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LOCAL STAKEHOLDER INVOLVEMENT AND SOCIAL INNOVATION IN KOREAN CO-OPERATIVES: THE CASES OF WONJU, ANSUNG, AND SUNGNAM CITIES

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1. INTRODUCTION

Satisfying socially relevant needs of communities under the constraints of economic sustainability is one of the urgent objectives that most social enterprises in Korea should address. The challenge at hand is to improve these enterprises' social relevance in ways that are attentive to what we might consider unique and valuable about how social enterprises address new socio-economic problems. In many European countries, co-operatives as a dominant form of social enterprise provide some positive contributions to the development of the social economy in local communities by offering relevant answers to new needs derived from both social and economic dimensions.

During the last five years in Korea, social enterprises as a new type of organization have rapidly developed thanks to government-subsidizing policies aimed at providing many unstable jobs for the unemployed and the disadvantaged in the labor market due to the recent economic crises. As a result of this government policy, it has been known out side of Korea that those government-controlled social enterprises, most of which are a private business type with various social goals, are a major developmental form of social enterprise. However, the effectiveness of these government-subsidized social enterprises in engaging local stakeholders to become involved in meeting new needs in an innovative way is somewhat limited and even less sustainable.

At the other side of the development of social enterprise in Korea, a growing number of voluntary co-operatives have been emerged by attracting and networking local stakeholders as key players in various regions during the past decades. Some originated in mining regions in the 1960s, when early industrialization started in Korea. Many have been organized since the IMF economic crisis in the late 1990s, including micro-financing co-operatives, consumers' co-operatives, and medical co-operatives. These various types of co-operatives seek to establish the social economy in the local communities by providing potential social and economic needs with which the central and local governments are less concerned as well as creating new networks of various stakeholders among local people. These unique forms of social enterprise in Korea seem to be more sustainable than the government-led social enterprises and are more able to meet social and economic needs, although many of them are suffering from financial difficulties and limited support of the majority of local people.

Indeed, it is necessary to detail the unknown rationales for stakeholder involvement and social innovations of their own in Korean co-operatives and offer policy recommendations for wide policy diffusions. This paper aims to explain how and to what extent these co-operatives has been successful or limited in terms of various local stakeholders involvement and contribute to meeting new socio-economic needs in local communities. The paper first provides an overview of the development of multi-stakeholder social enterprises from a global perspective, including a brief portrait of the development of the social economy in the Korean context, especially in regard to the peculiar context of local co-operatives. The paper also explains the current status of social enterprises and stakeholder participation and their social innovation activities in the selected cities of Wonju, Ansung, and Sungnam which are considered to be relatively successful cases. We conducted qualitative analyses of interviews, including collecting relevant documents such as organizational newsletters and informational pamphlets. The last section offers an overview of the key findings of this analysis and a set of recommendations for the future development of Korean social enterprises.

2. DEVELOPMENT OF CO-OPERATIVES

2.1. Current Development of Co-operatives in Global Context

In recent years, various forms of social enterprises have emerged to cope with some traditional needs unmet by the current institutions and organizations of the state, market, and non-profit sector as well as new needs generated by global economic and demographic changes. Among the new organizational forms, co-operatives have become popular choices as an alternative form. The co-operative form of organization has a long historical origin dating back to the early development of the capitalist economy. However, why is the co-operative form of organization re-emerging from the global era today, when significant competition among businesses and the dominant role of multi-national companies are prevalent?

Girard & Langlois (2009) argue that a number of factors combined are making co-operatives forms of social enterprise more effective for meeting various social and economic needs at the local level. First, the global economy has changed the environment of local businesses. Increasing competition among businesses and the high mobility of capital, production, and labor caused local SMEs to be less competitive, hollowing out local economies and leaving small towns and rural villages with less employment and insufficient basic public and social services. Paradoxically, co-operative forms of business and social services based on the participation of local people make the circulation of capital, goods, and services possible at the local level.

Second, population change, low birth rate, and extended life expectancy have also affected local communities, especially small and medium-size cities and rural communities. Although the needs for healthcare and social services for the elderly are increasing, providers of such services are not sufficiently growing because local governments lack the funds to finance the increasing demand for social services while profit-sector providers have no incentive to invest in local communities. In addition, growing individualism and loosening family structures are making family care no longer possible.

Finally, the role of the state in central and local governments in providing social protection from various social risks has become increasingly limited in being able to meet the increasing demands due to budget expansion constraints. Periodic economic recesses have shrunk the size of governments and imposed a market-style discipline on them. Some current public service organizations are not flexible enough to meet the various complex needs of the community due to industrial and demographic changes.

In many European countries, co-operatives offer relevant answers to new needs that combine social and economic dimensions. In South Korea, this model has still limited impacts, although an increasing number of Korean co-operatives were created during the past decade. But It seems no doubt that under the global context mentioned before, various forms of co-operatives over the world can be set up in various industries including environment, health care, leisure and culture and contribute to meet the new needs of the local communities.

2.2. Evolution of Co-operatives in Korea

The rise of co-operatives is no exception in Korea, where they are rapidly growing at the local level. By and large, the global context previously discussed is true in Korea as well. However, cultural and legal backgrounds differ slightly so the developmental pattern of co-operatives in

Korea is somewhat distinctive, compared with those in the western world. Two factors are significant in the recent rapid emergence of co-operatives in the Korean context: 1) the combined effects of the rapid industrialization and the rise of the civil society as a result of democratization and 2) the economic crisis caused by globalization and neo-liberal economic reforms.

2.2.1. Historical and Cultural Background

The origin of the modern form of co-operatives in Korea dates back to the period of Japanese colonial rule, although various traditional mutual aid organizations such as Doore and Gye at the local level were developed well before colonial times. During the colonial period, labor movements in mining and manufacturing areas were directed toward independent movement from the repressive and exploitative rule of Japanese imperialism. Co-operative organizations and movement emerged within the labor organizations as a part of the labor movement. At the same time, the Young Men's Christian Association (YMCA) movement initiated by students returning from study abroad in Japan, bringing with them the western idea of the co-operative movement, also contributed to the formulation of small and informal co-operatives with civil enlightening movements in rural and urban areas.

After Korea gained independence from Japanese rule, the co-operative movement in Korea quickly declined because the American hegemony of state-building regarded the co-operative movement as a leftist one. However, in the early 1960s, when the military government turned into a civilian government, it reorganized the previous scattered agricultural co-operatives into government-controlled and centralized co-operatives. Such a shift served a double-edged goal—namely, government control and political mobilization of the rural sector while helping farmers produce and sell their agricultural products. The government utilized these government-controlled co-operatives by providing subsidies for agricultural costs (e.g., fertilizers and tools) as well as easy credits to farmers.

Galera (2004) and Girard & Langlois (2009) proposed an interesting typology of the developmental model of co-operatives from a comparative perspective: 1) the mutualistic model, 2) the sociological model, 3) the in-between model, and 4) the quasi-public model. The government-initiated co-operative organization corresponds to the quasi-public model. Until recently, the quasi-public model was the dominant form. These quasi-public co-operatives have nation-wide local branches and play a dominant role in distributing products from each production area in competition with the national or multi-national distribution businesses in the market. They also operate banking and insurance organizations rivaling those in the traditional private market sector. In this context, such quasi-public co-operatives are not considered to be co-operatives in this paper.

2.2.2. Emergence of Voluntary Consumer Co-operatives as a form of co-operative in Korea: A Combination of Social Movement and Thoughts on 'Reverence for Life'

In Korea, the voluntary and community-based co-operatives began to emerge as consumer co-operatives during the 1970s,[1] when the Korean government pushed a state-led heavy industrialization with the full mobilization of all national resources. The rapid industrialization impoverished the rural sector and worsened income disparity in urban areas. In order to break this impasse, local activists attempted to directly link consumers to producers as well as change

[1] As we will see later at the case study, the pioneer region of the early emergence of co-operative was Wonju.

