

Local Government as a Catalyst for Promoting Social Enterprise

Unpacking what motivates local governments to support social enterprises and the effectiveness of governmental support

Jinsol Park
Doctoral Student
Martin School of Public Policy and Administration
University of Kentucky
jinsol.park@uky.edu

Donwe Choi
Visiting Assistant Professor
Department of Political Science
Texas Tech University
donwchoi@ttu.edu

This paper aims to advance our knowledge of the relationship between social enterprise and local government. As social enterprise lies at the crossroads of government, market, and civil society, dynamic interactions exist between all actors. While governments play an important role in developing social enterprises, so far scholars have paid little attention to the role of local governments in the social enterprise ecosystem. To help fill this research gap, this paper investigates what motivates local governments to promote social enterprises and how effective their efforts are. Applying resource dependence theory, we test two hypotheses: (i) the fiscal constraints on local governments are the driving force behind their promotion of social enterprises, and (ii) their efforts to support social enterprises are effective. Using the data of 223 South Korean local governments over the 2011–2017 period and applying event history analysis and fixed-effects models, we find that there is mixed evidence for fiscal constraints being the reason local governments promote social enterprise—it depends on which fiscal constraint measures and dependent variables are being analysed. But we find evidence that local governmental efforts to promote social enterprises are effective.

Keywords: social enterprise; local government; fiscal constraint; social enterprise policy

Introduction

Over the past two decades, social enterprise has been growing in various regions of the world, both in developed and developing countries (Alter 2006, 2007; Antonella 2009; Kerlin 2009, 2017). There are different definitions of social enterprise across countries because the meanings of ‘social’ and ‘enterprise’ are often interpreted differently depending on the historical background, ideological orientation, and socioeconomic context of the countries where social enterprise is located (Alter 2007; Defourny and Nyssens 2007, 2010, 2016; Kerlin 2009, 2017). However, it is generally considered that two components—market orientation and creating social values—are the essence of social enterprise (Alter 2007). Indeed, social enterprise can be defined as the organisational pursuit of blending social mission and market-oriented revenue generation. Social enterprises are distinct from both non-profit organisations and for-profit firms in that they are market-oriented (i.e. generate revenue) while pursuing social goals rather than profits alone. Social enterprise attempts to achieve equilibrium between social sustainability and economic growth (Alter 2007; Borzaga and Tortia 2010; Liao 2018; Pearce and Kay 2003; Salamon and Sokolowski 2016).

As social enterprise lies at the crossroads of government, market, and civil society (Nyssens 2007), it engenders dynamic interactions with all three. In particular, government is important in the social enterprise ecosystem because it is through pro-social enterprise policies that social enterprises have emerged and flourished (Agapitova, Sanchez, and Tinsley 2017). This is because social enterprise not only supplements or complements government activities by providing public goods and services through its business activities in the market but also creates social values through its organisational activities based on its social mission (OECD/EU 2017). However, researchers have given relatively little attention to what motivates local government to promote social enterprise. As social enterprises tend to fulfil the unsatisfied demands of rural or heterogeneous areas and reinvigorate local communities