THE PARTNERSHIP NETWORK SCOPES OF SOCIAL ENTERPRISES AND THEIR SOCIAL VALUE CREATION

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ABSTRACT

Social enterprises provide balance between social service-related and profit-making activities. They can be financially sustainable in markets and provide social services that are not provided in the market or by government. In the Korean context, social enterprises also provide jobs and increase employment rates in times of slow economic growth and social inequality. This study investigates the position of social enterprises in the local institutional environment, the partnerships between institutions involved in social enterprises, and the effect of these enterprises on society. This study considers partnerships between organizations as key resources for successful implementation of social enterprises from the resource-based view. Because different scope of partnership network make different contributions to social enterprises, partnership network horizontal scope were identified as partnership with government, for-profit organizations, non-profit organizations and partnership network vertical scope were identified as financial support, managerial support, and marketing support. The Ministry of Employment and Labour has certified social enterprises in Korea since 2010. In this study, a survey of 565 certified social enterprises was conducted. Data for about 70 of these 565 social enterprises were used in hierarchical regression analyses. The results of the analysis showed a positive association between partnerships with government and non-profit organizations and the social performance of social enterprises. However, a negative association was found between partnerships with for-profit organizations and the social performance of social enterprises. The partnerships for marketing support were positively associated with the social performance of firms engaging in social enterprises, but financial support was negatively associated with social performance. Results for managerial support were not significant. Finally, a negative association was found between the period of social enterprise certification and social performance, and entrepreneur capability influenced social performance positively.

Keywords: Social Enterprises, Partnerships Network Scope, Social Value Creation.

INTRODUCTION

Although some types of social enterprises, which is an organization that applies commercial strategies to maximize improvements in financial, social and environmental well-being, have been studied extensively in the non-profit and sociology literature, scholarly research on social enterprises in the field of management is still developing (Dees and Anderson, 2006; Dorado, 2006; Mair and Martí, 2006; Weerwardena and Mort, 2006). Generally, venture firms, which is ones to proceed especially in the face of danger, create value (Bourdieu, 1990; DiMaggio, 1997) by combining a unique package of resources to address an opportunity (Morris, Kuratko and Schindehutte, 2001) or to provide a solution to a problem (Becker, 1964) for an economic purpose (Kirzner, 1979; Schumpeter, 1934). Social enterprises, like commercial venture firms, create value by bringing together a unique package of resources. However, social enterprises focus on addressing unmet social needs and creating social value rather than serving economic purposes. These unmet social needs are not satisfactorily addressed by government, the market, or society.

As with commercial venture firms, there is much we still don't understand about social enterprises (Dees, 1998), particularly with regards to how they contribute to competitive advantage. In management research, scholars have mostly focused on describing social enterprises rather than predicting their outcomes or their benefits to corporations (Short et al., 2009). Studies on social enterprises in the field of management are mostly conceptual rather than systematic or theoretical (Short et al., 2009). In order to increase the legitimacy of social enterprises in the management field, more theory-driven research questions and quantitative research are necessary (Cummings, 2007).

The resource-based view (RBV) traditionally emphasizes internal sources of competitive advantage gained through heterogeneous resources (Barney, 1991; Wernerfelt, 1984). When taking on new ventures, firms leverage existing resources to obtain additional resources (Greene, Brush and Hart, 1999) and create new capabilities (Stopford and Baden-Fuller, 1994). In the RBV framework, entrepreneurial strategies are chosen to fill resource gaps through internal development, market transactions, acquisitions, and partnerships (Teng, 2007). Although many researchers have discussed the general importance of resources in commercial ventures (Alvarez and Barney, 2002; Brush, Greene and Hart, 2001; Greene and Brown, 1997), social enterprises (Leadbeater, 1997; Mair and Marti, 2006; Peredo and McLean, 2006; Waddock and Post, 1991) and nonprofit organizations (Galaskiewicz, Bielefeld and Dowell, 2006; Stone, Bigelow and Crittenden, 1999), systematic application of the RBV to the context of social enterprises has not been attempted.