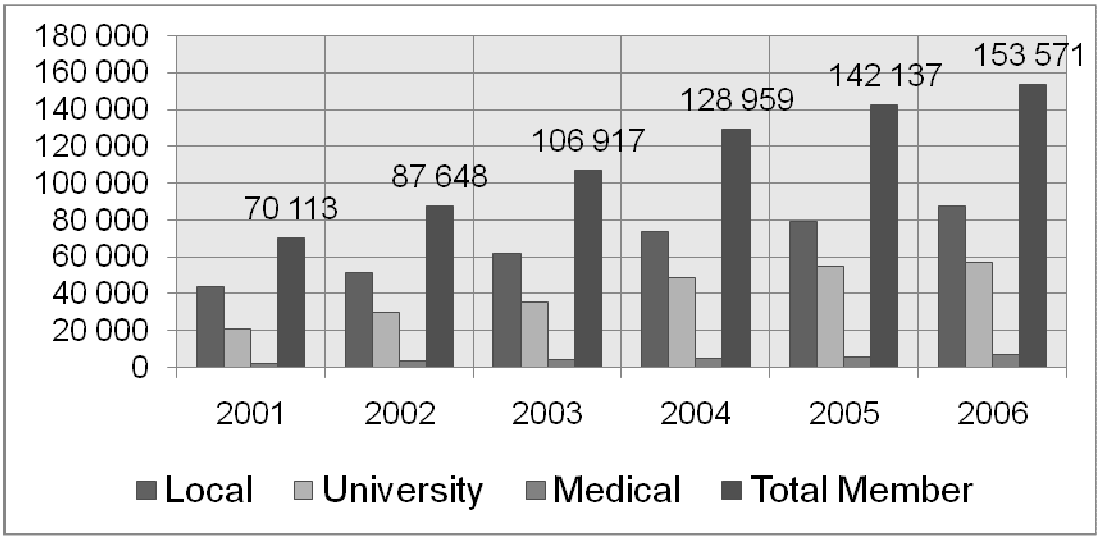
the lifestyle in consumer co-operatives. They began to organize various forms of consumer co-operatives with the idea of the traditional Asian philosophy of reverence for life. Indeed, this movement was deeply rooted in the reverence for life movement and led by local activists and religious leaders who served as major agents for the democratization movement in the 1970s.

After the 1980s, the co-operative movement became further organized and systematized through the participation of social activists. The democratization movement in Korea was largely led by young student activists in the 1980s, who participated in the co-operative movement in order to organize the working class and develop the poverty movement in urban areas. This trend accelerated the growth of the co-operative movement by combining the reverence for life philosophy and social movement while pursuing both the community-based approach and the state-centered approach.

2.2.3. Economic Crisis in the late 1990s and the Rise of Civil Society: Development of Co-operatives in Korea

The financial crisis in the late 1990s served as a critical turning point in the development of co-operatives in Korea. The financial crisis, accompanied by a wide range of structural adjustment programs, brought about immense unemployment and social problems in Korea. Although the Korean government expanded the coverage of the employment insurance program to workplaces with more than one employee, it was not as effective in the sense that many of the unemployed had already been uncovered by the insurance program. In this context, civil society organizations played an important role in providing employment services and shelters for homeless people. Their organizational flexibility could make significant contributions to the effectiveness of their own aid programs for the unemployed. The government provided additional funds for civil society organizations' projects if the programs were considered appropriate according to the government's evaluation.

Figure 1. Recent Trend of Membership Increase



Behind these voluntary provisions of social services for the unemployed by the civil society organizations there has been a strong rise of social movement with various forms of civil organizations (i.e. NGOs as political advocate organizations, service-oriented NPOs, cooperatives, and so on) since the democratization in the late 1980s.

On the other hand, some CSOs including cooperatives affected by the democratization along with the previous cooperative movement began to play a significant role in increasing ordinary people's quality of life in a variety of ways. For example, in urban area, citizens were exposed to cheap, imported, or artificially processed foods, resulting in health problems. Meanwhile, agricultural productivity in rural areas was lowered. As young generations migrated into urban areas, the population of the rural area has rapidly hollowed out, resulting in an aging rural population. Most of them are consumer co-operatives, which link organic producers in the agricultural sector to consumers in the urban sector. Another interesting form of cooperative in Korea is medical co-operatives, which are tasked with the delivery of healthcare services to their members. Profits are either reinvested into infrastructure for members or distributed to them in the form of community-based healthcare services for community residents who suffer in locales with no appropriate medical services.

In 1999, a law was enacted to promote the development of consumers' co-operatives, defining their organizational models that may maximize effectiveness. Although many types of co-operatives already existed at the time, the law significantly impacted them by legally recognizing them, providing a framework for co-operatives that had been formed, and generating an increase in the number of co-operatives as shown in Figure 1.

2.2.4. Government Policy on the Social Enterprise and its Impact on Co-operative Movement: at a Crossroad of the Development of Co-operatives in Korea

The neo-liberal economic reforms since the financial crisis in 1999 gave rise to a very flexible labor market by creating many precarious jobs. Consequently, stable and decent jobs are in decline and the number of the long-unemployed is on the rise. Many civil society organizations contended and pushed on their demand on the creation of social job programs for the vulnerable in the labor market with the government subsidies. Then the government very positively approached to creating social jobs, especially in social service area. Many third sector organizations were involved in social job programs and assigned the disadvantaged to the social jobs which were not easily created by the market and government.

This government policy for creating social jobs with support of the civil organizations turned into the social enterprise concept in 2005. The government enacted the Social Enterprise Promotion Law in 2006. The Law regulated the establishment and functions of social enterprises with the financial subsidies and the certification. Soon the government-certified social enterprises in various areas were established very rapidly and became a useful policy tool for job creation in the field of social policy.[2] However, it is now seriously questioned whether these government-subsidized social enterprises are really working well for accomplishing the original goals and the organizational sustainability after the termination of the subsidies.

Although the government facilitated social enterprise in pursuit of instrumental purpose, voluntary consumer co-operatives view the expansion of social enterprise as good chance to form social economy in community level. Some cooperatives received the government subsides to relieve their financial difficulties by meeting the government regulations, but other were very reluctant to receive them because they believed that the government money and regulations would undermine their autonomy and original values as well as organizational sustainability.

[2] The government attempted to promote new social service market introducing the Long-Term Care Insurance program for the old-aged and a variety of voucher systems for other social service areas. The government also considered this new market could facilitate social enterprises.

Nonetheless, the concept, *social economy* is believed to encompass social enterprises, consumers' co-operatives, community non-profit organizations and their networks. Those organizations organized the Korean Solidarity of Social Economy in 2008 and aimed to drive up their productivity and competitiveness, strengthen redistribution policy of welfare state, and enable individuals and communities to work together towards the development of the neighborhoods (Eum, 2008).

3. RESEARCH FRAMEWORK: STAKEHOLDER INVOLVEMENT AND ITS IMPACTS

International Co-operative Alliance defined co-operatives as "autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned and democratically controlled enterprises." (International Co-operative Alliance, 1995). According to this definition, the most important objective of co-operatives is to meet organizational members' economic, social and cultural needs. Also, members can jointly own and democratically control their organization.

However, newly emerging cooperatives began to expand their stakeholders to the local communities, not necessarily limited to their own members, because the ultimate goals of these new co-operatives basically are directed to meet social and economic needs of the local communities. This is why co-operatives' central problem today is the harmonization of different interests of local community and stakeholder involvement is pivotal.

