6	20.6
Internal physical disability	133,299	35,232	33,112	2,120	98,067	26.4	6.0	24.8

Source: KEAD, 2018

According to the Korea Disabled People's Development Institute(2018), most developmentally disabled people are financially dependent on their parents, and even when they are employed, they are usually hired under a fixed-term contract, meaning that their job security is not guaranteed and their income levels tend to be very low. Considering this reality, a quality job for someone with a developmental disability is great joy for them as well as to their families. However, companies are often reluctant to hire them, feeling that it would be inefficient from a management perspective. Amid this tough situation, there is an innovative social enterprise that finds jobs for people with developmental disabilities, who are then able to unlock their potential and add value to firms. It is called TestWorks, and it is “testing” the placement of people with developmental disabilities in new roles in high-tech industries including IT and artificial intelligence(AI) and proving that this approach “works.” The case of TestWorks offers new perspectives on social integration and the sustainable employment of developmentally challenged people, giving us hope for a better future.

2. Social Missions and Major Outcomes

2-1. Social Missions

TestWorks is one of the most notable companies that actively employs people with developmental disabilities and creates social and economic value. This social enterprise was established in 2015 with the goal of bringing about social innovation

through technology. Its social mission is “Growing with Employee, Customer and Society,” which embodies its commitment to giving people, regardless of their gender, age, disability or nationality, an opportunity to prove themselves, fulfill their potential, and feel the pride and joy of personal growth.

Figure 1. TestWorks’s Social Missions



Source: TestWorks website

2-2. Innovative Solutions to Social Problems

Currently, a main business area of TestWorks is building data sets by collecting and processing AI-related machine learning data. How could such a high-tech-based company hire people with developmental disabilities? The answer lies in providing them long-term employment in jobs that maximize their potential. The company focused on the strengths that many people with developmental disabilities possess: concentration and attention to detail. The developmentally challenged tend to show a higher level of concentration in certain areas, and they tend to get less tired of repetitive tasks. In addition, they are better at detecting errors that the non-disabled may miss. TestWorks applied these characteristics to the task of processing data sets.

This task involves looking at image data, then classifying and processing those data so that AI can learn them. For example, it is necessary to feed AI a massive volume of data for an autonomous vehicle manufacturer, one of TestWorks’ main clients, to create AI-based self-driving technology. Different types of vehicles should be recognized, classified and labeled, as well as each passing person, traffic light, road surface type, and other detailed information. These labelled photo data are then given to an AI, which goes through an iterative learning process. For this machine learning to work, it is essential that the AI look at hundreds of thousands of photos and videos of roads that have been properly classified and labeled. This labeling work requires a high degree of concentration and precision. In addition, a high reading level is required, because the manual is constantly being changed as the technology develops.

However, this work is very tedious and repetitive; most people get bored of it before too long. On the other hand, those with developmental disabilities demonstrate strength at this job due to their exceptional powers of observation, high concentration and lower likelihood of getting bored at repetitive tasks. In fact, they enjoy the work, and the accuracy and quality of their work is much higher than the average person's.

This principle also applies to software testing, another main business area of TestWorks. For instance, employees need to run a piece of cell phone software 1,000 times to see if there are any bugs. The verification process is boring, repetitive and fiddly. Again, the output provided by people with developmental disabilities has a lower error rate than the output provided by the non-disabled. Large corporate clients such as Samsung, Honeywell and SK C&C often hire TestWorks to conduct software testing, even if it means they have to pay more to use its service.

Many people with developmental disabilities have an excellent memory and a high desire to learn as long as it is something that interests them. If a developmentally challenged person is interested in data processing, he or she will tend to perform that work much better than the average person. However, they lack self-control, which may negatively affect their productivity. An example would be a person playing video games until late at night and struggling at work the next day. To address this issue, TestWorks created a "life guidance" that offers advice to people with developmental disabilities and their families. This has contributed to enhancing the company's market competitiveness as well as the value of the employees with developmental disabilities.

Figure 2. A business meeting at TestWorks



Source: Better Future, 2017

The life guidance manual includes guidelines not only to improve the disabled employees' quality of life but also to ensure smooth communication between disabled and non-disabled employees. For instance, it talks about how a non-disabled employee should respond if an employee with a developmental disability behaves in an unexpected manner. In addition, through a quarterly meeting with social workers, all employees of TestWorks receive training in how to work productively alongside those with developmental disabilities. These efforts towards inclusion have given employees a better understanding of their developmentally challenged colleagues, which in turn improved motivation among the developmentally challenged employees. No employee with a disability has left the company in the past two years. Their job proficiency and consistency has increased accordingly, resulting in increased satisfaction levels among major clients such as Honeywell and Samsung Electronics, and a rapid increase in financial performance for TestWorks(See Figure 3.).

As explained above, through its human resource management system, which leverages the strengths of many people with developmental disabilities and complements their weaknesses, TestWorks proved that it can create jobs for the disabled people in a high-tech industry while improving its own competitiveness.

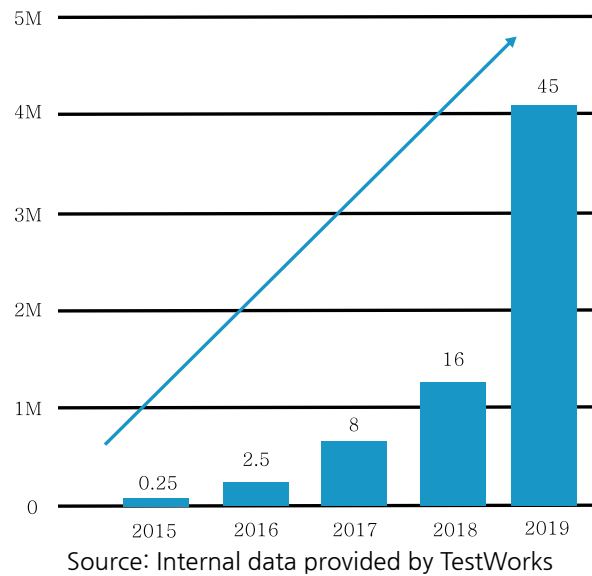
2-3. Major Awards

- 2016 Selected as a Small and Medium Business Administration's Innovative Technology Development Project for Start-ups
- 2016 Selected by Seoul Metropolitan Government as A company excellent at creating jobs for women
- 2017 Excellent Business Model Grand Prize for Women-Friendly Social Enterprise from Ministry of Gender Equality and Family
- 2017 Grand Prize at Social Entrepreneur Promotion Business Festival
- 2017 Certified as a social enterprise by Ministry of Employment and Labor
- 2017 KT Change Maker Award
- 2017 Selected for Hyundai Motor Group H-OnDream 6th Fellowship
- 2017 Selected for SK Group's Social Progress Credit(SPC) program

2-4. Social and Financial Outcomes

As shown in Figure 3, TestWorks recorded sales of approximately 1.6 billion won in 2018. Its sales in the first half of 2019 surpassed 3 billion won, and sales in the second half are estimated to be over 4.5 billion won. This is nearly 200% growth year on year. Only a few companies have achieved such rapid growth while actively hiring people from socially vulnerable groups. In this regard, TestWorks' s financial performance would seem to point a way forward for other firms.

Figure 3. TestWorks's Financial Performance: Revenue



Its financial performance is certainly impressive, but what is more remarkable is the social outcomes that it is creating. As Figure 4 shows, TestWorks aims to have 100 employees by the end of 2019. As Figure 5 shows, over 50% of its workforce is made up of people from socially vulnerable groups, including those with developmental disabilities, the hearing impaired, women on career breaks, and the long-term unemployed.

Figure 4. TestWorks Social Outcome: Job Creation

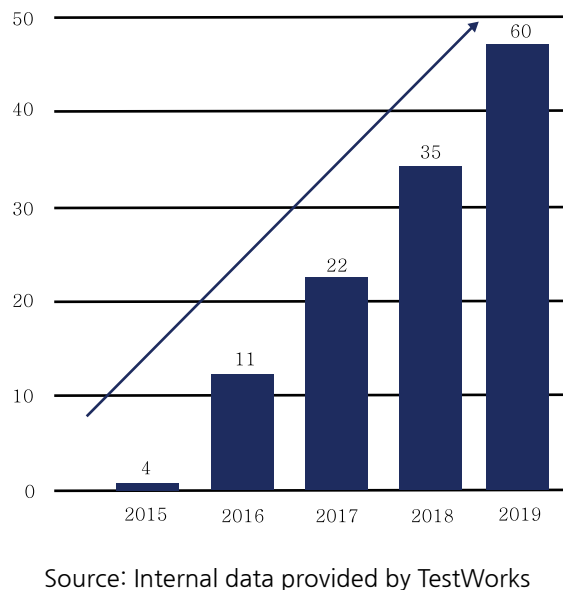
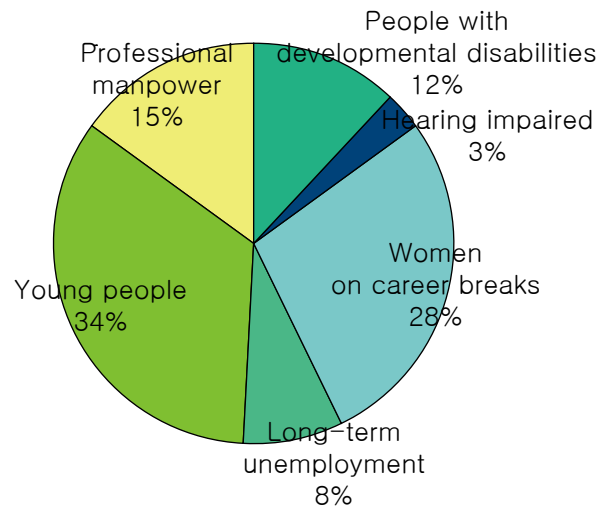