Partnerships, or strategic alliances, may provide adequate resource conditions and strategies in which social enterprises can develop and contribute to competitive advantage (Teng, 2007). Previous studies have focused on how entrepreneurial ventures (Jack, 2010) and nonprofit organizations (Galaskiewicz et al., 2006; Guo and Acar, 2005; Kourula and Laasonen, 2010) utilize partnerships or networks of partnerships to reach their goals. Although these studies cover some aspects of the associations among partnerships, resource conditions, strategies, and competitive advantage, they do not offer a theoretical framework for systematic analysis of the relationship between social enterprises and partnerships. The RBV enables such analysis, facilitating social enterprise research in the management context and providing insight to assist practitioners in better understanding ways to create social value efficiently and effectively.

THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

Social Enterprises

Social enterprises address social needs by engaging in entrepreneurial processes (Mair and Noboa, 2006; Meyskens et al., 2010; Perrini and Vurro, 2006; Shaw et al., 2002) to achieve their primary purpose of creating social value (Austin et al., 2006; Short et al., 2009, Zahra et al., 2009). The goals of social enterprises may be achieved by for-profit ventures for social purposes, nonprofit entities and hybrid organizations (Neck et al., 2009; Townsend and Hart, 2008). Social enterprises have been analyzed extensively in the nonprofit literature, but only recently have scholars wholeheartedly integrated social enterprises into mainstream academic management research and begun to apply management frameworks and theories to these ventures. Social enterprise management studies have primarily been conducted within the realm of entrepreneurship research, but studies of social enterprises may also be possible in the contexts of corporate relationships, social responsibility initiatives and international business and strategy. Social enterprise research is increasing as more business students seek to make a difference in the world (Stevenson, 2008) and as business schools provide more socially-oriented courses (e.g., Brock and Ashoka's Global Academy for Social Entrepreneurship, 2006; Krueger, Welsh and Brock, 2007).

Many early studies sought to define social enterprises (Dees, 1998; Mair and Martí, 2006; Peredo and McLean, 2006; Perrini and Vurro, 2006; Weerawardena and Mort, 2006; Zahra et al., 2009), describe their relationship between commercial ventures (Austin et al., 2006; Chell, 2007; Dorado, 2006; Mair and Martí, 2006; Meyskens et al., 2010) and nonprofit organizations (Boschee and McClurg, 2003; Dees and Anderson, 2003; Dees and Anderson, 2006), and analyze their characteristics. In a seminal article, Dees (1998) detailed important characteristics of social enterprises such as social value creation, innovativeness, risk-taking, resourcefulness and accountability. According to Dees (1998), wealth creation is not the main focus of social enterprises, but their primary mission is to create and sustain social value. Increasing donor fatigue has also led supporters to seek out more innovative organizations that create social value (Leadbeater, 1997). In contrast, social innovation can be sustaining or catalytic (Le Ber and Branzei, 2010). Sustaining innovations can be incremental quality or functionality improvements or breakthrough products or services that leapfrog existing technologies (Christensen et al. 2006); catalytic innovations disrupt the status quo (Anthony et al. 2008) through changes in functionality of technologies, different business models, or systemic reform (Christensen, Grossman and Hwang, 2009). Therefore, corporations having relationship with social enterprises must be prepared to take risks, pursue opportunities and constantly innovate, adapt and learn in order to ensure the social value of their efforts. Firms may not be limited by the resources at hand when engaging in social enterprises. However, they are highly accountable to their constituents regarding the outcomes of these ventures.

Partnerships

Venture firms compensate for lack of resources and capabilities by building partnerships with other organizations in order to attain relational rents. Partnerships are especially critical for venture firms suffering from the liabilities of newness and smallness (Stinchcombe, 1965). The findings of Stinchcombe (1965) have been elaborated in studies of how venture firms improve the rate of new product development (Deeds and Hill, 1996), patent applications (Shan et al. 1994) and product innovation (George et al. 2001) through strategic partnerships by complementing their scarce resources with those of their partners. Partnership with prestigious partners also helps venture firms gain favorable positions and acquire additional resources by obtaining external legitimacy.

In a partnership, two or more organizations exchange something of value. In the business world, partnerships usually endure beyond a single transaction. The degree of partnership intensity ranges from loose collaboration (information sharing, program coordination and joint planning), to more formal administrative consolidation and joint programming, to complete integration through mergers or joint ventures (Arsenault, 1998; Kohm, La Piana and Gowdy, 2000). Gray (1989) describes collaboration as a "process through which parties who see different aspects of a problem can constructively explore their differences and search for solutions that go beyond their own limited visions of what is possible." Guo and Acar (2005) define collaboration as "what occurs when different organizations work together to address problems through joint effort". Das and Teng (2000) define strategic alliances as "cooperative relationships in which resources are shared and exchanged in the pursuit of mutual goals".

