

# RESOURCE ACQUISITION PARTNERSHIP OF NASCENT SOCIAL ENTERPRISE FOR SUSTAINABILITY

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## ABSTRACT

*The purpose of this study is to investigate the effect of nascent social enterprise on resource acquisition for sustainability according to business type. Therefore, this study examined the significance of resource acquisition for social enterprises with various businesses. For this, this study used content analysis for the sample group of social enterprises participating in the social venture contest hosted by Korea Social Enterprise Promotion Agency. The results of this study are as follows. First, it is found that non-profit social enterprises regard financial resource acquisition as more important than for-profit social enterprises. Second, for-profit social enterprises have found that it is more important to acquire marketing resources than non-profit social enterprises. This study suggests that it is necessary to seek ways to support social workers and policy-makers to form partnerships necessary for social enterprises by providing empirical perspectives to the social enterprise field that has been studied through case analysis so far.*

**Keywords:** Social enterprise, Non-profit, For-profit, Resource acquisition.

## INTRODUCTION

Recently, many companies recognize their social responsibilities as the core of a sustainable business environment and society and are actively committed to greater social challenges. For more than half a century, many scholars and practitioners have studied issues related to corporate social responsibility to address these challenges (Wang et al., 2016). As the awareness of the social economy grows, social enterprises are emerging as new business models. Undoubtedly, it is recognized as an alternative to sustainable development because it balances economic prosperity and social aspects. Social enterprises have many characteristics depending on the environment or subject being studied. Social enterprises are either pursuing social goals (Dees, 1998; Neck et al., 2009; Peredo & McLean, 2006) and creating economic value (Austin et al., 2006; Dees & Anderson, 2003; Neck et al., 2009), sustainable influence (Seelos & Mair, 2005) and environmental sustainability (Krueger et al., 2007). At the same time, social enterprises often operate with a variety of main purposes (Dees, 1988; Light, 2006; Mair & Marti, 2006), demonstrating entrepreneurial behavior (Dart, 2004; Dees & Anderson, 2003; 2006). However, researchers agree that social enterprises create social value or create economic wealth through entrepreneurial activities, despite the various definitions of social enterprises (Austin et al., 2006; Zahra et al., 2009). There is a lack of overall understanding of emerging social

enterprises compared with general start-ups, (Dees, 1998). In particular, there is little research on how social enterprises form their competitiveness compared to general start-ups. In the case of foreign countries, related research has been expanded from the level of describing social ventures to empirical studies (Neck et al., 2009; Short et al., 2010).

In particular, social enterprises have different goals and motivations from commercial organizations. While commercial organizations set a definitive business model that connects ideas to economic performance (Magretta, 2002), it is inevitably difficult for social enterprises to set a business model that establishes such important strategies. The main reason is that social enterprises suffer from severe resource constraints (Smith et al., 2013). Many scholars of management strategy have argued that to gain competitive advantages, companies usually attempt to attain resources, internally and externally (Porter, 1985). This suggests that social enterprises need to overcome their resource issues by mobilizing critical resources proactively either internally or externally. Partnerships play an important role in acquiring resources to create value, especially in resource-starved, new social enterprises.

The main purpose of this study is to investigate how the business type of the new social enterprise influences resource acquisition according. This study is divided into three parts. First, I examined the various business types of social enterprises and partnerships of social enterprises through literature research, and hypothesized based on these two factors. Finally, the conclusions and implications of this study, implications, limitations and future research directions are presented.

The purpose of this study is to analyze the role of partnership in the new and emerging social enterprises of Korea in a theoretical and empirical way beyond simply depicting social enterprises. Partnerships are an important strategy for social enterprises to acquire resources and create mutual value (Meyskens et al., 2010; Seelos & Mair, 2007; Waddock & Post, 1995). Therefore, empirical research on the role of partnerships in emerging social enterprises will provide important implications for practitioners and researchers who are concerned about how social enterprises can be more effective and efficient.

## **THEORETICAL BACKGROUND AND HYPOTHESIS BACKGROUND**

### **Social Enterprise**

The main purpose of social enterprises is to create social values by solving social needs that are not resolved by the government or society through entrepreneurial processes (Austin et al., 2006; Zahra et al., 2009; Mair & Noboa, 2006; Meyksens et al., 2010b; Perrini & Vurro, 2006).

Early studies on social enterprises have focused primarily on defining social enterprises and identifying characteristics that distinguish them from general ventures and nonprofit organizations (Dees, 1998; Mair & Martí, 2006; Peredo & McLean, 2006; Perrini & Vurro, 2006; Austin et al., 2006; Meyskens et al., 2010b). Dees (1998) presented social value creation, innovativeness and risk sensitivity, problem solving ability, and responsibility as characteristics of social enterprises. According to his research (Dees, 1989), social entrepreneurs are not only interested in creating economic wealth because their primary purpose is to create and sustain social values. To do this, social enterprises take risks, seek opportunities, innovate continuously,

adapt to the environment and learn. Rather than how much social enterprises have resources, it is more important to what social class they support or what social values they create.