Figure 5. TestWorks Social Outcome: Employment Breakdown



Source: Internal data provided by TestWorks

As discussed above, the employment rate of people with disabilities is significantly lower than that of the total population, and the unemployment rate of the disabled is almost double that of the total population. In terms of the nature of employment, according to the 2018 Survey on the Economic Activities of the Disabled published by KEAD, 27% of the people with a disability who are employed work in the “unskilled labor” sector. This is almost double the proportion of laborers in the total population, which stands at 13.2%. Moreover, the main reason for disability unemployment is found to be “discrimination and prejudice against the disabled” (19.6%), which was higher than “lack of education, experience, skills” (4.7%) and “limited physical function” (8.6%) combined. In other words, social discrimination and prejudice are more important factors to the high unemployment of people with disabilities than any lack of ability. Accordingly, efforts need to be made to change the social perception of the disabled by developing jobs that can take advantage of their strengths.

Meanwhile, the Report on Good Jobs for People with Developmental Disabilities published by the KEAD Employment Development Institute(EDI) in 2015 also found that most people with developmental disabilities who are currently employed, were performing mainly manual tasks—furniture delivery, product packaging, construction work, tobacco leaf transport, parts assembly, briquette delivery, or simply running small errands. This report argued that the current low incomes of people with developmental disabilities would not change as long as they are only doing these types of work, and that new highly-skilled jobs should be created that take advantage of their strengths and improve their working conditions. It also highlighted that they need to be treated as an equal member of the company they work for, given time to adjust to their role, and compensated fairly, with additional

assistance from the government if necessary. These goals are easier said than done, though, considering the stark reality of the business world.

However, the social accomplishments that TestWorks has shown are quite encouraging. Taking advantage of the fact that many people with developmental disabilities are good at repetitive tasks and short-term concentration, the company placed them as software testers and data processors. These are good examples of high-skill jobs where people with developmental disabilities can thrive. TestWorks continues to develop IT job positions tailored to people with developmental disabilities, and hire people to fill them. Some of those employees have been certified by the International Software Testing Qualifications Board (ISTQB), a difficult accomplishment for anyone.

The biggest social outcome that TestWorks has brought about is not job creation for people with developmental disabilities or socially vulnerable groups. It is the fact that it has proven that sustainable, high-skill jobs can be created for these groups. Amid the upheaval of the Fourth Industrial Revolution or Digital Transformation, this presents a new direction for social enterprises to move in. If we cast away our prejudice, we can create new opportunities for meaningful social integration.

In fact, TestWorks's social business model has brought about positive changes for a variety of stakeholders. Welfare facilities that work with TestWorks said: "We are now busy giving computer training to people with developmental disabilities." and "We believe people with other types of disabilities are also capable of working in software testing and data processing, and we are looking into these areas." Many welfare facilities, which previously saw the disabled simply as beneficiaries of charity, are now creating training programs aimed at people with developmental disabilities.

TestWorks's clients are joining this movement for positive change. Clients that used to have doubts about TestWorks's output simply because of the people doing it (women on career breaks, people with developmental disabilities, etc.) have changed their tune. And global enterprises that have been working with TestWorks from the beginning, including Honeywell, SK C&C, and Samsung Electronics, have made comments like the following:

"We want to work with companies like TestWorks and solve social problems together."

"Instead of finding a contractor that offers the cheapest price, we want to build a win-win relationship with companies that are deeply concerned about the growth of their employees."

TestWorks's effort to develop high value-added jobs and training programs for the socially vulnerable has led to successful financial and social outcomes, and these outcomes have made people to change their views and perspectives, bringing about real changes in society. Thanks to these achievements, in February 2019, D3

Jubilee Partners, a leading Korean firm, committed to make an impact investment of 1 billion won in TestWorks. Hoon-Seop Yoon, General Partner at D3 Jubilee Partners, stated that “Testworks is A company that creates a sustainable growth model at the intersection of digital technology and social impact,” and predicted that it will become a leader in the era of the Fourth Industrial Revolution, where the importance of AI and data is ever increasing.

3. Development Stages and Success Factors

3-1. Initial Stage

TestWorks was initially interested in providing stable jobs for socially marginalized groups, particularly women on career breaks. In 2015, it worked with Eunpyeong Women’s Development Center to run a training program for these women. This program provided training in software testing, a specialized IT profession, and helped the women get jobs in the field. In recognition of these efforts, it was awarded the Grand Prize for Women-Friendly Social Enterprise by South Korea’s Ministry of Gender Equality and Family in 2017. In an interview, TestWorks CEO Yoon Seok-won said, “Our employment-linked training program showed the strong drive of women on career breaks, whose potential is being neglected in the job market due to social prejudice.”

“We will focus on offering equal employment opportunities so that no discrimination will restrict one’s professional freedom, whether due to age, gender or anything else,” he added (Park, 2017).

Figure 6. Vocational Training Project for Women on Career Breaks



Source: Photo provided by TestWorks

3-2. Take-Off Stage

Although TestWorks succeeded at helping women on career breaks find employment, the company did not rest on its laurels; in 2016, it took on a new challenge: “Can we develop a new IT job model that utilizes the strength of individuals with autism?” To answer this question, the company put together the Autism@Work IT Testing Education Program, hosted by D-Korea and global software company SAP and organized by MYSC, a social innovation consulting and impact investing firm, and initially offered it to three young individuals with autism (MYSC, 2016). Under this collective impact program, TestWorks was responsible for providing education and training in the basic development and programming skills needed for software testing. The program showed the answer to the question was a resounding yes. All three participants earned ISTQB certification, a difficult achievement for anyone. All three are still working at TestWorks.

This success has allowed TestWorks to enter into partnership with large corporations, only increasing its success further. The company was chosen to accompany President Moon Jae-in on his Northern European tour in June 2019 as a leading social enterprise, so that it could let the world know about its contributions to society thus far.

3-3. Success Factors

Yoon Seok-won, CEO of TestWorks (See Figure 7) has a unique background; he studied department of journalism and broadcasting in Korea University and received a master's degree in computer science from Cornell University. Then, he built his career in the field of software engineering at Microsoft and Samsung Electronics.

Figure 7. TestWorks CEO Yoon Seok-won



Source: TestWorks website

When he was working for Samsung Electronics, he ran a software testing training program at the Eunpyeong Women's Development Center for 20 women on career

breaks. The class lasted four hours a day for two and a half months, totaling 200 hours. The goal for participants was to obtain an international certification. The certification test was not an easy one. Only 40–50% of active software testers who took the test passed. Around 75% of the participants in Yoon's program earned certification.

Despite this level of accomplishment, program participants could not even get interviews at companies because of prejudice in South Korea against women on "career breaks." Even when they did managed to land a job, it would typically be for a one-off contract job. They suffered from severe job insecurity.

Seeing this unfold, Yoon decided to establish TestWorks, A company that would transfer the knowledge on software testing to women on career breaks, help them obtain ISTQB certification, hire them and provide additional vocational training, and use them to provide outsourcing services to large corporations. He believed that such A company could offer these women sustainable, long-term employment, and that as the women gained more experience, they could begin working in consulting or R&D, or as instructors teaching other members of vulnerable groups. In effect, TestWorks built an entire system for the long-term employment of socially vulnerable groups.

Yoon then expanded his business, creating tech jobs tailed for people with developmental disabilities. "People with developmental disabilities are the most vulnerable among the disabled, mainly because there is a widespread prejudice that they are not social enough to work with. However, as I worked with them, I realized that this belief was wrong. We just needed to show more interest in them. They maintain good relationships with their colleagues, and are always willing to lend others a hand."

TestWorks is dedicated to the constant growth and social integration of the socially vulnerable groups, and the key to its success is that, as it has hired people from vulnerable social groups, it has also worked to strengthen its core business model. With his experience at Microsoft and Samsung, Yoon was already an expert in the software industry. Based on that expertise, he created various solutions for software testing and AI data and built a strong B2B model.

In addition, the company put a lot of thought in finding out what people in vulnerable groups are good at, and how it can work and cooperate with them. It did not see them as people in need, but as employees with certain strengths. According to Yoon, people with developmental disabilities possess a high degree of concentration on repetitive tasks, a desire for to accuracy, and an honest work style. In the case of women on career breaks, most of them had stopped working full-time in order to raise their children. Yoon noticed that they tended to be excellent communicators and sensitive to others' needs, and they also had sophisticated non-verbal skills. With all of this in mind, Yoon established a strategy where people with developmental disabilities would perform tasks for the clients, and the women on career breaks

would act as a team leaders in charge of communications between the disabled employees and the clients. A cooperative system that maximizes the strengths of employees and results in very satisfied clients—it seems safe to say that this social business model is the biggest success factor in TestWorks’ success.