Partnerships are important for commercial venture firms to accumulate resources and create wealth (Preston and Donaldson, 1999; Kale, Dyer and Singh, 2001). Partnerships fulfill strategic needs (Eisenhardt and Schoonhoven, 1996) including sharing risks and investments (Ring and Van de Ven, 1992), acquiring resources, and developing economies of scale and scope (Contractor and Lorange, 1988; Mohr and Spekman, 1994). When business partners collaborate, organizational learning is augmented through the acquisition and exchange of skills and knowledge (Doz and Hamel, 1998; Hamel, 1991), resulting in the development of dynamic capabilities (Teece, Pisano and Shuen, 1997) and new competencies (Hamel, Doz and Prahalad, 1989). Firm legitimacy is enhanced when two organizations work together (Baum and Oliver, 1991). This legitimacy facilitates entry into new markets (Gulati, 1998; Porter and Kramer, 2002) and increases market power (Eisenhardt and Schoonhoven, 1996). Consequently, traditional partnerships can lead to a resource-based competitive advantage (Eisenhardt and Shoonhoven, 1996; Porter and Kramer, 2002; Singh and Mitchell, 1996).

As suggested by the RBV, nascent social enterprises, which is early stage of social enterprises, face internal resource gaps (Teng, 2007). Thus, they must access resources outside the boundaries of the venture in order to develop adequate resource conditions and achieve their goals (Aldrich and Martinez, 2001; Austin et al., 2006). These resource gaps may be addressed through partnerships or strategic alliances (Googins and Rochlin, 2000; Teng, 2007) with organizational entities from the same sector (Kanter, 1994; Das and Teng, 2000) or different sectors (Googins and Rochlin, 2000). Partners may offer parts or services, supply products or necessary materials, promote solutions, or provide labor, funding, or technical assistance on how to use a product or service (Maase and Doorst, 2007). Thus, a partnership can help in developing strategic direction and services on a scale that would be impossible for any single actor operating alone. Relationships with partners from diverse sectors facilitate the attainment of resource conditions that can lead to a competitive advantage. Through partnerships, corporations having relationship with social enterprises can gain additional financial, human, physical, or social capital and access to markets to make their commercial ventures more successful and enable them to outperform competitors.

Partnerships also enable firms engaging in social enterprises to pool resources and develop capabilities they could not afford to develop on their own. For example, partnerships allow firms to create and capture dynamic value opportunities (Emerson and Bonini, 2003), reduce costs, and improve distribution efficiency (Chesbrourgh, Ahern, Finn and Guerraz, 2006; Prahalad and Hammond, 2002). New capabilities may include investing in information technology systems for managing members, volunteers, and funders, or collaborating with other social enterprises to deliver programs or services (Austin, 2000; Austin et al., 2006). For example, the microfinance organization Women's World Banking established sector-wide networks for microfinance organizations to build a joint database of knowledge and to strengthen the sector's ability to affect banking regulations (Austin et al., 2006; Austin and Harmeling, 1999). Such collaborative pooling of expertise and resources can solve intractable problems, reduce risk, and enhance performance in ways that confrontation or competition cannot (Child and Faulkner, 1998).

Partnerships Network and Social Value Creation

Depending on RBV, partnerships that combine complementary core competencies can create new resource constellations that enable innovative solutions to long-standing social and economic problems. This leveraging of distinct organizational capabilities and resources can produce powerful co-generation of social and economic value (Austin, 2000; Austin et al., 2004; Kanter, 1999). Partnerships also seem to be critical to the success of emerging innovative business strategies for low-income market segments operating at the bottom of the pyramid (Prahalad, 2005; Rangan et al., 2007).