Reviews of existing scholarly literature in social studies, community development, and social welfare have revealed few empirical studies on stakeholder involvement and its impacts on co-operatives. Most of what is known about stakeholder involvement in co-operatives comes from practitioner literature that consists primarily of case studies, evaluations of stakeholder involvement programs, practitioners' guidelines, and published scans of the co-operatives. This literature tends to be descriptive in nature, merely providing information about lessons learned and general guidelines and principles. Because most multi-stakeholder involvement occurs in local communities, the literature addresses stakeholder involvement in co-operatives in local settings. To the authors' knowledge, few scholarly studies have been published examining stakeholder involvement in local community settings. Thus, this section will focus on the literature most relevant to the current study's research questions, including definitions of stakeholder involvement and social innovations and knowledge of stakeholder involvement practices, models, and outcomes.

3.1. Stakeholder Involvement Defined

It is helpful to define stakeholder and stakeholder involvement since both terms will be used in the current study. The term *stakeholder* has numerous definitions, many of which focus on the influence and interests of the organization. According to Freeman (1984: 46), a stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives". Mitchell et al. (1997) and Stoney & Winstanley (2001) suggest the need for integrated approaches for dealing with multiple stakeholders on multiple issues. In fact, most definitions of stakeholder are linked to the context in which the term is being used. Because different actors and multi-stakeholders participate in the ownership of co-operatives, strong ties in localities can directly contribute to the effectiveness of their governance and sustain public interest, resulting in a consequent impact on local development. In this sense, *stakeholder involvement* is defined as "coordinated action by all concerned: by governments, by other social and economic sectors, by nongovernmental and voluntary organizations, by local authorities, by

industry and by the media" (Griffiths, 2007: 5). The starting point of stakeholder involvement is the identification of who is concerned and the design of the process of coordination as most groups of stakeholders are embedded at the local level. As a result, social enterprises mainly meet localized need through stakeholder involvement and coordinated actions by concerned actors.

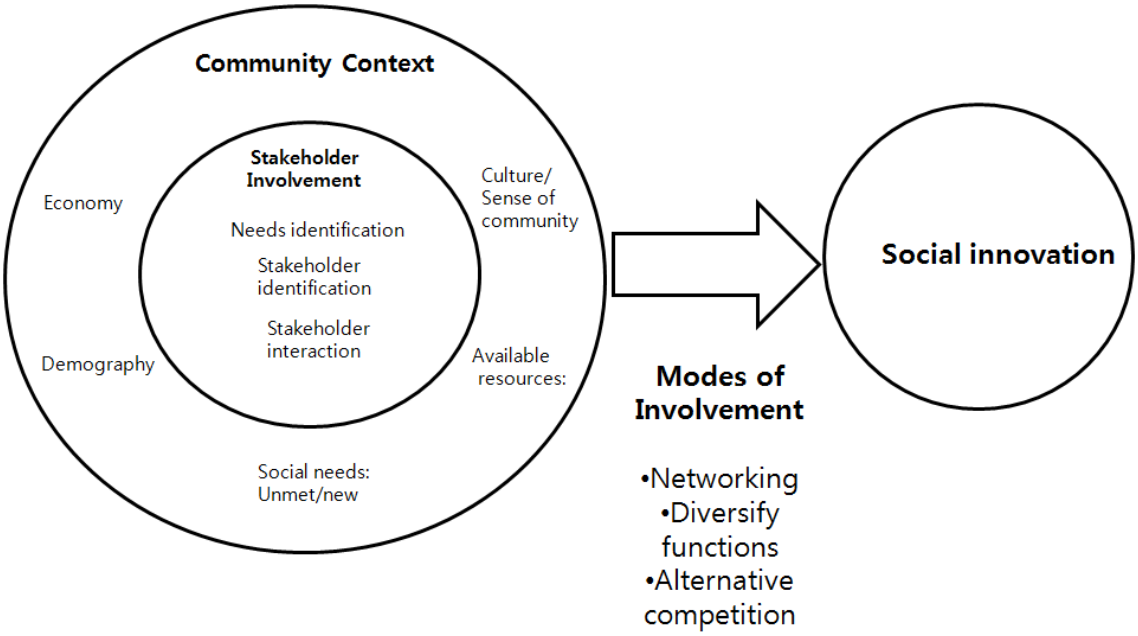
3.2. Stakeholder Involvement Model

The model of stakeholder involvement in co-operatives is in its initial stages of development. Some scholars and practitioners have suggested elements for inclusion in a theoretical model. A few have begun to develop preliminary models. However, little testing of these models has occurred, and no model is widely applied. Stakeholder involvement is described as being complex. Based on the literature review of the stakeholder concept, the stakeholder involvement model should encompass the community capacity that entails multi-stakeholder participation and organizational settings that turn out social innovation activities.

3.2.1. Conceptualizing the Community Context

A study of community capacity building published by Robert Chaskin (2001) identified the community context as the conditioning influence and characteristics of community capacity. In his model, many conditioning influences—including community history, politics, demography, and social needs—shape community capacity. These influences, in turn, affect community capacity, defined as "the interaction of human capital, organizational resources and social capital existing within a given community that can be leveraged to solve collective problems and improve or maintain the well-being of a given community" (Chaskin, 2001: 295). The community context is concerned with ways to promote or sustain the stakeholder involvement (Chaskin, 2001). The contextual factors facilitate the likely success of mobilization strategies that promote the possibility of successful problem solving, assuming sufficient access to resources within the community and beyond it.

Figure 2. Research Framework



3.2.2. Conceptualizing Stakeholder Involvement

Two phases of stakeholder involvement conceptualization exist: the first one focused on identifying who the stakeholder is and the second focused on the interaction between stakeholders (Griffiths et al., 2007). Since the current study's focus is co-operatives, identification should be done at the organizational level, providing examples of the stakeholder groups and describing their rationale for involvement, roles, and competence. Regarding the identification of stakeholders, generally, the closer a stakeholder is to the center of the circle, the greater the stakeholder's overall involvement in the co-operative's outcome. For example, stakeholders in the micro-environment often have a greater role in the realization of an intervention than those in the macro-environment.

It is important to note that all stakeholders have the ability to interact with one another in order to facilitate the implementation of an intervention. By stakeholders working in partnership with one another for their mutual benefit, even greater benefits can be obtained. Thus, the conceptualization of stakeholder involvement should include the relationships and mechanisms of interaction. Little doubt exists that collaborative working is beneficial, but significant barriers to stakeholder involvement and collaboration can also arise. It is vital that the key significant barriers, such as goal difference, distribution of power, issues relating to trust, and leadership problems, should be addressed (Huxham, 2003).

3.2.3. Conceptualizing Social Innovation

Stakeholder involvement in co-operatives is believed to lead to increased social innovation at the organizational level. According to Howaldt and Schwarz (2010), social innovation is the "new combination and/or new configuration of social practices in certain areas of action or social contexts prompted by certain actors or constellations of actors in an intentional targeted manner

with the goal of better satisfying or answering needs and problems than is possible on the basis of established practices" (p. 21). A number of potential social innovation outcomes have been identified, including work integration of the unemployed or the recently laid-off and the vulnerable, social services to the most vulnerable groups, microcredit, and distant learning. In terms of local and regional development, stakeholder involvement and social innovation are expected to be positively related in the sense of transforming and sustaining social relations and satisfying human needs. Thus, social innovation is increasingly seen as a result to be fostered by solidarity, cooperation, and cultural diversity (MacCallum et al., 2009).