4. Implications, Challenges and Prospects

(1) Strategic Implications

TestWorks did not view people from vulnerable groups as charity cases. Rather, it developed jobs for them and trained them, believing in their potential to become expert professionals. The employment offered at TestWorks is therefore significantly different from the conventional model of hiring socially vulnerable people to perform simple, low-stakes tasks.

The success of TestWorks has inspired a growing number of social enterprises that are developing new jobs tailored to the unique strengths of those in vulnerable groups. Some important examples are: Coffee Jia, which created a job called “bean-melier,” someone who determines the quality of coffee beans; Autistar, which focuses on the artistic sense and design competence of people with developmental disabilities and trains them to become designers; and Happy-More Inc., a subsidiary of SK Hynix, which employs people with developmental disabilities to wash dust-free garments for semiconductors.

However, despite the digital era we currently live in, TestWorks is the only company with a social business model where the vulnerable become experts in the tech industry.

From the case of TestWorks, Korean social enterprises, and both for-profit and non-profit organizations can gain insights into how to develop value-added, highly skilled jobs for different socially vulnerable groups; how to provide education to help them grow; and ultimately how to establish a comprehensive strategy for their social integration.

(2) Policy Implications

In March 2019, people with developmental disabilities and their parents from across the country gathered in Gwanghwamun and held a rally. They called for the following from the government: provision of daily activities for people with developmental disabilities; revision of the Act on Special Education for Persons with Disabilities; housing support measures for people with developmental disabilities; and guaranteed labor rights and income for people with developmental disabilities. They expressed their dissatisfaction with the current laws and policies, or lack

thereof(Jeong, 2019).

What kind of insights can TestWorks offer in the response to these demands? Primarily insights related to “guaranteed labor rights and income for people with developmental disabilities.” Most people with developmental disabilities work in vocational rehabilitation facilities in the form of “sheltered employment.” According to data from the Ministry of Health and Welfare in 2018, the average wage for disabled workers in sheltered employment is 2,835 won per hour. Moreover, only 72.5% of those with an intellectual disability and 4.7% of those with autism use these sheltered workplaces. There are not even any statistics for people with multiple types of disability(Kim, 2019). Each and every person with a developmental disability has different skills and proficiencies, as well as different limitations. A company needs to develop jobs that reflect the characteristics of the individual before hiring them. In this regard, the TestWorks business model can offer insights.

The existing studies on policy for creating jobs for people with developmental disabilities often seek an “ideal model”(Jang, 2019). That way of thinking should be changed. It is a better idea to follow in the footsteps of TestWorks: find pilot models with potential through the lean start-up method, test them on a small scale, and see if they work. If the outcome is successful, support the creation of partnerships with other stakeholders, and develop jobs and training programs needed to implement those successful models. This type of policy support will allow a number of companies and organizations to achieve both positive financial and social outcomes, and enable the government to achieve a sustainable system of employment for socially vulnerable groups.

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IX. JUMP

A Meaningful Jump Towards a Fair Society

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Summary

Overview and Reason for Selection	<p>The so-called “spoon class theory,” which has been widely talked about in current Korean society, classifies young Koreans into four groups of spoons, i.e., gold, silver, bronze, and iron spoons, depending on who their parents are or their socio-economic status. It represents how wealth or poverty tends to be passed down from parents to children. Wealth inequality has become a serious social problem in South Korea, and it not only leads to economic gaps but also to educational gaps between different classes. Traditionally, education allowed people to move up the economic ladder. However, Korea’s current education system presents an uneven playing field, serving as a threat to social justice. One approach that can help children who find themselves in substandard academic environments due to financial difficulties is allowing them study in small groups tailored to their academic level. JUMP has created a virtuous cycle of knowledge sharing and experience sharing between different generations by connecting college student volunteers with teenagers who lack learning opportunities, and also connecting community mentors with these college students. The case of JUMP is meaningful in that it presents a sustainable education model that enhances fairness in Korean society.</p>
Social Mission	<p>Social Problem: Inequality in education faced by low-income families in Korea</p> <p>Social Mission: “Creating a society in which everyone can enjoy learning opportunities and grow without discrimination”</p>
Outcomes	<p>2012 Award at Daewoo Securities Jump-Up Social Venture Competition</p> <p>2016 Top 10 at The Google.org Impact Challenge</p> <p>2019 IMPACT SPC Award from SK Group</p>
Success Factors	<p>JUMP's own virtuous circle model</p> <p>Multilateral collaboration with various players, including Hyundai Motor Company and local welfare centers</p>

Strategic and Policy Implications	It shows the effectiveness of the virtuous circle model, where sharing leads to more sharing, as opposed to a model based on one-way knowledge sharing. It presents a successful model of collective impact.
SDGs	SDG #4: Quality Education (Ensure inclusive and equitable quality education for all)

1. Overview and Reason for Selection

On November 24, 2009, US President Barack Obama mentioned South Korea's education system in his speech at the Job Creation Summit. Praising to the nation's zeal for education, President Obama argued that the US could learn a thing or two from the Korean education system.

According to the 2015 Programme for International Student Assessment by the Organisation for Economic Co-operation and Development (OECD), Korea ranked the best in math and top 10 in reading and science out of the 65 countries subject to the assessment. And a full 90% of Korean students go on to university.

However, this reflects only a fragment of the actual education culture in Korea. The competition to go to prestigious colleges is suffocating to students. Korea has high rates of teen suicide. The most widespread problem is inequality in education, the so-called “education gap.”

The cause of this inequality is social polarization, which has worsened since the 1997 Asian financial crisis (Ryu et al., 2006), and which has resulted in disparities in education between people of different income levels. According to a national survey on the education gap conducted by the Ministry of Education in 2017, 94% of respondents said that the educational gap between regions and classes is huge. 87% responded that this gap is wider than in the past. As for the main reasons for the gap, the respondents noted differences in money invested in children's education relative to household income, differences in parents' interest or intervention in their children's education, and differences in educational infrastructure by region. According to another study, it is five times more likely that children from the highest income families will score in the top percentile of the College Scholastic Ability Test (CSAT) than those from the lowest income families (Choi & Man, 2015). As such, in Korea, the socio-economic status and income level of parents have a profound impact on their children's educational achievement.

An education gap like this eventually makes social hierarchy permanent and deepens inequality within society. Central and local governments have made great efforts to resolve this issue, but it remains serious. JUMP is a social non-profit in

the field of education that was established with the goal of reducing the education gap in Korea. Its innovative solutions have recently drawn a lot of attention. We will look at its social business model, which focuses on collective impact through the creation of virtuous cycles and multilateral partnerships.

2. Social Missions and Major Outcomes

2-1. Social Mission and Visions

JUMP's social mission is “creating a society in which everyone can enjoy learning opportunities and can grow without discrimination.” It is about giving everyone, including teenagers living in difficult situations, an equal opportunity to grow through education. Its objectives include “providing fair opportunities for education,” “offering places for enrichment,” “creating positive change,” and “teaching the importance of different values.”

2-2. Innovative Solutions to Social Problems

The most important task for a social enterprise is to diagnose social problems accurately and find the right solutions to address them. JUMP learned that the issue of educational inequality in Korean society is really a structural problem. The educational inequality resulting from parents' class and wealth continues to widen the education gap.

Here is an example. A community children's center is mainly used by children from poor families. The academic skills of these children vary from person to person, but tend to be relatively low. Classes in public schools are designed to the “average” academic level, and at private institutes, although there are classes for different levels, the classes tend to be designed to meet above-average standard. In other words, children who have below-average academic skills may find it hard to keep up with classes both at public and private school.

To address this issue, JUMP believed that a customized learning support system was needed instead of simple education welfare. It also believed that long-term learning support, such as over a semester or a year, would be more effective than a one-off program. To be able to provide such support in a sustainable manner, JUMP created a “chain-growth, co-growth” model, essentially a virtuous cycle of sharing. Under this model, college students who provide learning support for teenagers are given scholarships and they are also connected with mentors from the community. It allows everyone to share their knowledge and experience and grow in the process. In this system, the lessons taught at the center can be tailored to each student's academic skill level.

To ensure that this virtuous cycle remains sustainable, JUMP built a multilateral cooperative model, which is based on the cooperation of a variety of partners,

including the Hyundai Motor Group(HMG), educational institutions, and central and local governments. This type of model where the for-profit, non-profit, and public sectors share their visions and collaborate is called a Public-Private Partnership(PPP) model.

The Hyundai Motor Company(a global company with stable financial capacity and strong branding power), JUMP(a social venture with specialized operational know-how accumulated through various project, including H-JUMP School since 2013), and central and local educational institutions(which have educational expertise and infrastructure). The synergies created from this sort of diverse partnership are very important in achieving business goals.

JUMP drew on college student volunteers(“SAMs”) and local educational institutions for its program management and operations to minimize the work of partner organizations. In addition, it designed demand-oriented programs and provided systematic support to improve participants’ satisfaction level. These are some of the biggest strengths of JUMP’s cooperative model.