Partnership network management is not easy. Although partnerships can create firm value, firms entering into partnerships also incur a certain amount of risk. Lack of competency and commitment from partners increases uncertainty and the probability of partnership failure (Das and Teng 2000). Loss of competency by exposure of core technology is another risk. Thus, despite its advantages, partnership can be a very complicated and risky strategy. Some studies noted that the probability of failure of strategic partnerships such as alliances and joint ventures may exceed 50 percent (Kale et al., 2002; Lunnan 2008). The consequences of partnership failure are greater for venture firms, whose organizational management capabilities are not fully developed and whose buffer resources are relatively few. Routines have not yet been established for these firms and lack of trust between members is common. Uncertainty in the business environment is very high, and strategic ability to respond to changes in the external environment is lacking.

The horizontal scope of a partnership network reflects the number of partners accumulated within the network. As the horizontal scope of a firm's partnership network increases, the horizontal network coverage and the number of contacts within the network also increase. As a result, the firm can enjoy the benefits of the partnership such as access to more useful information and resources (Kraatz, 1998). Sparrowe et al. (2001) showed that firms with more links to other firms within the networks can more easily obtain access to the knowledge and resources of other firms. A large partnership network horizontal scope benefits firms by helping them gain access to markets, equipment, products, and services. They may also combine resources and reduce costs (Morrison, 2002) at the appropriate time more easily than they would with a smaller partnership network scope.

Other studies, however, demonstrate a decline in or even negative returns with increased partnership network horizontal scope (Deeds and Hill 1996). The larger the partnership network horizontal scope, the higher the cost to build and manage the network, and the greater the uncertainty. Venture firms may have difficulty establishing effective partnership networks because the resources available for investment in network management are limited. In addition, increasing the number of partnerships also means greater complexity. This complexity may bring an increase in network management costs and decreased stability.

Firms must have network control capability in order to obtain the benefits of their enhanced structural position in the partnership network. Firms with a larger partnership network horizontal scope may have unconditional network control. An asymmetric relationship is formed around each exchange that takes place among the actors in the network. Interdependent relationships are formed based on these exchanges; actors with control exert their power within the structure. Control over the network is enhanced by an increased number of actors with interests in the relationship.

Social enterprise partnerships involve two or more organizations from the same or distinct sectors (Meyskens, Carsrud and Cardozo, forthcoming). Primary actors from the public, private, and social sectors may be involved in social enterprise partnerships. Each sector is composed of different entities, each driven by distinct motivations. The public or government sector includes government agencies, schools, universities, and other entities owned at least partially by the government. Each public sector entity is supported by taxation rather than through voluntary market exchange (Schaeffer and Loveridge, 2002), and each exhibits a different level of “publicness” (Bozeman and Bretschneider, 1994). Actors in the public sector meet the needs, general welfare, and interests of their constituents by supporting other sectors and by setting policy and legal parameters (Maase and Bossink, 2010).

The private or corporate sector includes corporations or businesses whose primary goal is to maximize economic returns. Organizations from this sector provide resources and know-how and create employment opportunities, distributing profits to owners or stakeholders (Maase and Bossink, 2010). The social sector operates outside the market and apart from the state. It encompasses all aspects of society other than the public and private sectors (Pharr, 2003). The social sector may also be referred to as the nonprofit, civil, or third sector (Drayton, 2002; Teegan, Doh and Vachani, 2004). It is often involved in enterprises where the public and private sectors have failed to address social problems adequately.

The social sector includes individual beneficiaries and citizens, as well as nonprofit, social, and nongovernmental organizations like religious entities, foundations, community organizations and social service organizations, each of which may represent various social interests (Fox, Interamerican Development Bank, Brakarz and Cruz Fano, 2005). The primary goal of the social sector is to provide social value. In the social sector, profits are not distributed among those with an ownership interest (Maase and Bossink, 2010). Entities from other sectors may partner with each other and with social sector organizations to reach their goals.