3.3. Research Methodology

Methodologically, this study employs a case study approach (Strauss, 1993) so it can contribute to the development of greater understanding of co-operatives in Korea. The in-depth interviews with community activists were conducted in the cities of Wonju, Ansung, Sungnam from July 2010 through April 2011. The primary locations were chosen as the focus of this research because they have long tradition of consumers' co-operatives and show the distinctive characteristics of the co-operatives' development. The three cities are medium sized cities, and experienced different growth processes throughout the Korean industrialization and urbanization.

The logic of comparison and the selection of the cases is basically 'analytic induction' in comparative social research (Ragin, 1994; Skocpol and Sommers, 1980). The research on finding similar patterns of social involvement and their relations to social innovations are now at the primitive stage. Thus, the accumulation of the successful cases is initially important. In this sense, these cases will be the basis for further collection of cases for finding similarities and differences of the relationship between social involvements and social innovations.

The purpose of the interviews are to find out 1) information for interpreting community context and stakeholder involvement in co-operatives, and 2) how interviewees see the impact of stakeholders' involvement on social innovation of the co-operatives. These interviews could contain related questions such as "why" and "how" allowing collection of more specific information. Interview lasted about three hours. The nine interviewees included Executive Directors and External Affairs Coordinators of the major organizations as well as other community activists. The semi-structured interview was built around a core of structured questions and was designed to probe for underlying factors or relationships which are too complicated or obscure to cover in more straight-forward questions or questionnaire formats.

Interview data were supplemented with relevant secondary sources. Although media information can be inherently biased, it was significant in providing information on community history and culture trends, and for supplying information on individuals and groups that was not easily accessible in other ways. Newspapers and organizational media (e.g., organizational newsletters and informational pamphlets) were employed to provide additional insight into the specific details on community and organizational histories and outsider views of each organization.

4. WONJU

Wonju is the most populous city in Gangwon Province in Korea. Its industries are a combination of agriculture, manufacturing, and distribution, and it has a population of 300,000. Located approximately 140 kilometers east of Seoul, the national capital of South Korea, Wonju is a

small to medium-sized city near the mining areas in eastern Korea. Wonju was historically a military base city, but today it is growing as a distribution center for retailing networks.

However, behind this physical change of Wonju, she has been the Mecca of the co-operative movement in Korea, although the cultural and institutional bases of the co-operatives in other areas remain relatively shallow. Recently, Won Soon Park, one of the most distinguished social activists in Korea, referred to Wonju as 'the heaven of co-operatives' because various forms of co-operatives are well-developed and the new network of consumers' co-operatives is now structured there.[3]

4.1. Development of the Social Economy

Wonju has inherited strong historical legacies of cooepratives, making its region a successful case today. What distinguish Wonju are the region's political and cultural characteristics. Two prominent figures in its historical legacies include Hak-soon Ji, a Catholic bishop (inaugurated in 1965) well-known as an anti-authoritarian government and human rights activist, and Il-soon Chang, a local civil movement activist and creator of thoughts of life that emphasize 'pro-life' and 'environmentally responsible living.' These men served as the ideological and institutional founders of the co-operative movement in Wonju. They were great social entrepreneurs, and their ideas remained as a strong institutional foundation.

In 1972, when the South Han River flooded, the farming lands near the river and Wonju were also devastated, resulting in no harvest in fall. The lack of grains ultimately drove the local farmers and people into hardship and poverty. Bishop Hak-soon Ji requested international aid from Caritas Internationals. The West German government provided 2.4 million marks while the European Caritas provided 0.51 million marks, 2.91 million marks in total. They created the Balgeum (meaning bright) Credit Union, following the spirits of the self-help and mutual aid co-operatives, rather than directly distributing the aid to poor people. Soon they established consumer and producer co-operatives called Hansalim and Wonju co-operatives.

This trio of co-operatives became the institutional basis for today's multiple co-operatives. The basic goals of the early co-operatives were a self-reliant local economy and a self-governing local community. They criticized the industrialization strategy based on large businesses and the urban sector and brought in the concept of the reverence for life based on Korean traditional culture. Hence, they developed the mutual cooperation of consumers and producers of agricultural products and the self-reliant development model. In this context, 29 co-operatives exist in Wonju (see Figure 3) and work together as part of the Wonju Network of Social Economy. In this network, multiple co-operatives develop common goals and visions and jointly invest in the development of new social enterprises. This network is highly acclaimed as an innovative structure, contributing to the development of Wonju's social economy.

[3] Interviews with the key persons of the social economy network in Wonju.

Figure 3. Co-operatives in Wonju

agricultural processing and distribution	Consumer	Social Service	Education	Credit	Culture	Enviornment, Ecology
Catholic Farmers' organization	Wonju Hasalim	Wonju Homeless Shelter	Playing house Place	Bright Credit Union	Culture Cooperative	Nonamegi -social enterprise
Samdo cooperative	Wonju Consumer cooperative	Self-help Center	Real Flower School	Nuri Credit Union	Shinwha Village -social enterprise	Dajawon
Wonju cooperative	Old-aged cooperative	Street Love Village	nerd's finding street	Street Credit Union		
Wonju Hasalim	Medical cooperative	We-Start				
Salim Agriculutre	Sangji University Cooperative	Wonju YMCA Children -social enterprise				
Happy Sirubong (Social Enterprise)						
Pro-environment school meal service (social enterprise						
Hatsal Nanum						
Shinwha village						

- Areas of network
  - Agricultural processing and distribution: 9
  - Consumer cooperatives: 5
  - Social Service cooperative: 5
  - Credit cooperatives: 3
  - Culture and Eudction: 1
  - Enviornment and Ecology: 2
  - Cooperatives
  - Civil organization
- government-authentisized cooperatives 9

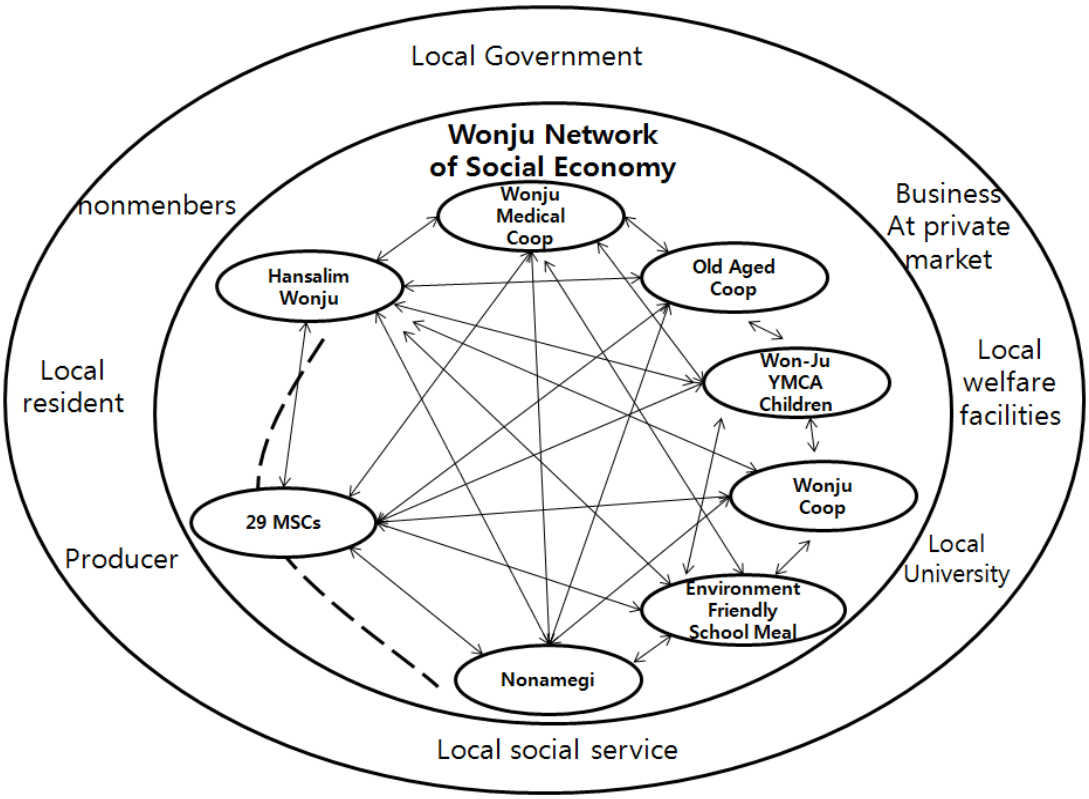
4.2. Stakeholder Involvement Strategy: Networking and Mutual Aids