2-3. Major Awards

2012 Award at Daewoo Securities Jump-Up Social Venture Competition

2016 Top 10 at The Google.org Impact Challenge

2019 IMPACT SPC Award by SK Group

2-4. Social and Financial Outcomes

The social impact JUMP is creating has spread from individuals to institutions, to regions, and ultimately to the entire society. First of all, the direct impact was found among the teenager groups that participated in H-JUMP School, where the educational gap was reduced. 73.5% of the teenagers who took lessons at H-JUMP School witnessed improvement in their grades. A whopping 78.4% of teenagers have built emotional stability and positive attitude.

“I met SAMs at H-JUMP School and got the brochures of the schools I wanted to go. I also got to know about real college life and how competitive college admissions are. Without SAMS, I would have never been able to work on my applications seamlessly.” This is a testimonial of a student named Na-ja Chun. Like her, about 27% of the teenagers had direct help in their college application.

Meanwhile, the SAMs benefited in terms of their soft skills. Over 80% of the SAMs responded that their communication skills, sense of responsibility, and teamwork had improved. 85.7% said that such soft skills built in the program help them in the employment process, and 90.3% said they were helpful in their work. In fact, the employment rate of college students after graduation who volunteered as SAMs at H-JUMP School was about 12% higher than college students overall. JUMP

provides educational opportunities for the individuals in its program, addressing the education gap in society.

Furthermore, JUMP is working on improving educational environments outside of Seoul in cooperation with various institutions and organizations. The job of local educational institutions is to provide a good education to teenagers in their respective regions and help them become a productive member of their local community, but in reality, these institutions often do not have enough time or money to achieve that goal.

The community children's centers and child welfare agencies across the country that are partnering with H-JUMP School have found ways to save 1.5 million dollars in the cost of hiring new instructors and staff with the college student volunteers. Moreover, JUMP receives support for career counseling, cultural programs and so on worth 260 million won from external institutions.

JUMP has teamed up with 44 local learning centers over the past five years, and these centers are very satisfied with the partnership. There was some resistance at first from the leaders of the centers and local welfare agencies to working with college student volunteers, but now 99.9% of the centers recommend H-JUMP School. JUMP's cooperation with local educational institutions has resulted in a narrowing of the education gap between different regions.

H-JUMP School is growing to be a truly national program. It extended its collaborative model to the major Korean cities of Daegu in 2016 and Busan in 2017. JUMP began at the local level, but it is gradually expanding across the country. Its ultimate goal is to bridge the education gap nationwide, and contribute to the creation of a healthy educational ecosystem.

First, JUMP is reducing the need for expensive private education by offering educational methods tailored to each individual student from low income family. With H-JUMP School, poor families could save private education costs by more than 11.1 billion won in cumulative terms, and the money spent on career guidance for college students has decreased by over 1.7 billion won. This has proved that there is an alternative way to provide quality education that does not rely on conventional private education—even in Korea, which is excessively dependent on private education.

Second, JUMP is creating a system aiming at sharing knowledge. As H-JUMP School continues to connect teenagers, SAMs and mentors from community, the model forms a virtuous cycle: the teenagers who benefited from outstanding educational support come back as SAMs, and the SAMs who enjoyed great career mentoring come back as mentors once they've started their own careers. As mentoring leads to more mentoring and teaching leads to more teaching, this expansion of knowledge-sharing will increase learning opportunities for the underprivileged students, thereby contributing to equality in education.

Last but not least, JUMP's multilateral cooperative model shows how much



positive impact can be created when different parties with different interests cooperate under the same goal—in this case, reducing the education gap.

“Individuals, educational institutions, governments and companies exist as dots. But when the dots are connected under the name of H-JUMP School and the lines are tied under the mission of solving inequality in education, I feel that an incredible level of synergy is generated.”

Jae-won Kim, a former SAM and current manager at the Hyundai Motor Company. The collaboration of different parties converges on the common goal of “equal opportunities in education by reducing educational polarization” and ultimately contributes to the improvement of the educational ecosystem.

To sum up, JUMP works to solve the problem of the education gap in Korea. The impact it generates can be measured quantitatively, but it produces meaningful qualitative results as well. Its objectives are directly linked to the UN SDG Goal 4 (Quality Education) and Goal 10 (Reduced Inequalities). This social enterprise ultimately aims to create an impact through inclusive and equitable quality education for all.

3. Development Stages and Success Factors

3-1. Initial Stage

The name JUMP stands for Join Us to Maximize Our Potential. The enterprise was established in 2011 to reduce the education gap and provide all teenagers with fair access to good education so that they could realize their potential.

Regarding the education gap in Korea, Euyhun Yi, Representative Director of JUMP, said that he wanted to make “a game with fair rules.” He believed that all students in Korea should be equally able to receive quality public education on par with the level of private education that children from middle-class families can experience. Lee defined the issues that needed to be addressed as follows:

The first issue is that volunteer programs are supply-oriented. Currently, most programs are designed around the suppliers, i.e. governments or companies/private institutes. As a result, they are obsessed with outcomes that can be represented numerically (e.g. the number of teachers and students participating in volunteer education programs) and budget efficiency. Most of these volunteers are only recruited for one-off events or for short periods of time. Thus, the program beneficiaries (consumers), i.e. teenagers and local children's centers, often feel hurt that their teachers are gone soon after they arrive. The bond is broken just as it is starting to form.

The second issue is a focus on “hardware.” Companies and local governments tend to make investments in infrastructure, such as buildings and computers, in order to get tangible results quickly, but they do not invest enough in the “software,” such as people and programs.

The third issue is that the education volunteer model requires someone to make a sacrifice. Our society often takes advantage of the passion of the college students will and able to work for free. If their passion is the only factor motivating them, what can be done once it is exhausted? This is a threat to sustainability.

Lee established JUMP in the hopes of forging a social business model in the education volunteer sector that was strictly demand-oriented, that made bold investments in “software,” and that would not exhaust the enthusiasm of stakeholders.

JUMP's triangular mentoring model between its key stakeholders (underprivileged teenagers, the SAM college student volunteers, and groups of professional mentors) has been a game changer. In the short term, the SAMs provide thorough education services to the underprivileged teenagers, and the mentors provide SAMs with thorough mentoring services. This virtuous circle allows everyone to share and learn from each other. In the mid- to long-term perspective, the teenagers will be encouraged to become SAMs, and SAMs to become mentors. An alumni network is created, where former SAMs can share know-how with new volunteers and meet those with similar interests. This is an important factor to making JUMP's model more sustainable.

3-2. Take-Off Stage

In 2013, JUMP signed an MOU on multilateral cooperative model with HMG and the Seoul Scholarship Foundation followed by the partnerships with Korea University and the Seongbuk District Office in 2014, with the University of Seoul and the Seongbuk District Office in 2016, with HMG and Kyungpook National University in 2016, with Hansung University and the Seongbuk District Office in 2016, with Ewha Woman's University and the Seodaemun District Office in 2017, and Hanyang University and the Seongdong District Office in in 2017. Leveraging these multilateral cooperative models, JUMP successfully established H-JUMP School, a college education volunteer group sponsored by HMG.

The strength of JUMP is its aforementioned triangular mentoring/virtuous cycle model. Representative Director Euyhun Yi thought of this model when he was writing his master's thesis at Harvard's Kennedy School of Government. He also designed an education mentoring system centered on how learners actually experience education(see Figure 1).

Figure 1. JUMP's Triangular Mentoring



Source: JUMP website

JUMP' s virtuous circle model is applied as follows:

First, college students concerned about educational inequalities are selected from various parts of the country, matched with mentees (underprivileged teenagers, such as those from low-income families) and asked to provide these mentees with customized teaching and emotional support. These volunteers, known as SAMs, serve as mentors, not teachers. For six to twelve months, they not only help their mentees improve their academic performance but also form a solid bond of friendship.

The key is that these young mentors grow with their mentees. SAMs are also assigned their own volunteer mentors, who are local professionals working for companies in various industries. The mentoring services available cover a wide range of topics, in line with the diverse needs of college students, ranging from career counseling to advice on how to live a successful life as an adult.

Just as the teenagers are able to grow thanks to their mentorship by the SAMs, the SAMs can also grow under mentorship by members of the community. Some of the college students who have a positive experience will later apply to become mentors themselves after they get a job. JUMP' s virtuous cycles closely connects everyone in the mentorship program, lets them share their personal experiences and knowledge, and allows them to grow together. This model stands out among education volunteer models, most of which are based on the idea of teaching that goes one way.

3-3. Success Factors

In 2011, JUMP started its educational mentoring program. In partnership with HMG, this developed into H-JUMP School, which began in 2013. This program gave 2,225 teenagers from underprivileged backgrounds opportunities for customized learning. Free mentoring services reduced financial burden on the teenagers, improved their academic performance, and enhanced their emotional health. The 592 college students who worked with the teenagers were able to build their self-esteem and improve their soft skills. Over 550 mentoring sessions between the SAMs and the community mentors helped inspire and motivate the community mentors. In all, this triangular mentoring model had a positive impact at every level.

At an organizational level, the organic partnership between the participating entity creates "collective impact," the "impact created by a group of important actors from different sectors to a common agenda for solving a specific social problem, using a structured form of collaboration." According to the Stanford Social Innovation Review, five conditions are required to bring about collective impact (see Figure 2).