Many researchers have embodied social enterprise definitions and social enterprise characteristics through various motivations and dimensions (Zahra et al., 2009). In addition, various topics and strategies such as entrepreneurial characteristics, resource status, value creation social innovation, income generation and governance have been studied (Waddock & Post, 1991; Austin et al., 2006).

Social enterprises are distinguished by social purposes rather than by organizational form or legal structure (Townsend & Hart, 2008). Social enterprises are divided into nonprofit and for-profit according to their forms (Townsend & Hart, 2008; Neck et al., 2009; Emerson & Bonini, 2003). Each form has a different level of social value created by strategic objectives. Nonprofit social enterprises seek to reduce reliance on external financial support by creating products and services that generate social value and generate revenue. These nonprofit social enterprises tend to be more business-oriented in terms of services, management, etc. in order to support underprivileged groups and regions compared to traditional nonprofit organizations (Dart, 2004). For example, civic groups may raise operating funds through bazaars. For-profit social enterprises also perform social duties, but their goal is to create economic profits through products and services (Neck et al., 2009). One type of social enterprise then exists in health care and education. For example, for-profit hospitals or private schools are committed to contributing to society.

### **Social Enterprise and Resource Acquisition**

Partnership suggests that general ventures are critical to acquiring resources and creating economic performance (Preston & Donalson, 1999). For example, partnerships enable strategies that include the diversification of investment risks, the acquisition of resources, the realization of economies of scale and scope. At the same time, organizational learning is achieved through the acquisition and exchange of skills and knowledge, resulting in the development of dynamic capability and new competitiveness (Teece et al., 1997; Hamel et al., 1989). Corporate legitimacy is reinforced when two or more companies collaborate (Baum & Oliver, 1991). This not only facilitates entry into new markets but also improves market influence (Porter & Kramer, 2002). These other inter-regional partnerships are emerging as strategic and collaborative benefits to acquire strategic and collaborative resources and improve the organization's revenues and profits (Di Domenico & Haugh, 2007).

As with general ventures, emerging social enterprises face a shortage of resources so, they need access to external resources to obtain the necessary resources and achieve business objectives (Austin et al., 2006). Partnerships enable social enterprises to acquire resources to develop competitiveness that could not previously be developed. It is also possible to build an information system to collaborate with other social enterprises to manage members, volunteers, and donors, or to provide programs and services (Austin, 2000; Austin et al., 2006). In addition, Women's World Banking, a microfinance organization, has established a cooperative network with microfinancial institutions to share knowledge and influence bank-related regulations (Austin et al., 2006). This partnership enables the development of strategies and services that alone are not possible. Partnerships in various fields facilitate the acquisition of resources that

can secure competitive advantage. Through partnerships, social enterprises can acquire additional financial, human, physical, or social capital and access markets that can generate higher performance than competitors in the future.

The relationship between the types of partners and the types of resources supported by partners has been examined primarily in the context of commercial ventures. For example, Premaratne (2001) found that networks of partnerships provide important resources to ventures in Sri Lanka. Carsrud et al. (1987) found evidence that the content of an entrepreneur's network reflected the types of resources available to a venture. Bretherton & Chaston (2005) interviewed small and medium-sized wineries in New Zealand and found that they engaged in strategic partnerships to gain access to scarce resources and capabilities at different points along the value chain. It is suggested here that, in the context of social enterprises, these resources come from the tangible and intangible support of partners

Non-profit or for-profit social enterprises form partnerships to secure different types of resources (Townsend & Hart, 2008; Neck et al., 2009). Nonprofit social enterprises are interested in financial resources to seek donations, talent donors, and volunteers to carry out social projects. For example, nonprofit social enterprises seek financial resources through diverse funding sources and seek talent donors to develop strategies and form a board. In addition, these nonprofit social enterprises are recognized as nonprofit organizations, so they can enjoy the benefits of providing business space and office facilities free of charge. These resources, which can be obtained from the status of nonprofit organizations, can be a positive contribution to the survival and development of nonprofit social enterprises. For-profit social enterprises can benefit from government subsidies, talent donors or physical resources. However, in terms of external resource holders, it is not possible to obtain the tax benefits or social value that can be obtained when providing resources to nonprofit companies. For this reason, external resource holders are less motivated to provide resources to for-profit social enterprises. And, unlike non-profit social enterprises, for-profit social enterprises pursue more economic value than social value. Therefore, for-profit social enterprises are structured to accumulate more types of financial resources such as finance, manpower, space, and office facilities than social enterprises. In addition, since the for-profit social enterprise seeks economic value rather than social value, marketing resource support such as marketing and advertising for sales promotion is more urgent than the support of type resource. Therefore, it is also hypothesized here that:

H1: Non-profit social enterprises are more likely to acquire financial resources than for-profit social enterprises.

H2: For-profit social enterprises are more likely to acquire marketing resources than non-profit social enterprises.