As previously discussed, stakeholders are involved in co-operatives through the network and mutual aid structure (see Figure 4). Major co-operatves in Wonju include Balgeum Credit Union, Hansalim, and Wonju Medical Co-operatives, which make decisions on community affairs together as well as jointly invest in the creation of new co-operatives in Wonju Network of Social Economy. The network prescribes five principles of running the network: i) common ownership, ii) democratic decision-making, iii) humanistic social service, iv) contribution to the local community, and v) cooperation among the co-operatives. Their future model is the Mondragon in Spain or Trento in Italy, where the regional economy is owned and run by the network of various co-operatives. They also designed six fundamental strategies for expanding the social economic bloc: i) intensified mutual aid relationship, ii) creation of a co-operative fund, iii) development and share of educational programs for enlightening the local people with the spirits of the co-operatives and sustainable development of the local community, iv) creation of new co-operatives to meet unmet and new needs for the local people, v) establishment of an independent media for the network, vi) development of a mutually supportive governance with the local government.

The network is the most important collaborative institution for sharing information, issuing joint statements for institutional reform for the operation of co-operatives and supporting newly created co-operatives. One of the influential stakeholders of co-operatives in Wonju is the other co-operatives; staffs, members, non-governmental organizations, and local governments are other major stakeholders. Because most staff members in co-operatives worked as student activists during the democratization period between the 1970s and the early 1990s, they tend to have mobilization capabilities, be organized, and create innovative ideas for changing society. In particular, they play a significant role in satisfying community needs under the economic constraints in the early stages of establishing their organizations and expanding the range of socially relevant programs during the developmental stage. Members usually articulate their

perspectives through participation in general meetings, directors meetings, and various community events. In Wonju, co-operatives' members usually have multiple memberships in various co-operatives, which enable them to consider the social economy as a whole. This interchangeable membership structure results in residents participating in multiple activities. The stakeholders of cooperatives expand to the non-governmental organizations; they not only check the governments and private companies, but also collaborate with co-operatives to satisfy unmet needs in the community. Although it is evident that the collaboration between co-operatives and local governments is important, they do not maintain close ties. Today the leaders of the social economy network in Wonju try to make a good collaborative relationship with the local government as another important stakeholder.

Figure 4. Stakeholder Involvement Model in Wonju



4.3. Social Innovation

Wonju's network structure has promoted social innovation in the local community. First, the collaboration between Balgeum Credit Union and Hansalim resulted in the foundation of the Wonju Medical Co-operative, which has played a positive role in discovering and helping vulnerable people by establishing the national health insurance system. It has further improved the quality of medical care by pursuing reasonable medical treatment and expanding community-based healthcare services.

Hansalim produces an organic, sustainable, and environmentally friendly food based on ecological ethics because its highest priority is to respect all life. In particular, sesame oil has

become one of the best sellers of the Hansalim nationwide network, enhancing the network's financial stability. Increased revenue from sesame oil has strengthened various community activities, contributing to the achievement of their long-term goals. The socioeconomic network in Wonju and participation among various stakeholders has brought about significant social innovation and, in turn, has promoted organizational profitability and community sustainability. Thus, stakeholder involvement in the sustainable collaboration structure has increased the sense of community and the well-being of the urban community.

5. ANSUNG

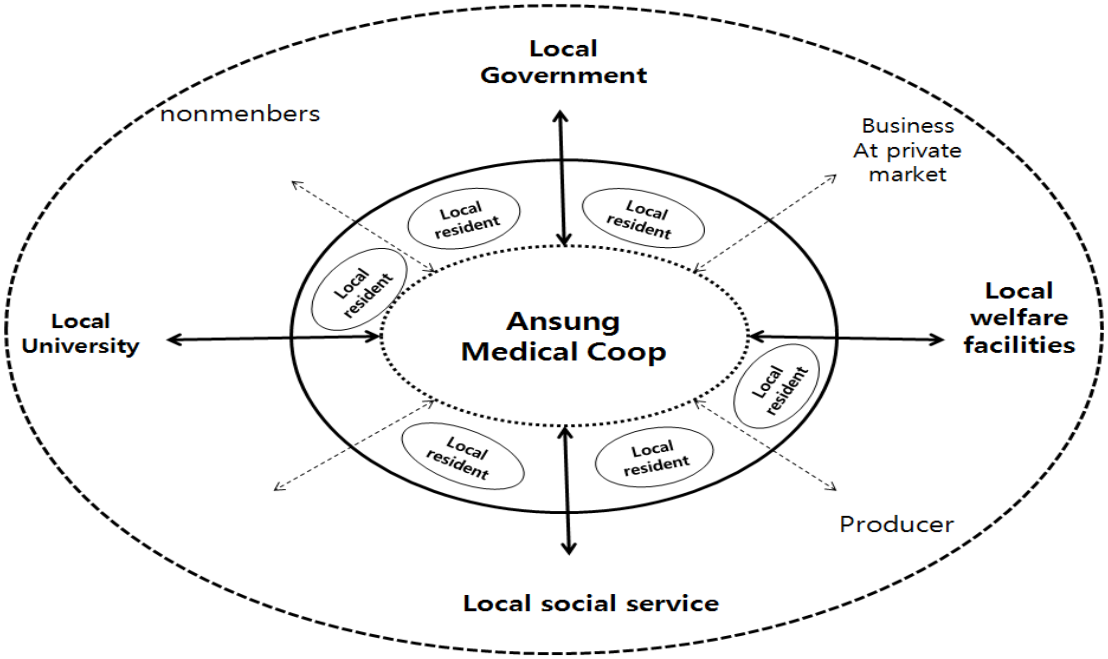
Ansung is a small to medium-size city in Gyeonggi Province, South Korea, located 80 kilometers south of Seoul. It is adjacent to Pyuntaek on the west, Icheon on the northeast, Cheonan on the south, and Yongin on the north. Although commuters to the Seoul metropolitan area live in a small part of Ansung, most of the city's areas are used for agriculture, and farmers are interested in and focus on community affairs.

5.1. Development of the Social Economy

Agriculture in Ansung is closely related to the development of the social economy. In 1987, medical students in Seoul held weekend clinics for farmers in the Gosam area in order to enlighten farmers about health maintenance and instruct them on the deficiency of the existing public healthcare system. During this process, local healthcare providers—distrusting the established medical practices—suggested creating a community-owned medical center to address the overtreatment problem.

Local doctors and residents founded Ansung Oriental Medical Clinic in 1992. In 1994, 300 Ansung residents invested 120 million won and founded Ansung Medical Co-operative, which has been operated by the collaboration of community members, local doctors, public organizations and nonprofit organizations. These organizations have led to the formulation and development of the social economy in the Ansung area.