Figure 2. Diagram of Collective Impact



Source: Stanford Social Innovation Review

The first condition is a common agenda. This means that all participants should share a vision for change and work through issues via mutually agreed actions. In order to create collective impact, it is important that every player agrees on what the primary goal is.

The second condition is a shared measurement system. Even if there is agreement on a common agenda, a lack of agreement on how to measure and report outcomes will make it hard to improve and manage projects. By using a list of common indices to continuously collect data and measure results, all participating entities can allocate resources more efficiently and identify the activities required to improve their business. This also will help to maintain mutual accountability. The third condition for collective impact is mutually reinforcing activities. Collective impact requires the participation of various stakeholders. Each of these stakeholders' activities should reinforce the others. They should not clash.

The fourth condition is continuous communication. This is crucial for keeping people motivated towards the common goal. It is extremely important that everybody speaks "the same language." Any industry jargon or specialized terminology should be made clear to avoid confusion.

The last condition is a backbone organization, a separate dedicated organization with the proper staff that coordinates and supports the initiative as a whole. The work of a backbone organization includes on-going technical support, facilitation of mutual communication, and data collection and reporting.

The aforementioned factors needed to create collective impact are all easy to see in the collaborative model between JUMP and HMG. The two parties focus on one social problem: increasing social inequality due to the education gap. They have a shared measurement system, they coordinate their activities, and they are

constantly engaged in productive communication. H-JUMP, which was created by JUMP and HMG together, serves as the backbone organization.

There are only few cases around the world where solutions to address educational inequality have successfully created a collective impact. That is why H-JUMP School has recently gained global attention. It was presented as a success case at the International Conference on New Business Models held in July 2018 in Sofia, Bulgaria. In addition, it was introduced as an excellent example of a multilateral cooperative model at a European Commission conference in Brussels, Belgium. It also drew favorable reviews from experts at the Boston College Corporate Citizenship Conference(BCCCC) in April 2019 and the United Nations Inter-Agency Task Force on Social and Solidarity Economy(UNTFSSSE) International Conference in Switzerland in June the same year.

In a study by Hong(2018), the Underwood Distinguished Professor at Yonsei University, the case of JUMP is found to be desirable for breaking the framework of equity-efficiency tradeoff. According to this paper, providing underprivileged children with educational opportunities is both an efficient solution, in that nurtures talented people who can contribute to society, and a fair solution, in that it helps all people receive the same level of education regardless of income level.

Overall, H-JUMP School has made a positive social impact in a very innovative way.

3-4. Social Entrepreneurship

Euyhun Yi(see Photo 2) worked as a journalist before starting JUMP. During his eight-year career as a reporter for the Korea Times in the U.S., he was able to meet people from various backgrounds and classes. He became particularly interested in people in the U.S. who felt like they did not belong even though they spoke English fluently and went through the American education system.

Photo 2. Euyhun Yi, Representative Director of JUMP



Source: JUMP

Lee believed that the Korean society had a similar problem. He eventually decided to quit his job at the newspaper and enrolled at the Graduate School of Public Administration in Harvard's Kennedy School of Government. As he studied alongside a class full of people interested in social issues, Lee conceptualized JUMP. In fact, this new "triangular" mentoring program was the subject of this graduation thesis.

Upon graduation, Lee established JUMP. The initial board members were his fellow students from Harvard. His sincere passion for his work was the decisive factor in securing the partnership with HMG.

JUMP has built a social business model based on a "virtuous cycle of sharing" that focuses on helping people grow. SAMs serve as mentors while being mentored themselves by community mentors. They make themselves a promise to be like their mentors when they get a job. And in fact, many former SAMs come back and "pay it forward" by working as mentors themselves. These senior mentors, remembering their own college days, take great satisfaction in helping young people today find their place in the world. This win-win structure is a key to JUMP's sustainability. Table 1 below shows an analysis(based on the theory of change) of the social outcomes JUMP generates.

Activity	Output
<ul style="list-style-type: none"> · 2013-2019 HMG H-JUMP School · 2016-2019 Future Sharing School · 2016-2019 Era Sharing School · 2017- Win-Win Mentoring · 2017- Learn Together Generation and UMP School · 2014 JUMP Ansan · 2014-2018 KUJUMP Seongbuk Future Sharing School · 2016-2018 Vision School · 2017-2018 HYJUMP 	<ul style="list-style-type: none"> · Participating teenagers: 6,788 · Participating SAMs: 1,858 · Learning centers : 443 · Learning hours: 1,962,216 · Participating community mentors: 272
Outcome	Impact
<ul style="list-style-type: none"> · Reduced private education expenses for low income families: 31.4 billion won · Reduced expenses for college student to receive career guidance: 5.2 billion won · Substitution effect for instructor recruitment at community children's centers: 4.6 billion won 	<ul style="list-style-type: none"> · Improvement in SAMs' soft skills · Teenagers' increased desire to learn · Higher competency at local learning centers · Reduction in the education gap

4. Implications, Challenges and Prospects

4-1. Strategic Implications

Caring about social values is no longer considered an option for corporations in modern society. It is an obligation (Nam, 2018). A series of recent corporate scandals in Korea the Oxy humidifier sterilizer scandal, the Namyang Dairy Products scandal, the YG Entertainment scandal—show how companies will suffer a financial blow if they neglect their obligations to society,

The collective impact created by the cooperation between JUMP, HMG, and Seoul Scholarship Foundation suggests that a similar model used in other contexts can help companies do right by society (See Figure 3).

Figure 3. JUMP Impact Chain Model



Source: 2019 Root Impact - Impact Chain Model, provided by JUMP

4-2. Policy Implications

The PPP-style, multilateral cooperative model between JUMP, HMG, and Seoul Scholarship Foundation has a number of policy implications. As this case shows, the impact created by the partnership of government agencies, businesses and non-profit organizations can be more efficient and more powerful than conventional solutions (Hong and Kim, 2018). Non-profits can inspire trust (and earn financial support) through their visions for society. Companies can invest in projects that generate social impact, helping them build a positive corporate image, and this corporate investment, means the government can spend the saved tax revenue on other projects. The government could duplicate JUMP's success in sectors other than education by supporting a wide range of

policies that leverage this type of multilateral cooperative model.

Over the past 60 years, South Korea boasts a CAGR of 7.6%, and in 2010 it reached the milestone of a \$20,000 average national income. However, Korea's Gini coefficient, which measures the level of income inequality, has been on a constant rise since the 1997 Asian financial crisis (Bank of Korea, 2012). As mentioned earlier, income disparities ultimately causes education disparities, which in turn makes economic polarization harder to change. Against this backdrop, the case of JUMP sends an important message to Korean society. It provides quality education to all regardless of income level and generates the social value of fairness through a multilateral, sustainable virtuous cycle model.

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X . Tree Planet

Until the Day Everyone on Earth Plants Trees

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Summary

Overview and Reason for Selection	<ul style="list-style-type: none"> Climate change has worsened to a level that it causes rapid changes in the global climate system, and resulted in economic losses as well as various social problems. One of the fundamental solutions to solve this problem is planting trees. In the field of environment, where individuals, local communities and governments have overlapping interests, Tree Planet makes continued efforts to address climate change issues with simple yet clear solutions.
Social Mission	<ul style="list-style-type: none"> Social Problem: Loss of forests due to desertification, fine dust and climate change Social Mission: “Plant for All” – creating ways for everybody around the world to plant trees
Outcomes	<ul style="list-style-type: none"> 2011 Third place in Global Social Venture Competition 2013 Communication Design Award at Red Dot Design Award 2013 Grand Prize at Korea IT Innovation Awards 2014 Gold Award at iF Communication Design Award 2014 SEOUL Social Innovation Award(in recognition of creating 32 star forests in Seoul) 2010–2015 530,000 trees planted CO2 emission reduced by 16,000 tons(economic value: 4.5 billion won a year) 2010–2019 860,000 trees planted(100,000 trees per year on average)
Success Factors	<ul style="list-style-type: none"> Clear recognition of the social problems and constant redefinition of the problems Diversification of solutions and pivoting Partnerships for collective impact
Strategic and Policy Implications	<ul style="list-style-type: none"> A social business solution should be sustainable and expandable. A public–private partnership is essential.
SDGs	<ul style="list-style-type: none"> SDG Goal 13: Climate Action(Combat Climate Change)

1. Overview and Reason for Selection

In September 2019, about four million people from thousands of cities and towns in 160 countries around the world joined the Global Climate Strike, which called for an emergency action to resolve the climate crisis (Yoon, 2019). This protest was organized in advance of the U.N. Climate Action Summit in New York on September 23, 2019, in order to demand that global leaders respond to climate change there.

On September 22, 2019, the World Meteorological Organization (WMO) announced that the Earth's temperature over the past four years (2015–2019) was the highest in recorded history, and so was the carbon dioxide concentration in the atmosphere. Today's average global temperature has risen 1.1 degrees Celsius compared to 1850–1900. The United Nations Environment Programme (UNEP) predicted that, by the end of the 21st century, global temperatures will be 3.4 degrees Celsius higher than in the second half of the 19th century.