Thus, social enterprises may involve entities from all three sectors (social, private and public). Kerlin (2006) compares and contrasts American and European social enterprise through an extensive review of literature from the two regions and discussions with social enterprise researchers on both sides of the Atlantic and concludes by identifying what Americans and Europeans can learn from each other’s’ experience with social enterprise. In the research of Young (2000; 2008), economic theories of the nonprofit sector suggest several different ways of understanding the relationship between government and private, not-for-profit organizations. In particular, different strands of theory support the alternative views that nonprofits (a) operate independently as supplements to government, (b) work as complements to government in a partnership relationship or (c) are engaged in an adversarial relationship of mutual accountability with government. The three theoretical perspectives are applied to four countries: The United States, the United Kingdom, Israel and Japan, in an effort to illuminate non-profit-government relations in those countries and to assess whether the multi-layered approach provides a substantially richer understanding than any one theoretical perspective. Berger et al. (2004) delves into a promising form of company/non-profit collaboration called social alliances, which are long-term, collaborative efforts between companies and non-profits that are designed to achieve strategic objectives for both organizations. Mendoza-Abarca et al. (2015) uncovered a negative relationship suggesting that social ventures compete for resources with commercial ventures at the time of founding. Additionally, they found that income levels in the county affected the inter-population dynamics between social and commercial ventures. Specifically, lower income levels exacerbated the competitive relationship between social and commercial ventures. Low levels of government spending on welfare were found to suppress commercial start-up rates. Kachlami (2016; 2017) shows that while the entry and prevalence of commercial ventures in a region negatively influence the creation of social ventures, commercial ventures' exits have a positive influence. Seelos and Mair (2007) examined the partnership between a Norwegian telecommunication company and the microfinance organization Grameen Bank to take advantage of Grameen's network to distribute and sell mobile phones to the rural poor in Bangladesh.

H1: Partnership network horizontal scope is positively associated with the social value created by social enterprises.
H1a: Partnership with government is positively associated with the social value created by social enterprises.
H1b: Partnership with corporations is positively associated with the social value created by social enterprises.
H1c: Partnership with non-profit organizations is positively associated with the social value created by social enterprises.

Partnership network vertical scope has been defined as "to what extent the partners combine multiple and sequential functions or value chain activities within the alliance, such as R&D, manufacturing and/or marketing" (Oxley and Sampson, 2004; Mouri et al. 2012). As the vertical scope of the partnership network increases, firms engage with their partners and the scope and quantity of resources and frequency of contact will increase. Previous studies suggested that close networks promote acquisition of information (Granovetter, 1985) and transfer of knowledge (Hansen, 1999). Partners in close networks share more resources and information and have a higher level of consensus (Galaskiewicz and Wasserman, 1989). The larger the vertical scope of the network, the more the exchange of resources is facilitated and internal knowledge creation is activated between partners. Accordingly, the dependence between partners increases. The higher the dependence between partners, the more they monitor and pursue mutual cooperation. Cooperation between partners in compliance with norms allows them to gain a competitive advantage (Coleman, 1988).

Venture firms are able to access valuable core information by establishing close networks. Using this information, they can achieve greater efficiency and save on the costs of exploration. Interdependence between partner's increases and network relationships become closer. As a result, the quality of the resources being exchanged between partners improves, transfer of tacit knowledge over organizational boundaries increases (Larson, 1992) and problem-solving ability is enhanced. Increasing the vertical scope of the partnership network may also reduce coordination costs (Mouri et al. 2012). Increased vertical scope of partnership networks creates multiple links between discrete partners, which may increase efficiency and reduce coordination costs.

On the other hand, with an increase in the vertical scope of the partnership network, appropriation costs may also increase (Mouri et al. 2012). Appropriation costs result from misappropriation of the assets of partners. These costs may originate from "the pervasive presence of behavioural uncertainty, combined with the difficulties of specifying intellectual property rights, and by the challenges of contractual monitoring and enforcement" (Oxley 1997; Mouri et al. 2012). Given the large amount of knowledge-sharing that is required with partners when the vertical scope of a partnership network increases, appropriation costs are also likely to increase (Oxley and Sampson 2004; Reuer et al. 2002). Confidential management information and technologies must be exposed to partners.