Figure 5. Co-operatives and Stakeholders in Ansung



In Ansung, some important local stakeholders are centered on the medical cooperative and help each other; the medical co-operative including other non-profit organizations together provide local college students with internship and field training positions in order to nurture them as community experts. Interestingly enough, the Ansung medical co-operative was able to make a good relationship with local government by sharing the information on the welfare needs and providing welfare services requested by the local government. Local welfare facilities and co-operatives are involved in the development of new forms of caring services in rural areas (see Figure 5).

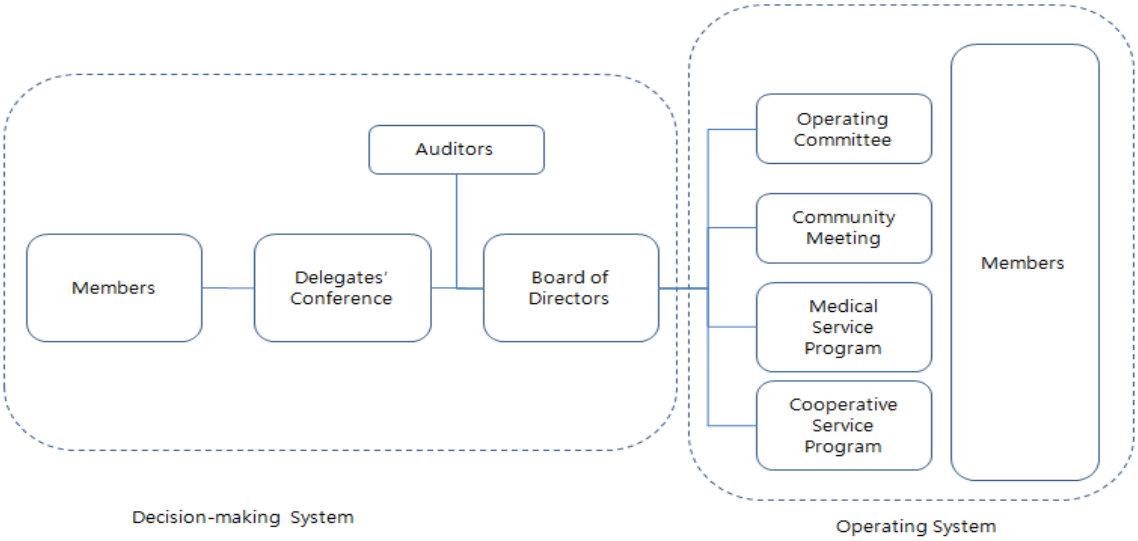
5.2. Stakeholder Involvement Strategy: Delegates' Conference and Small Group Meeting

The Ansung Medical Co-operative—the most influential co-operative in the Ansung area—sets the priority to enhance transparency and democracy in the governance structure, and community members tend to participate in the decision-making process and actively volunteer for community events. An estimated 614 participants actively engage in these efforts, accounting for about 20 percent of all members. The primary channels for participation are general meetings, delegate conferences, the homepage, emails, and face-to-face communication. Among these channels, the delegate conference is held twice a year to discuss important matters of the co-operatives.

Small group meetings are regarded as the most important stakeholder involvement mechanism in Ansung. Delegates lead small group meetings in the community and collect feedback from the grassroots level. All the program proposals and evaluation results are discussed in small group meetings, in which every relevant stakeholder participates. This system makes decision-makers more accountable and considerate, and the accepted program is readily implemented because

the stakeholders understand its contexts and process very well and feel a sense of ownership and community. [4]

Figure 6. Stakeholder Involvement Model in Ansung



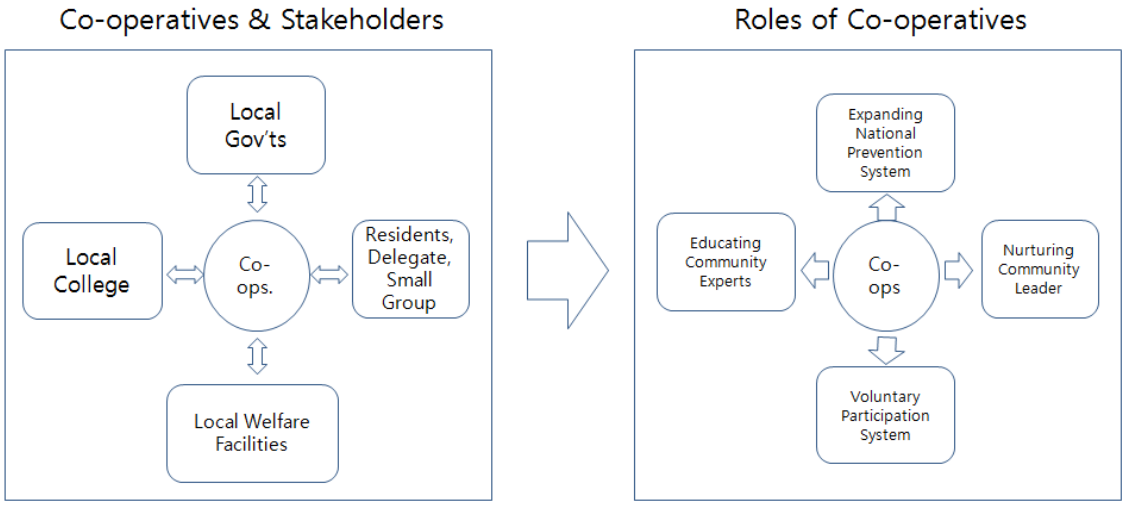
Through this involvement mechanism, operating and decision-making systems are effectively connected with each other. Co-operative members and staff members participate in the decision-making and implementation, meeting together as shown in Figure 6. Members' voices are always represented at the delegate conference and board meeting. This democratic system increases organizational effectiveness as well as accountability.

5.3. Social Innovation

Co-operatives in Ansung suggest the new forms of innovation in medical and welfare services. First, the close tie with the local residents and stakeholders through small group meetings promote the democracy of the community's decision-making efforts. This mechanism generates a variety of innovative programs in the field of environmental protection, recycling, advocacy of consumer rights, and local economic development. Co-operatives handle all of these programs by themselves, not depending on the governments or private companies.

[4] This decision-making style is much like a deliberate democracy, which is recently emerging as a new form of democracy. Close and full communications among the members and other stakeholders lead them to understand the nature of the problems and the differences interests and result in consensus and collaboration. This is not the place for discussion of the relationship between governance and decision-making style and cooperatives. Nonetheless, the distinctiveness in Ansung is the communicative strategy led by the leaders of the medical coops.

Figure 7. The Roles of Co-operatives in Ansung



Second, the Ansung Medical Co-operative has created new forms of a caring system for the disabled, the elderly, and those living on a low income. Through the delegate conference and small group meetings, the co-operative identifies vulnerable populations and draws attention and support from stakeholders. In this model, the starting point of the caring system is a formal institution while informal mechanisms like homepage postings and face-to-face discussions become a pivotal factor for the new caring system.

Third, small group meetings are used to discover the learning and educational needs for health maintenance while co-operatives provide a variety of learning programs. They prevent chronic and epidemic diseases and address asymmetrical information between healthcare providers and community members. These learning opportunities enhance individuals' capability to influence community affairs as well as control their own lives.