Climate change is defined, in the United Nations Framework Convention on Climate Change (UNFCCC) adopted in 1992, as "a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods." Climate change can have a significantly detrimental effect on "the composition, resilience, or productivity of the natural and managed ecosystems, or the operation of the socio-economic system or human health and welfare" (Kwon, 2005).

Climate change is expected to have a particularly negative impact on the global economy. Mark Carney, governor of the Bank of England, highlighted the danger of climate change in an op-ed he wrote for the Financial Times in 2017. Also, The Economist has recently written about how climate change has led to more natural disasters such as droughts, floods and hurricanes, thereby increasing risks in the real economy, including those related to infrastructure damage and commodity price volatility. Furthermore, according to the United States Congressional Budget Office (CBO), the losses caused by natural disasters such as hurricanes and floods in the U.S. amounted to 54 billion dollars in 2018, and that number is expected to increase rapidly every year going forward (Bae, 2019).

Some even believe that climate change may cause full-scale economic and financial crises. The Wall Street Journal has claimed that if things continue as they are, climate

change will reduce U.S. economic growth by more than 30%. In addition, the American financial information website MarketWatch stated that if the Earth warms by 4 degrees Celsius, the economic loss over the next 80 years will be approximately 23 trillion dollars. That is three to four times greater than the impact of the global financial crisis in 2008 (Bae, 2019). The Guardian recently declared that "climate emergency" would be a more appropriate phrase than climate change (Guardian, 2019).

The international community adopted the UNFCCC at the United Nations Conference on Environment and Development (UNCED) in June 1992 in order to jointly respond to climate change. The purpose of UNCED is to "stabilize greenhouse gas concentrations in the atmosphere" and important steps have been taken by UNCED's Conference Of Parties (COP), its highest decision-making body. The COP 3 in December 1997 adopted the Kyoto Protocol, which is mainly about the mandatory reduction of greenhouse gases in industrialized countries. As the means to achieve their emission targets in an effective and economical manner, nations adopted the Kyoto Mechanisms: Joint Implementation (JI), a Clean Development Mechanism (CDM) and Emission Trading (ET). CDM is a system that allows emission-reduction projects in developing countries to earn certified emission reduction (CER) credits, which can be used by industrialized countries to meet a part of their emission reduction targets.

In South Korea, there is a growing awareness of climate change not only among the general public but also among various large stakeholders in the government and business sectors. The government is making diverse efforts related to climate change: a climate information portal site run by the Korea Meteorological Administration (KMA), specialized research, national policy decisions that follow the framework of international climate change treaties, guidelines for industry and the economy, and information on climate change made available to the general public. In the private sector, POSCO, one of the nation's leading firms, was named the world's best company in the steelmaking industry in terms of its response to climate change by the Carbon Disclosure Project (CDP), a global sustainability assessment agency (Business Ethics Briefs, 2019). However, it is not easy to find any organization in the public or private sector, or among NGOs, that has presented a clear solution to climate change.

Against this backdrop, a Korean social venture established in 2010 called Tree Planet has presented a sustainable business solution for forest development, one major solution to the climate change challenge. The case of Tree Planet will

offer insights into how we might “solve” climate change problem, and into the sustainability and expandability of social business models.

2. Social Missions and Major Outcomes

2-1. Social Mission

Tree Planet’s social mission is “plant for all” (see Figure 1). It aims to create a world where everyone can join in planting trees. Our entire planet is in a process of deforestation and desertification. Each year, we are losing an amount of forest equivalent to the area of the U.K. One analysis found that forested areas in the developing world decreased by 439 million hectares in the year 2000 alone (Koo, 2013). Today, with global climate change being seen as the crisis that it is, Tree Planet offers an elegant, simple solution—“create new forest.”

Figure 1. Tree Planet’s Social Mission



Source: Picture provided by Tree Planet

2-2. Innovative Solutions to Social Problems

Tree Planet is innovative in that it has tried various social business models to plant trees and create forests since its establishment in 2010. Many of these models have proven successful. Its innovative solutions take various forms—tree planting through a mobile games, having people plant “star forests” dedicated to their favorite celebrities, adopting trees as “pets” through a crowdfunding project, creating a B2B-based coffee plantation, and more.

Its first project, its mobile game, was recognized globally for its creativity. It took third place at the UC Berkeley Global Social Venture Competitions (GVC).

For its next project, the “star forests,” the company launched the sTREET campaign in partnership with a marketing-based social venture called Inspire.D, the photographer Myoung Ho Lee, an NGO called Green Trust that focuses on forest creation, and the Gangnam District Office in Seoul. Inspired by the idea that the word “street” contains the “tree,” this campaign’s concept centered on street tree art branding and an accompanying photo exhibition (Benefit, 2014). The campaign won the Communication Design Award at the 2013 Red Dot Design Award, where 6,800 entrants from 43 countries submitted in 21 award categories (See Figure 2).

Figure 2. Tree Planet’s sTREET Campaign



Source: Picture provided by Tree Planet

Tree Planet’s initial business model was recognized for its creativity, but the venture has continued to incorporate other new business models, such as a crowdfunding project and a B2B model connecting the Korea International Cooperation Agency (KOICA), WeWork, and Terarosa. The most important quality of innovation is offering “something new,” and Tree Planet is indeed an innovative company that has, over the past decade, explored and implemented new solutions.

Tree Planet CEO Hyungsoo Kim thought hard about ways to address today’s complex set of environmental issues, and the overarching solution he settled on was planting trees. This seemed to be the simplest answer to a complex problem. As to the question of “how,” he thought that if planting trees could be made to

seem fun and cool, people would be more interested and engaged in doing it. He recognized a problem, came up with a solution, and then constantly adapted, developing a variety of business models over the past decade. Despite different approaches, the essence of all these business models was about “planting trees in a fun way.” When people became less enthusiastic about an existing business model, the company was not afraid of dropping it and working on something new—usually the result was much more interesting than what they had before. This is what has kept Tree Planet going for the last 10 years.

Another overarching feature of Tree Planet is its cooperative model, based on partnerships. It implemented its initial solution(the mobile game) through projects with a broad range of entities, including the private sector(Hanwha, Naver, Facebook), NGOs(World Vision, UNICEF) and the public sector(Seoul Metropolitan Government, Korea Forest Service). For the Star Forest project, it worked with celebrity fan clubs.

Recently, Tree Plant undertook the Make Your Farm Project in Nepal in collaboration with KOICA as part of its Creative Technology Solution(CTS) projects. It succeeded in establishing a stable B2B model by teaming up with Terarosa, South Korea’s top specialty coffee brand, to launch premium, specialty coffee products and by partnering with WeWork to provide high-quality office spaces across the country. To sum up, Tree Planet has a special expertise, or core competence, in using its social business models to closely connect various stakeholders, thereby creating systems that benefit everyone(Shin et al., 2013).

2-3. Social and Financial Outcomes

Tree Planet’s desire social outcome can be defined by a simple sentence: “Plant trees and create forests.” As of October 2019, it had created 262 forests and planted some 860,000 trees in 13 countries around the world. The company was founded in September 2010, meaning it has planted about 100,000 trees per year on average. Studies have shown that deforestation leads to negative externalities. Developers who cut down trees and clear forests for their own economic benefit do not pay for the carbon dioxide that those trees no longer absorb, or the ecological diversity that they have undermined(Shin et al., 2013). They are also create undesirable levels of wealth inequality. If deforestation leads to these negative externalities, then it would stand to reason that planting trees creates opposed positive externalities.

What makes Tree Planet's social outcomes even more impressive is that it planted trees by taking advantage of the market mechanism even though the transaction cost of internalizing the externality was great. Ronald Coase, winner of the Nobel Prize in Economics, concluded that it is hard to internalize the externality when there are a number of stakeholders with complex interests (Coase, 1960), because the cost to come to a conclusion about how to go about this internalization tends to be quite high—and afforestation is certainly an issue involving many stakeholders with complex interests.

However, Tree Planet managed to create a kind of market mechanism that addresses this problem effectively. By engaging stakeholders (e.g. consumers, companies, governments and NGOs) that greatly value the importance of trees and forests, the planting of trees and forests becomes a positive externality that does not incur a burden or cost on those stakeholders. Two pictures taken in Ningxia, China in 2013 and 2017 paint a clear picture of the impact that Tree Planet has had (See Figure 3).

Figure 3. Before and After Tree Planet's Forest Creation Project in Ningxia, China



Source: Pictures provided by Tree Planet

Tree Planet has also shown impressive financial outcomes. Sales in 2016 and 2017 stood at 680 million won and 830 million won, respectively, and the most recent figure in 2018 was 1.6 billion won with profit of about 200 million won. That is year-on-year growth of about 90%, and sales are only expected to increase further.

2-4. Major Awards

- 2010 First place in Social Venture Competition Asia
- 2011 Third place in Global Social Venture Competition
- 2013 Communication Design Award at Red Dot Design Award
- 2013 Grand Prize at Korea IT Innovation Awards
- 2013 First Certified B-Corp in Korea
- 2014 Gold Award at iF Communication Design Award
- 2014 SEOUL Social Innovation Award(in recognition of creating 32 star forests in Seoul)
- 2017 Selected as a KOICA CTS Project

3. Development Stages and Success Factors

3-1. Initial Stage

Tree Planet was established in September 2010 by Hyungsoo Kim and Mincheol Jeong. They started by thinking about a fun and easy way to get people planting trees, which led to a business model based around mobile games. In these games, users would grow a baby tree, and the more they played, the more money corporate sponsors would contribute to NGOs and government agencies working to plant actual trees around the world.

