

BOOK REVIEW

Social Enterprises in Asia: A New Legal Form

by Ernest Lim. Cambridge: Cambridge University Press, 2023. 350 pp.
Hardback: £85.00.

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Social Enterprises in Asia: A New Legal Form by Ernest Lim provides a compelling analysis of the unique challenges and opportunities faced by social enterprises in the Asian context. Lim, a renowned scholar in corporate law, meticulously examines the need for a distinct legal framework tailored to the hybrid nature of social enterprises, which straddle the line between profit-making and social good. Lim's work focuses on the intricacies of how social enterprises balance profit motives with social objectives. He argues for a legal framework that recognises and supports this dual mission, emphasising the need for clarity in directors' duties to avoid conflicts of interest. The author also highlights the importance of inclusive and transparent decision-making processes within social enterprises, advocating for governance structures that reflect the interests of all stakeholders, not just shareholders.

Chapter 1 sets the scene by discussing the importance of social enterprises in addressing socio-economic inequality and delivering public goods and services. Lim introduces the main argument of the book, namely that social enterprises in India, Hong Kong, Singapore, and Malaysia need a new legal form. This chapter outlines the five key criteria that will be explored in depth in the subsequent: corporate purpose, directors' duties, decision-making powers, reporting and impact measurement, and the distribution of dividends, assets, and tax benefits.

In Chapter 2, entitled 'Corporate Purpose', Lim examines how the dual mission of social enterprises – balancing profit with social good – requires a clear definition within the legal framework. He makes a significant contribution to the ongoing debate on corporate purpose, distinguishing it from corporate object and corporate interest. Using Hong Kong, Malaysia, Singapore and India as case studies, he then argues that current legal structures do not adequately support this dual mission, leading to potential conflicts of interest. In addition, the existing legal structures do not address the problem of uncertainty, lack of clarity, and limited enforcement in relation to corporate purpose. The chapter concludes that profit maximisation should not be rejected as long as it is pursued through reasonable means and not at the expense of stakeholders.

Chapter 3 focuses on the duties of directors in social enterprises and builds on the previous chapter's discussion of the balancing exercise between profits and social benefit. Lim highlights the need for directors to prioritise social objectives alongside financial performance and discusses the legal implications of this dual duty. Corporate purpose cannot be separated from the duties of directors, particularly the duty to act in the company's best interests and the duty to exercise powers for proper purposes.

In Chapter 4, the discussion moves to decision-making powers and the governance structures that ensure inclusive and transparent decision-making. Lim argues for a legal framework that involves all stakeholders, not just shareholders, in the decision-making process, thereby aligning with the social objectives of the enterprise. He explicitly recognises that there is no one-size-fits-all approach and that national laws should allow social enterprises to customise their decision-making powers in line with any of the available models that have been proposed.

The analysis in Chapter 4 is complemented by Chapter 5, which provides an overview of the mechanisms for ensuring accountability and transparency in social enterprises. It highlights the importance of robust reporting mechanisms for social enterprises to maintain stakeholder trust and credibility. Enhanced disclosure and transparency offer the necessary assurances and enable the companies themselves to perform a reality check to ensure that what they promise is with what they end up doing. Lim then discusses impact measurement tools and certification processes that can help social enterprises demonstrate their social value. It is essential that legitimate social enterprises can differentiate themselves from competitors of questionable quality and free riders. Before concluding, Lim examines the financial aspects of social enterprises and, more specifically, the distribution of dividends, assets, and tax benefits. This aspect complements the discussion of the mechanisms of certification and links to the foregoing arguments about the priority of social benefit over profit maximisation. Lim explores how profits should be distributed in a way that aligns with the social mission and considers how tax benefits can further encourage and incentivise the growth of social enterprises. Finally, in the concluding chapter, along with a summary of the findings discussed in the substantive chapters of the book, the author reiterates the need for a distinct legal framework for social enterprises in Asia. He highlights the practical recommendations for policymakers and legal practitioners to support the growth and sustainability of social enterprises.

One of the book's strengths is its comprehensive analysis, supported by real-world examples from various Asian countries. These case studies provide practical insights into the functioning of social enterprises, illustrating the diverse landscapes and legal environments they operate in. For instance, Lim discusses social enterprises in India, Hong Kong, Singapore, and Malaysia, showcasing the different approaches and legal structures adopted in these regions. Despite the complex subject matter, Lim's writing is clear and accessible, making it suitable for a broad audience, including those new to the concept of social enterprises. The book's regional focus may be seen as a limitation for readers seeking a global perspective, but the principles discussed are widely applicable and can be adapted to other contexts.

Overall, *Social Enterprises in Asia: A New Legal Form* is a seminal work that addresses the pressing need for a dedicated legal framework to support the growth and sustainability of social enterprises in Asia. Lim's comprehensive analysis and practical insights make this book an essential read for anyone involved in the social enterprise sector. By highlighting the unique challenges and proposing viable solutions, the author contributes significantly to the ongoing discourse on how to harness the power of business for social good. This book is highly recommended for policymakers, legal practitioners, academics, and anyone interested in the intersection of corporate law and social entrepreneurship. Its detailed examination of social enterprises' legal, financial, and social dimensions makes it a valuable resource for understanding and advancing this important sector.