What Drives Social Ventures Thriving in Korea

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KOTEC, KOREA
contents

• Why we are saying social venture now in Korea

• How government create enabling environment for innovative business models

• How government support social ventures and impact investment

• Role of KOTEC for Korea social venture
The fastest grown country after world war II
Korea is 7th 30-50 Club country

- Per capita GNI surpassing USD 30,000 & population over 50 million
Rapid growth caused several social problem

- Widening Gap
  - Gap between large company and SMEs
  - Gap between capital Seoul and other region
  - Gap between the rich and the poor

- Aging Issue
  - 0.98 fertility rate in 2018

- Pollution

- Economic growth rate drop under 2%

Korean recognize
- it is not easy to achieve high economic growth rate such as 1980~1990s.
- from hard work to smart work with pursue life quality
Good foundation for innovation in Korea

- Strong Entrepreneurship
- Digital technology and innovation
- Yearning for social change
- Policies

Socially & Economically good Environment
History of Social enterprises

• Korea has long history of social economy
• Cooperative was introduced as a type of social economy
• Social enterprises emerged from late 1990s
• The basic law was made to assist social enterprises at 2006 by Ministry of Employment and Labor.
  • At current 2,372 social enterprises are registered
• An active discussion for sustainable growth of social enterprises by private sector
New era of social venture

- By government
  - Ministry of SMEs and Startups (MSS) established in 2017
  - Strong support for startups – Already 10 Unicorns
  - Support ‘Impact Fund’ which made by private sector like bank and large companies
  - Impact financing guarantee was introduced and will widen to USD 1 billion until 2020.
  - Some provincial government have a interested in bring up Social Ventures
  - Developing ‘Social Venture Valuation Model’ for social venture and other supporting agencies.
New era of social ventures

• By Private
  • Some successful venture founders & 3rd and 4th generation of Korean Chaebol established impact investment company or incubating facility for social venture.
  • Large companies’ recognition
    • SK Group ‘double bottom line management’
  • Private organizations supporting social venture: Impact Finance Korea (IFK), National Advisory Group (NAB), Impact management & Measurement Korea (IMK).
KOTEC’s technology appraisal

Credit Rating System vs. Technology Rating System

Credit Rating System
- Forecast Corporation’s Insolvency
- Focus on Company’s Past history e.g. Financial records Business Feasibility
- Financial Measures are dominant

Technology Rating System (KTRS)
- Forecast Technology Commercialization
- Prospect and Corporation’s Insolvency
- Focus on Company’s Future Potential e.g. Technology Excellence, Business Feasibility
- Non-Financial Measures are dominant

EU IPF (INNO-Partnership Forum)
In 2012, KOTEC’s technology rating system also earned recognition from Europe, with its INNO-Partnering Forum (IPF) introducing the system as a "good practice" in a report submitted to the European Commission.

EIB (European Investment Bank)
In a 2018 EIB report, the KTRS was referred to as a "global best practice"
Social venture valuation Model (SVVM)

- Developed a **valuation model** to comprehensively evaluate the **social nature**, the characteristics of a social value pursuing enterprise, and the **innovation and growth potential**, the characteristics of a technically-competitive enterprise.

### Social Nature

**Overview**
Evaluate social value directivity and mission, capability of and execution system for creating social values, and social impact comprehensively regarding the social purpose category.

<table>
<thead>
<tr>
<th>Main Indicators</th>
<th>Social value directivity of the owner</th>
<th>Social mission of the enterprise</th>
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<tbody>
<tr>
<td>Social value directivity and mission</td>
<td></td>
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<tr>
<td>Capability of and execution system for creating social values</td>
<td>Capability of creating social values</td>
<td>Execution system for creating social values</td>
</tr>
<tr>
<td>Social impact</td>
<td>Effectiveness in creating social impact</td>
<td>Excellence in creating social impact</td>
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</tbody>
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### Innovation and Growth Potential

**Overview**
Evaluate innovation capability of the owner, innovativeness of the technology (service), marketability, and business feasibility, comprehensively by business category.

<table>
<thead>
<tr>
<th>Main Indicators</th>
<th>Level of technical knowledge and experience</th>
<th>Management capability</th>
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<tbody>
<tr>
<td>Innovation capability of the owner</td>
<td></td>
<td></td>
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<tr>
<td>Innovativeness of the technology (service)</td>
<td>Technical development capability</td>
<td>Technical excellence</td>
</tr>
<tr>
<td>Growth potential</td>
<td>Market environment and product’s competitiveness</td>
<td>Business feasibility</td>
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Recent social ventures by impact
Korea Impact Investing Ecosystem for Social Venture
Global networking

Korea-Sweden Social Venture Conference
June 20, 2019 @ Norrsken House
Thank You

KOTEC leads Global Technology Finance,
Creating Value through Innovation