In October 2010, the company launched “Tree Planet: Origin,” an official smartphone game of the G20 Seoul Summit. In 2011, it launched “Tree Planet 1,” an official game for the United Nations Convention to Combat Desertification, and later that year planted its first forest outside South Korea in Bogor, Indonesia. In total, 1.15 million users have played Tree Planet’s games, helping to plant trees in areas affected by desertification such as China and Mongolia. In sum, its early mobile-game business model succeeded at drawing popular interest.

As shown in Figure 4, the games involve planting and growing virtual trees. The storyline differed slightly depending on the game—Tree Planet 1 and 2 are about raising the character of Baby Tree, and Tree Planet 3 is about fighting against monsters to defend Baby Tree.

Figure 4. Tree Planet Mobile Game App



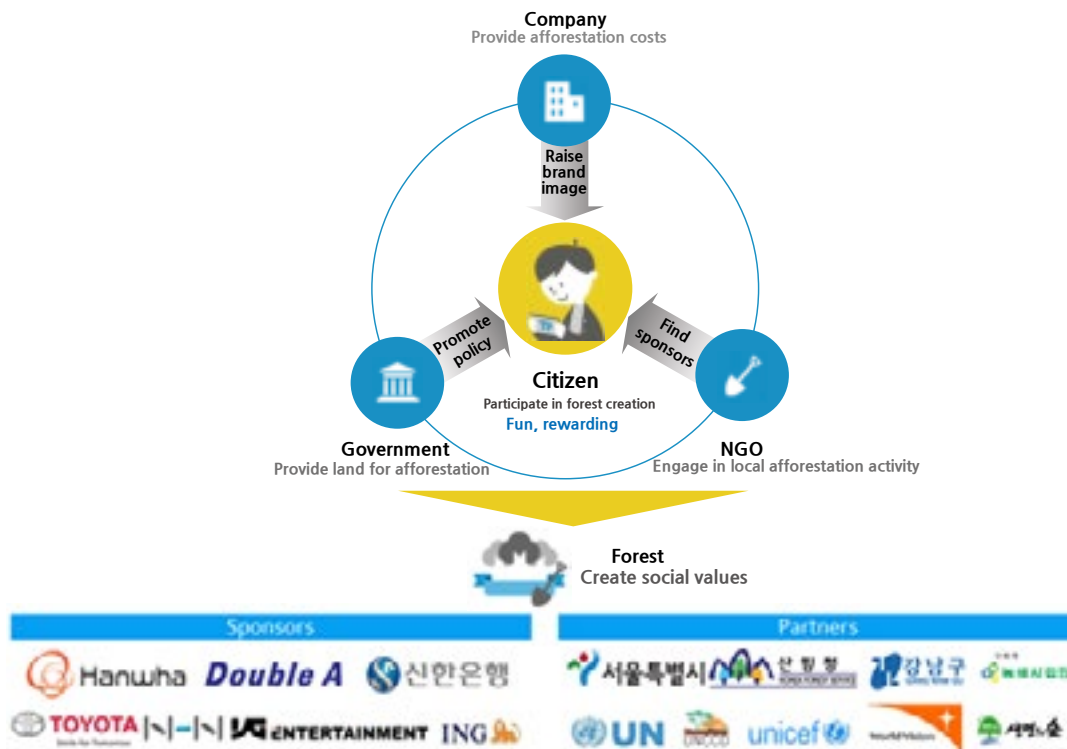
Source: Picture provided by Tree Planet

While playing the games, users see ads from companies affiliated with Tree Planet. When they complete missions and finish raising a virtual tree, they let Tree Planet know in which region they would like to plant a real tree. Local NGOs receive proceeds from the money companies have paid for advertising, and they use those funds to plant and raise seedlings in collaboration with local communities (Shin et al., 2013).

An important point is that none of the participants have anything to lose under this business structure, as shown in Figure 5 (Shin et al., 2013). Users were able to plant trees at no cost by simply playing a fun game. Companies spent some of their CSR or advertising budget to have their logo placed on the virtual water buckets or fertilizer bags used in the game, and gained good publicity. For NGOs, which often find it hard to raise donations, Tree Planet's funding was very welcome. Local governments only needed to donate the land. Tree Planet would then plant trees on it, which improved not only the environment but also property values. This win-win structure made the Tree Planet business sustainable, and allowed a company of fewer than ten people to achieve the planting of about 500,000 trees (16,000 tons of CO₂ emissions reduction) between 2010 and 2015.

Based on these remarkable accomplishments, Tree Planet's business model and brand made a strong impression on the public. Its game-based business model showed great potential in how it put together various stakeholders who recognized that climate change was a common social problem (Shin et al., 2013).

Figure 5. Social Business Model using Tree Planet Game



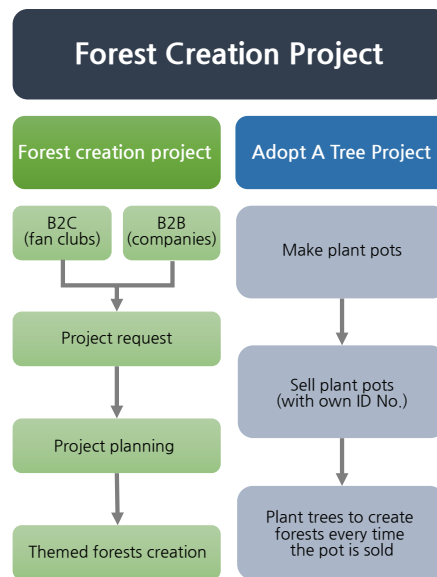
Source: Picture provided by Tree Planet

3-2. Take-Off Stage

In 2013, Tree Planet expanded its business model by introducing the “Star Forest Project,” a social project where fans could create forests in the name of their favorite celebrities (See Figure 6).

The star forest project began in July 2012 with 2NE1 Forest in South Sudan (named after a popular South Korean girl group). Eventually, it moved beyond celebrities with the foRest in Peace Project, which created forests commemorating important historical tragedies. A few examples of include the Sewol Memorial Forest, named after the passenger ferry that sank in 2014 killing roughly 300 people, the Comfort Women Memorial Forest, which remembers the Korean women forced into sexual slavery by the Imperial Japanese Army, and the Battles of Yeonpyeong Hero Forest, which pays tribute to the soldiers that perished during two important confrontations between the South and North Korean navies. (See Figure 7).

Figure 6. Social Business Model of Forest Creation Project



Source: HGI Impact Report 2018

During this period, Tree Planet moved beyond its purely quantitative goal of “planting many trees,” and began to focus on the meaning of the forests they created. They realized that, in addition to their environmental impact, forests could also pass on important stories to future generations. Tree Planet had found a new social business model.

Figure 7. Sewol Memorial Forest created by Tree Planet and Audrey Hepburn Children's Fund

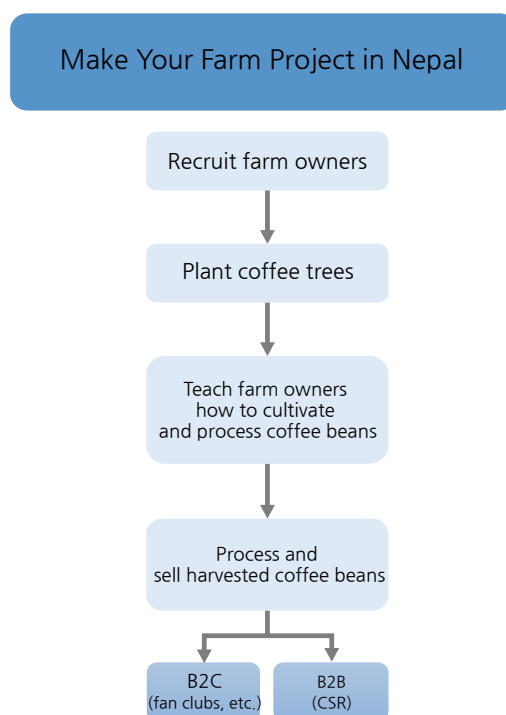


Source: Picture provided by Tree Planet

3-3. Growth Stage

In 2016, Tree Planet expanded its social business model once again, when it was chosen to be a part of KOICA's Creative Technology Solutions(CTS) initiative. As part of that initiative, it launched the Make Your Farm Project, the objective of which was to produce fair trade coffee with environmentally friendly farming techniques using an innovative distribution structure that left farmers with a greater share of the profits. Through this project, 1.5 tons of coffee per month were produced at coffee farms in Nepal, Rwanda and Indonesia, and then sold through Tree Planet. This not only improved the environment but also increased local farmers' income(See Figure 8).