6. SUNGNAM

The third case study site is Sungnam, which is the ninth largest city in the country, with a population of nearly one million. Sungnam is made up of Bundang-gu, Jungwon-gu, and Sujung-gu. It is a largely residential city that borders Seoul, the capital city of South Korea, to the north. On the south it is bordered by two large newly developed residential cities: Gwangju and Youngin. Sungnam was mainly built in the 1970s as the first planned city in Korea's history and was conceived during the era of the Park Chung-Hee government for the purpose of industrializing the nation by concentrating labor-intensive electronic, textile, and petrochemical facilities, ultimately displacing thousands of the urban poor from Cheonggyecheon in Seoul to the Jungwon and Sujung areas.[5] Jungwon-gu and Sujung-gu became industrialized urban

[5] Cheonggyecheon is a stream in downtown Seoul. After the Japanese colonial rules and the Korean War (1950-1953), large number of people moved into Seoul to find their way and make their lining and settled down along the Cheonggyecheon. Those living in houses near the stream suffered a lot due to the stretch caused by the large amount of wastes flowing into the stream. Thus, the image of Seoul had been severely affected. The government covers up the stream with concrete to put an end to the shabby

neighborhoods as home for the newly moved urban poor between the 1970s and 1980s. Bundang-gu, another district in Sungnam, was developed in the 1990s. From the beginning, it was designed and built according to a detailed plan and became a well-organized city with a network of streets, new apartment buildings, numerous parks, and a good local infrastructure. Bundang is now the most populous part of the city and has the status of being one of the wealthiest regions in South Korea. The development of Bundang is in a sharp contrast with that of Jungwon and Sujung districts and has brought in a local political issue as to whether or not it should become a separate city from the rest of Sungnam. This sharp contrast has resulted in social and economic disparity and lowered the sense of community among the districts.

6.1. Development of the Social Economy

The development of the social economy in the Sungnam area is related to the city's history. In the early 1970s, social activists went into action in Sungnam to deal with the problem of displacing the urban poor. In 1973, the Missionary Committee for Special Area planned to establish Jumin (meaning *residential*) Church in the Sujung area and sent Pastor Hae-Hak Lee to initiate such efforts. Jumin Church started to work on the urban poor's residential concerns, addressing conflicts with the governments and unfair working conditions in the workplace. During this process, the Jumin Church often conflicted with the authoritarian government, which suppressed it and imprisoned Pastor Lee and other church staff members. Despite the repression, the church continued its efforts to help the vulnerable.

The first effort to develop the social economy was to organize a healthcare association to practice community medicine. The association aims to provide free healthcare service based on local doctors' pro bono activity. The second and most important effort was the proclamation of the Jumin Community Manifesto and the creation of the Jumin Credit Union, which contributed to founding the Jumin Consumers' Co-operative, Joint Child Care Network, and Sungnam Self-help Center. The Jumin Credit Union makes small loans to the impoverished without requiring collateral, lending money to the working class with no credit, those living on a low income, and self-employed delinquents.

The third effort was the creation of the Jumin Consumers' Co-operative. In 1989, the Jumin Church and Jumin Credit Union jointly invested in the Jumin Consumers' Co-operative to realize their goal for respect for life. The Jumin Co-operative aims to restore solidarity between producers in rural communities and consumers in urban areas by sharing the food of life. It has further criticized existing large-scale nationwide co-operatives such as Hansalim, Durae Co-operatives, and I-Coop for the bureaucratic decision-making structure and the breaking off of the relations between rural producers and urban consumers. In addition, it has promoted a local food movement to build more locally based, self-reliant food economies in order to achieve sustainable food production, processing, distribution, and consumption.

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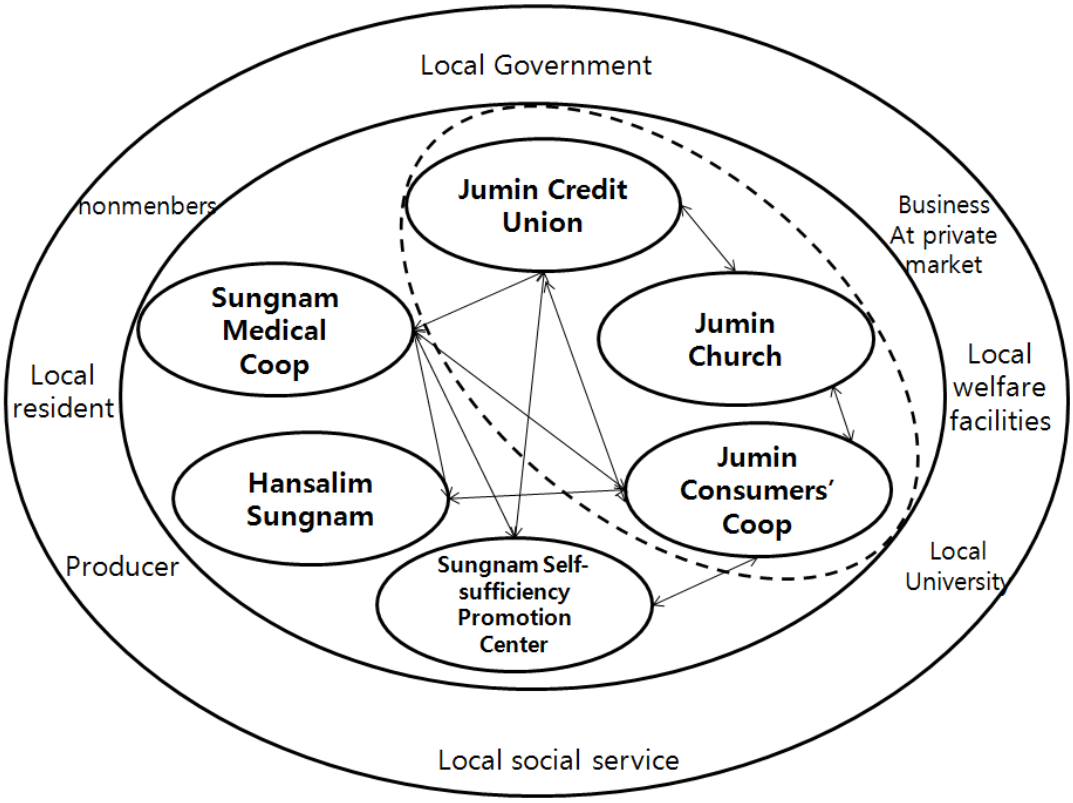
houses and the dirty smell. In addition, an elevated highway completed over the stream in 1971. Thus, all makeshift houses along the stream were demolished and the residents were displaced.

Figure 8. Co-operatives and Stakeholders in Sungnam



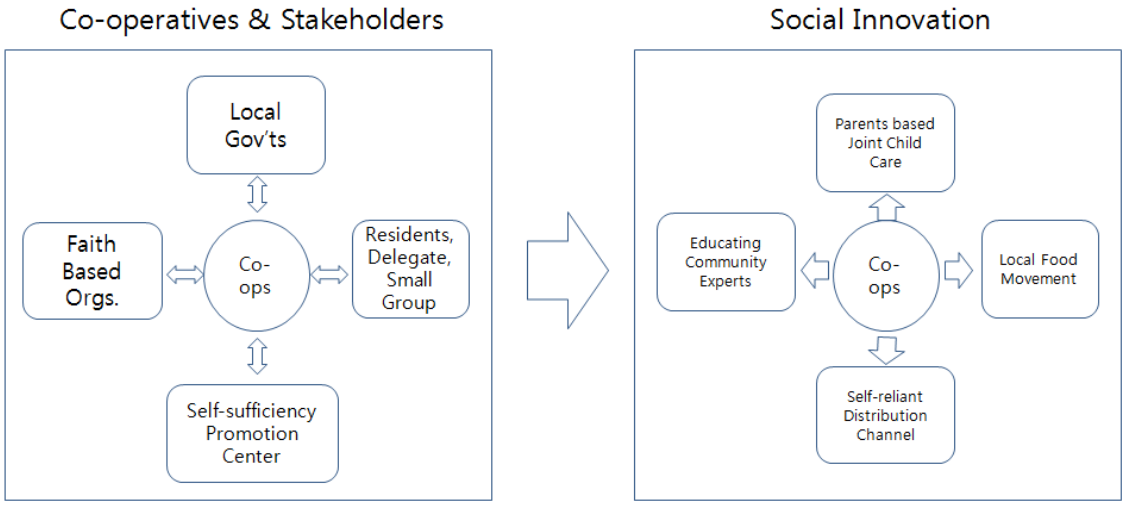
Finally, the fourth effort is to formulate a parent-based child education system through the Joint Child Care Network. In this network, the parents decide education philosophy, contents, and tools. This system is designed to replace the competition-oriented education paradigm with a self-directed and environmentally friendly paradigm.