Scholarly research also suggests that cross-sector partnership diversity often brings valuable resources to the social enterprise while creating mutual benefits for partners from all sectors (Rondinelli and London, 2003). In this study, partnership diversity refers to collaboration among partners from different sectors. Due to the nature, complexity, and challenges of social enterprises, multiple actors and resources are required to produce solutions (Gray, 1989). Thus, social enterprises with greater partnership diversity will have access to more heterogeneous resources. Corporations having relationship with social enterprises form partnerships with organizations in various sectors to broaden their resource base and facilitate the achievement of their mission (Maase and Doorst, 2007). Most studies have emphasized the value of partnership diversity for the success of social enterprises. Podolny and Baron (1997) argued that organizations can acquire a variety of resources by forming alliances. Some researchers have specifically analyzed cross-sector partnerships between entities from the public, private, and social sectors (Arsenault, 1998; Austin, 2000; Austin et al., 2006; London and Hart, 2004; Meyskens et al., forthcoming; Rondinelli and London, 2003; Waddock, 1988). Fox, Interamerican Development Bank, Brakarz and Cruz Fano (2005) assessed tripartite partnerships involving organizations from the public, private and social sectors engaged in urban revitalization in Latin America. Waddell (2005) evaluated the effectiveness of collaborative frameworks and structures in the private, public and social sectors at the community, regional, and national societal levels. Brown and Ashman (1996) analysed cooperative efforts between government agencies from the public sector and nongovernmental organizations from the social sector to expand the impact of joint programs. Seelos and Mair (2005) discussed the interface between social enterprises, corporate social responsibility efforts, and public institutions and their potential for collaborating in support of sustainable development and social value creation. Some case studies of cross-sector partnerships among organizations from the public, private, and social sectors have been evaluated. However, case studies do not provide empirical results or allow investigation of different types of partnerships.

In this study, two types of partnership are examined: network partnership and functional partnership. Network partnership answers the question, "With whom are partnerships formed for the purpose of engaging in social enterprises?" Partners in social enterprises have different purposes in different sectors. Therefore, the influence on social value creation of partners such as the government (public sector), corporations (private sector) and non-profit organizations (social sector) may differ. Functional partnerships emphasize the functional supports that collaborative partners provide to each other in their engagement in social enterprises. Financial, managerial, and marketing support may all influence social value creation differently. Thus, we propose the following hypotheses:

> *H2: Partnership network vertical scope is positively associated with the social value created by social enterprises.*
> *H2a: Financial support from partners is positively associated with the social value created by social enterprises.*
> *H2b: Managerial support from partners is positively associated with the social value created by social enterprises.*
> *H2c: Marketing support from partners is positively associated with the social value created by social enterprises.*

METHODS

Setting and Sample

This study includes social enterprises conducted by all firms certified by the Ministry of Employment and Labour in Korea as social enterprises from 2007 to 2010. Generally in Korea, social enterprises other than those conducted by these firms have been scarce. Secondly, in 2010, the Korean certification policy was instituted for the purpose of promoting social enterprises and supplying social services in response to the demands of Korean society. Very few institutions and organizations provide social services in Korea, and no basis for development of social enterprises was available prior to 2010. Thus, the new certification of social enterprises and the supporting government policy in Korea provide a good opportunity and setting in which to conduct the present research. These new developments may also have many implications for national policy and social change in this country.

The features of sample are described as follows. Some firms were newly founded. Firms <10 years old made up 85.9% of the sample and those <3 years old accounted for 54.7%. Most firms (92.2%) were small or middle-sized (>50 employees). Thus, the firms engaging in social enterprises certified in Korea in this study were similar to those identified by Gwoak (2007). The social enterprises observed in this study shared many features with newly founded firms.

Data

Data was collected by survey. The list of social enterprises was available to the public on the web site of the Korean Social Enterprise Promotion Agency (KSEPA, http://www.socialenterprise.or.kr). This list includes titles, contact information, phone numbers, and addresses for all 565 firms. As KSEPA was established by the Korean Ministry of Employment and Labour to provide efficient monitoring of certified enterprises, its list of certified social enterprises is comprehensive.

Initial attempts were made to contact representatives of all 565 firms engaged in social enterprises by telephone. The purpose and implications of the research were explained and the representatives were asked to participate in the survey. However, 45 firms refused to participate due to lack of time or based on company policy, and 3 other firms were in the process of closing. As a result, questionnaires were sent to 517 firms by mail, e-mail, fax, or the Google Drive Form system. In total, 88 responses were received, but 16 were excluded from the statistical analysis due to incompleteness. Thus, the final response rate was 17%.

Variables

Dependent variable

Social value creation was measured based on the perceptions of the responding representative of each social enterprise. Social value creation was measured subjectively due to lack of reliable objective data. In Korea, firms engaging in social enterprises have no obligation to account for their social performance to the public. Though the Ministry of Employment and Labour has the performance data for firms engaging in social enterprises collected through KSEPA, this data was not available for the purposes of this paper. However, Dess and Robinson (1984) and Pearce, Robbins and Robinson (1987) confirmed strong correlation between subjective and objective performance. This result may also be applied to social performance.