Figure 8. Social Business Model of Make Your Farm Project



Source: HGI Impact Report 2018

In 2017, the company ended service for Tree Planet games it had run since 2011. As a sendoff, it ran the Adopt A Tree Project using a crowdfunding model. People who had played the games were encouraged to adopt as many trees in real life through the crowdfunding project as they had raised in the game—50% of the proceeds went towards tree-planting fees.

As demonstrated above, Tree Planet has consistently pivoted in its business

strategy. The simple goal of “planting trees in a fun way” has been achieved through various solutions and projects. Its business models also encompass B2B, B2C and B2G. Its goal is to plant 100 million trees all over the world, and expand into a platform that also fosters animal conversation efforts and carbon emissions trading(Koo, 2013).

While pivoting is common in the startup world, it is a rather unfamiliar concept in the world of social enterprises. At a for-profit business, the problem is usually related to customer needs. Pivoting happens often as the company comes up with diverse products and services to meet those needs. At a social enterprise, the problem is usually a social issue, but sometimes a social enterprise fall so in love with their solution that they forget the problem they are trying to solve. A social enterprise must remain focused on the social problems that it wants to address, and pivot when necessary to achieve its goals, even if pivoting seems challenging. Tree Planet has made successful pivots multiple times. Its constant redefinition of problems and diversification of solutions have helped it remain innovative for a decade.

3-4. Social Entrepreneurship

Figure 9. Hyungsoo Kim, Representative Director of Tree Planet



Source: Picture provided by Tree Planet

In terms of the social entrepreneurship of Hyungsoo Kim, Representative Director of Tree Planet, (See Figure 9), the way he recognizes and defines environmental issues is noteworthy. Kim has enjoyed watching environmental documentaries since he was young, and two things always struck him: how marvelous nature is, and how fragile it is. He actually started out as a documentary filmmaker.

Then, during his compulsory military service, he came up with the idea of creating the social business that later became Tree Planet. He learned about the iPhone in 2009 while stationed at an army broadcasting station, and talked to Tree Planet co-founder Mincheol Jeong, who was at that time his subordinate, about creating a social business model centered on smartphones. After finishing his military service, Kim started putting his plan into practice by posting job ads at the Korea Advanced Institute of Science and Technology (KAIST) to recruit developers (Sohn, 2014).

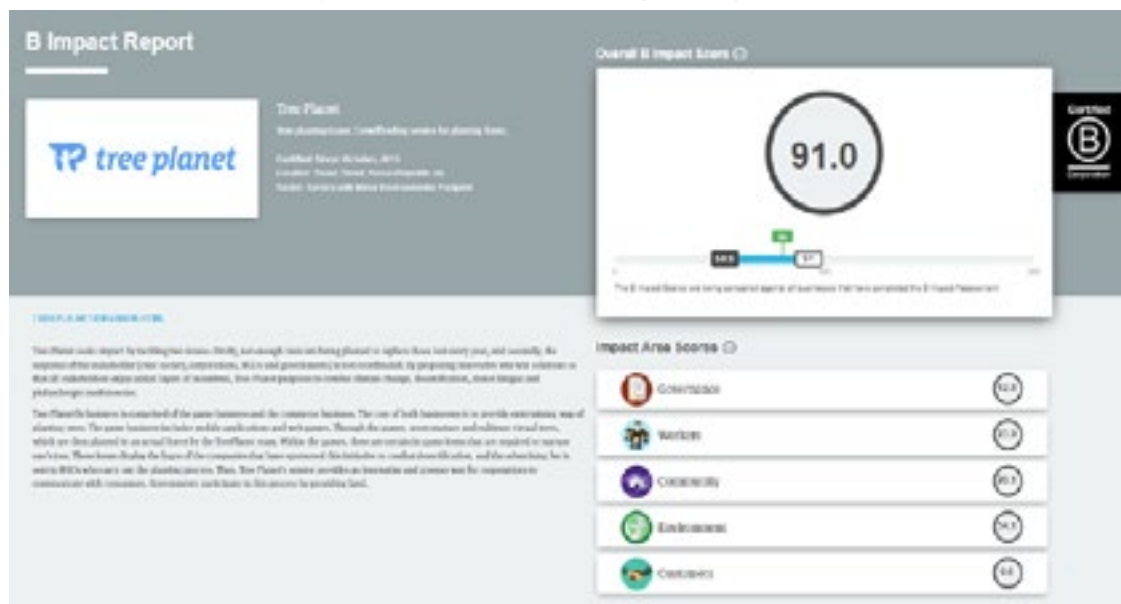
Kim followed a lean startup method, and quickly laid Tree Planet's business foundations through the incubation program of the Work Together Foundation and the acceleration program of Crevisse Partners.

Kim believes that social issues cannot be solved with money alone (UNCK, 2016). He says that they can be solved only when parties experiencing the issues become entrepreneurs themselves or grow into entities that can solve them. The direction Tree Planet is headed in reflects this view of Kim's. For instance, when Tree Planet plants mango or coffee trees in Kenya, local residents can sell the produce, generating income. Kim wants trees to have a positive environmental impact and bring about real social change in local communities. The social outcomes of Tree Planet based on the theory of change are described in Table 1. Tree Planet was the first South Korean company to become a certified B Corp in 2013, and its impact score reported at the time of selection can be found in Figure 10.

Table 1. Analysis of Tree Planet's Impact based on Theory of Change

Activity	Output
<ul style="list-style-type: none"> · 2010–2017 Tree Planet Game App · 2012 Forest creation project in Mongolia to prevent desertification · 2013 Star Forest Project launched · 2015 Sewol Memorial Forest created · 2015 Forest created to remember the comfort women · 2016 Make Your Farm Project in Nepal · 2018 Adopt A Tree Project · 2018 Indoor forest project · 2018 Make Your Farm Project in Rwanda and Indonesia 	<ul style="list-style-type: none"> · No. of countries in which forests have been created: 13 · No. of forests created: 262 · No. of trees planted: 864,658
Outcome	Impact
<ul style="list-style-type: none"> · CO2 reduction: 16,000 tons · Economic value(based on CER): 4.6 billion won(Source: National Institute of Forest Science) 	<ul style="list-style-type: none"> · Economic self-reliance of local residents · Expansion of countermeasures against climate change · Reduced damages caused by fine dust

Figure 10. Tree Planet's B Impact Report Score



Source: Provided by Tree Planet

4. Implications, Challenges and Prospects

4.1 Strategic Implications

The case of Tree Planet presents significant strategic implications to a number of social enterprises. The first is its innovation-oriented attitude, with which the

company The case of Tree Planet presents significant strategic implications for a number of social enterprises. Its innovation-oriented attitude, under which the company constantly develops and tests new solutions, has enabled multiple pivots that have led to greater financial and social outcomes.

In addition, Tree Planet highlights the importance of sustainable and expandable social business solutions, which social enterprises often strive for anyway. Its coffee plantation crowd farming project in Nepal showed that a social enterprise is well suited to coming in, even as a new player, and creating efficient and effective solutions for reducing poverty in a short period of time at a relatively small cost(See Figures 11 and 12). Moreover, social enterprises can be a driving force in developing countries to give local residents a sense of ownership and help them generate their own income. It is reasonable to say that social business models have a lot to give in the efforts to achieve the UN's Sustainable Development Goals(Hong & Kim, 2018).

Figure 11. Tree Planet's Coffee Washing Stations in Rwanda and Indonesia



Source: Provided by Tree Planet

Finally, when measuring the impact of Tree Planet's business model, externalities needs to be taken into consideration. As mentioned above, Tree Planet aimed to create externalities that were positive rather than negative, and therefore relatively easy to internalize.

Figure 12. Specialty Coffee Products - Outcome of Fair Trade Collaboration between Tree Planet and Terarosa



Source: Provided by Tree Planet

4.2 Policy Implications

The South Korean government has a variety of policies related to climate change. According to the 2019 Comprehensive Guidelines for Government-Funded Environment Projects published by the Ministry of Environment, South Korea is trying to lay the foundations for green industry in order to achieve both environmental conservation and economic growth. The government has selected six key objectives—including expansion of exports in green industries, promotion of new technologies and new industries, and strengthening green finance—and is providing support to achieve them. This is a huge opportunity for social enterprises in the environment sector, including Tree Planet. For its part, the more support the government can give, the better.

4.3 Future Prospects and Challenges

Tree Planet will soon celebrate its 10th anniversary, but it has fewer than 10 employees. The time has come to consider scaling up to create a bigger impact. In this regard, it will have to improve the systems within its organization.

Meanwhile, one “star forest” recently became the subject of controversy. In 2013, fans of Korean celebrity Roy Kim raised funds to celebrate the release of his first full-length album, and then created Roy Kim Forest, a collection of cherry trees and flowers near a subway station in central Seoul. However, in 2018, Kim was alleged to have been involved in the illegal filming and distribution of sex videos along with other Korean celebrities. Many people became uncomfortable with a forest named after a figure involved in such a major scandal. As the organization ultimately responsible for the creation of the forest, Tree Planet found itself in a difficult position (The Korea Economic Daily, 2019)

Unexpected risks, especially celebrity-related risks, are bound to happen, and it is necessary to think about how to deal with them. It is particularly important for a social enterprise, where reputation can be everything. The many stakeholders working with Tree Planet constitute yet another reason why the company must pay special attention to risk management.

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