## **METHOD**

### **Sample**

The sample group used in this study consisted of social enterprises participating in Seoul 2012 and Gangwon area of the 2012 social venture contest hosted by Korea Social Enterprise Promotion Agency. The sample groups used in this study is the new social enterprises with less than one year of establishment. The data collection is based on the business plan submitted by

the sample companies to the business contest and through the content analysis, the business type and the type of the acquired resource are measured and parameterized. Content analysis is a method used to measure variables based on written data (Krippendorff, 2004) and is widely used in organizational and social enterprise research (Duriiau et al., 2007).

## Measure

### Business type

Business type is divided into non-profit type and profit type. 56% are nonprofit and 44% are clever.

### Types of Resources

Due to concerns about too many variables related to resources, these variables were classified into two categories by character and correlations: financial and marketing. A representative support was chosen to identify the resource in each category rather than aggregate all of them. This study categorized two types of resources related to finance marketing. It is measured by number of acquired resources related to finance and marketing.

### Control

The nature of the industry to which the social enterprise belongs can influence partnership formation. As a result of the analysis of variance (ANOVA), it did not show any significant difference in the relationship between the marketing resource support and the environment, education, health, and poverty eradication. However, financial resource support are more important in the health sector than education or the environment sector.

## RESULTS

This study used ANOVA analysis to test hypotheses. The results of the analysis are shown in Table 1. Business objectives are affecting the acquisition of resources by social enterprises. First, nonprofit social enterprises are more likely to acquire financial resources than profit - oriented social enterprises. The average financial resource acquisition was 3.66 for the nonprofit type and higher than the average of 1.29 for the commercial type social enterprise. In addition, the acquisition of marketing resources showed an average of 1.44 for-profit social enterprises and 0.32 for non-profit social enterprises. In this way, nonprofit social enterprises play an important role in supporting their financial resources in operating their businesses, and since commercial-type social enterprises generally have financial resources rather than nonprofit companies, they supplement marketing resources rather than financial resources.

Table 1 ANALYSIS	
Financial resource acquisition	Marketing resource acquisition

	Average	Standard Deviation	P -value		Average	Standard Deviation	P -value
Non-profit	3.66	2.13	< 0.05	Non-profit	0.32	0.17	< 0.05
For-profit	1.29	0.98		For-profit	1.44	1.18	

## CONCLUSION

This study demonstrates that partnerships of social enterprises can acquire their necessary resources. Especially, this study investigates how the business type of nascent social enterprises can influence their necessary resources. A lot of studies related to social enterprises emphasize the importance of acquiring resources, but it is a reality that the acquisition of resources has not been proved empirically. This study shows differentiation from previous researches by examining the effect of business type on acquiring necessary resources in this situation.

The results show that financial resources support is more needed for non-profit social enterprises than for - profit social enterprises. On the other hand, demonstrating that marketing resource support is more needed for profit-making social enterprise than non-profit social enterprise. The role of the partnership has been studied mainly in commercial and non-profit organizations with multinational environments, but there are only a few studies on social enterprises that are interested in creating social or environmental value mainly for various business purposes. The results of this study are similar to those of previous researches on commercial companies in multinational environments. The results of this study, however, show that the types of resources acquired through partnerships vary depending on the type of business of the social enterprise. Non-profit social enterprises are more difficult to access financial resources than commercial SMEs. Therefore, policy makers need to develop programs that support non-profit and mixed social enterprises to form partnerships. In addition, practitioners of for-profit social enterprises should form a partnership to support marketing resources as well as necessary financial resources. In the future, it suggests that policy makers develop the area of research on how to improve the management environment of social enterprises, especially non-profit social enterprises. In addition, it is necessary to analyse the business purpose of the social enterprise more finely according to the economic profit of the enterprise and the degree of social value creation.

In addition, this study provided empirical perspectives on the social enterprise field that has been studied through case studies. In this study, existing studies mainly describe social enterprises in qualitative research and descriptive methods. The need for empirical studies on social enterprises is on the rise (Meyskens et al., 2010a; Short et al., 2009). However, empirical research is difficult because data on social enterprises are not developed as much as traditional entrepreneurship. In the future, the following research topics can be presented based on demonstrable data. Did the resources acquired by the social enterprise play a positive role in creating actual performance? Or regional differences affect the type of resource?

Despite the theoretical and practical contributions of this study, there are some limitations related to research methodologies and sample groups. This sample group is composed

of new social enterprises participating in the social enterprise project plan competition. Therefore, the results of analysing these new social enterprises may be different from those of high social enterprise. There is also a limit to data collection because information about partnerships is gathered from a summary of business plans. There is also a limit to the content analysis method used for the analysis method. The variables used in this study were dichotomous measures based on the description of the project plan. However, because the project proposal does not describe resource acquisition in detail, there is a limit to how much partnership is actually important to the company. Nevertheless, it is significant that the results of this study suggest an empirical point of view on the importance of resource acquisition in social enterprise and suggest future research directions.

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