Among these efforts, the Jumin Credit Union and Jumin Consumers' Co-operative were first established for the urban poor in the Jungwon and Sujung areas. However, the function of the social economy in Sungnam has changed as high-income earners have moved to the Bundang area and Jungwon's and Sujung's residents' income level has increased slightly. The provision of organic and environmentally friendly food for well-being has become a new function of the social economy in Sungnam.

6.2. Stakeholder Involvement Strategy: Loosely Coupled Network and General Meetings

One of the most important stakeholders in Sungnam's co-operatives is the other co-operatives. In the creation of co-operatives in Sungnam, the other co-operatives have played a significant role. The Jumin Credit Union invested in the Jumin Consumers' Co-operative while the Jumin Consumers' Co-operative and Hansalim Sungnam invested in the Sungnam Medical Co-operative. The other important stakeholders are the co-operatives' staff members. As most of them were social activists during the democratization process in Korea, they are experienced and competent organizers for civil society organizations. The members affect the decision-making process, regularly attending general meetings, board meetings, and small group activities in which they articulate their opinions.

Figure 9. Co-operatives, Stakeholders and Social Innovation in Sungnam



The co-operatives in Sungnam have developed a loosely coupled network among them and utilize the network when they need to collaborate. This informal network includes the Jumin Credit Union, Jumin Consumers' Co-operative, Sungnam Medical Co-operative, Hansalim Sungnam, and Sungnam Self-help Association. As no regular meetings or formal organizations exist, the network is somewhat informal, and participants vary across the issues.

Individual co-operative holds general meetings and small group meetings similar to those in Ansung. In Sungnam, general meetings are useful for engaging stakeholders in decision-making processes. Members, board members, and staff members discuss and come to an agreement on goals and visions in general meetings. Sungnam's small groups play a role in collecting members' feedback. Their group activity is organized by the organizational functions or participants' interests and hobbies, which differs from Ansung's neighborhood-based groupings.

6.3. Social Innovation

Sungnam's social innovation activity can be found in the local food movement and self-reliant distribution system. Although the starting point of Sungnam's social economy is to satisfy unmet social needs for the impoverished, more recently it has focused on providing safe food that the urban middle class looks for. The existing nationwide consumer co-operatives established a large-scale distribution channel, organized their management system in a bureaucratic way, and broke off the relations between consumers and producers. The Jumin Co-operative has found ways to build up relationships among actors, including producers, distributors, and consumers grounded in the Gyeonggi Province. This system is believed to increase food security and ensure the economic, ecological, and social sustainability of the community. In the early days, the Jumin Consumers' Co-operative struggled to maintain its economic stability, but today its financial situation is improving. The Jumin Consumers' Co-operative is attempting to escape the typical functions facing Korean consumers' co-operatives in order to revive small communities and satisfy emerging needs for the urban middle class.

7. KEY FINDINGS

7.1 Similarities

The similarities of the three cases can be summarized as follows. First, Korean co-operatives function to satisfy unmet social needs. The problems of the current healthcare system, the social welfare policy, and food safety are not properly addressed in Korean society. In all three cities examined, these unmet needs were satisfied by co-operatives. Second, co-operatives contribute to the construction of the community collaboration system. Co-operatives facilitate participation among multiple stakeholders within organizations as well as in the local communities. Through such participation, individuals share their sense of community and develop their social efficacy while organizations formulate collaborative network structures and increase their financial stability. Finally, staff members have played an important role in the development of co-operatives. In South Korea, many student social activists have become middle- and higher-level administrators in civil society organizations. They tend to have mobilization capabilities and provide positive energy for new programs. From this perspective, it is evident that the legacy of the past democratization movement has positively influenced the development of co-operatives. The energy of resistance toward the authoritarian regime has been transplanted to the current development of local communities.
At the micro level, commonalities of these cases, although the apparent strategies are different given different historical and spatial contexts, are open and full communication among the stakeholders and the social entrepreneurships of the leaders of cooperatives. These allows new social involvement strategies and social innovations and ultimately sustainability of the social economy at the local level.

7.2 Differences

The first difference becomes evident in the case of Wonju. Co-operatives in Wonju were developed in an earlier period and received abundant financial resources compared to the other cities. This favorable situation led to the development of multiple co-operatives as well as active collaboration among them. The formal network among the co-operatives has resulted in them sharing community goals and visions as well as enhancing their financial stability. Furthermore, new and urgent needs can be addressed preemptively by creating new forms of co-operatives within the co-operative network. Secondly, co-operatives in Ansung have made full use of small group activities. Small group meetings based on neighborhoods can enhance the accountability and transparency of their social economy. The strength of this mechanism is to perceive and address new social needs in a rational and democratic way. Finally, Sungnam's co-operatives criticize the problems of nationwide consumer co-operatives while pursuing an alternative goal that can be realized through the local food movement and self-reliant distribution channel. Once their experiment results in a successful outcome, they can serve as a role model as a new paradigm for local co-operatives.

8. CONCLUSION AND POLICY RECOMMENDATIONS

The study overviews the global and Korean contexts of the development of co-operatives and explains stakeholder involvement strategy and social innovation in Wonju, Sungnam and Ansung. It is obvious that co-operatives are already embedded in some communities in South Korea and stakeholder involvement in these co-operatives contributes to meeting new socio-economic needs in local communities. It is highly likely that such co-operatives may impact the survival of community in Korea by mobilizing multiple stakeholders and combining economic sustainability with strong social cohesion.

While the co-operatives is already making a significant contribution to the individual life and is helping to improve communities, effective strategies and the institutional and practical supports should be recommended if they are to be able to meet the needs of individuals and communities. Such recommendations are as follows:

First, the government should pay more attention to the co-operatives and social economy in the determination of public policy concerning social development. Co-operatives and social economy are having a profound impact upon the individual and community lives with potential to make an even greater contribution. This potential will be harnessed if appropriate public policies are adopted and mechanisms are put in place, which enable the social economy to function at its best. Rather than controlling them for government's immediate policy goals with financial subsidies, which is the Achilles tendon of social enterprises, the government needs to provide various indirect supports with sharing information and collaboration as a partner, giving the local cooperatives their own organizational autonomy.

Second, the co-operatives' actors should be included in the policy-making process. It is critical that they are incorporated into the decision making process, bringing with them knowledge, experience and links to local communities which can assist in the development of more effective policies and programs.

Finally, supportive policies should be implemented and the reasonable legal frameworks should be ensured. For example, South Korean Law for Consumers' Co-operatives prohibits the non-members from using and purchasing the goods and services of co-operatives. To achieve financial sustainability of the co-operatives as well as expand the stakeholders to local communities for community development, they need to exploit the full range of potential resources, including selling goods and service to the public. Policies which help foster and support the co-operatives are important. Start-ups and innovation of the co-operatives need to be encouraged, and financial instruments need to be available to meet sustainability needs of social economy.

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