Questions were asked about the representative’s overall perception of the social performance of the social enterprise of his or her organization. This measure included items regarding how the social cause was addressed or to what extent the company met its social responsibilities, the extent to which a performance appraisal system had been established, and how well activities for these purposes were implemented. It is measured on 5-point Likert-scale. Scores for these items were averaged to create a social performance score. Although alternative measures are available, such as the social return on investment and balanced score card (Bull, 2007; Somers, 2005), these measures focus on financial donation or strategic consulting to social enterprises rather than social performance resulting from engagement in social enterprises. In addition, these alternative measures are unreliable and less appropriate to the environment in Korea. Therefore, subjective perceptions of social performance were deemed more appropriate in this research context.

Independent variables

Partnership variables were measured based on the target and nature of the partnership. The target of the partnership means to what extent the involved institutions support the focal social enterprise. Thus, the degree of support provided by the government, support institutions, for-profit firms, other social enterprises, and nonprofit firms was measured on a 5-point Likert scale. In this survey, the nature of all relationships between target institutions and organizations was evaluated according to the methods of Stam and Elfring (2008). Partnerships may be locational, financial, or managerial, or based on credit, consulting, and circulation support. The survey was designed to measure this on a 5-point Likert scale. However, due to concerns about too many variables, these variables were classified into three categories by character and correlations. Locational, financial, and credit-related support was classified as financial support. Managerial and consulting support was classified under management support, and circulation was left in marketing category of its own. Concerning distinctive extent from which the support has given, a representative support was chosen among each supports of category rather than aggregate all of them. Thus, the three independent variables were financial support as financial, consulting support as managerial, and circulation support as marketing.

Control variables

Control variables included in this study were CEO capability, time of certification, and firm size and industry variables. Many researchers have suggested that the performance of a firm is associated with the levels of education and experience of its manager (Moon, 2007; Lee, 2004; Eisenhardt and Schoonhoven, 1996; Gimeno et al., 1997). Thus, managerial human resources, including capacity, knowledge, and experience, can be related to the success of firms (Shultz, 1961; Becker, 1964; Lumpkin and Dess, 2001; Hambrick and Maison, 1984). The longer a manager has been engaged in a particular industry, the better he or she can exploit opportunities and overcome risks. Pennings, Lee and Witteloostuijin (1998) suggested that industry-particular human resources can decrease the rate of exit of firms. Choi and Chung (2010) examined the effects of managerial human resources on venture capital investment and the search for opportunities under conditions of high uncertainty requiring industry-specific knowledge to exploit opportunities. CEO capabilities may consist of managerial and entrepreneurial capabilities (Turner and Martin, 2005). The questionnaire items measuring managerial skills and entrepreneurial skills were based on those in the study of Turner and Martin (2005). Data was collected from the CEO's subordinate in each participating firm measuring on 5-point Likert scale asking of CEO's capabilities.

The industries in which the social enterprises were conducted were treated as dummy variables. Industries were classified into three types. First, firms in social welfare industries were grouped together. Most social enterprises operating in the social welfare sphere were distinguished by the maturity of their industries. These non-profit social welfare organizations provide specialized services such as nursing or caring for the underprivileged or injured. This is different from other industries that provide services or products. Second, the remaining social enterprises were classified according to the services or products they provided. Consequently, three industry dummy variables were utilized in this study: one for social welfare industries, one for service industries, and the last for product-related industries.

Information regarding gender, age, and degree of education of managers was excluded from this study. Although these factors may seem significant to the success of social enterprises as related to the human or social capital of participating firms, inclusion of too many variables increases the risk of compromising the model fitness in such a small sample. Like many organization-level studies, we included the founding time of each firm to control for differences resulting from variations in the developmental stage of firms. Time of certification was included to control for the effects of variations in time since certification. Certification may provide an essential initial resource to a social enterprise, but the extent of support or the relationship with the target partner may also change over time. In addition, evaluation of the social enterprise could result in changes after more objective and critical criteria have been developed.

RESULTS

Table 1 and 1.1 show correlations between variables. In the analysis of the control variables, time since certification had a negative effect on social performance. Independent variables such as network partnership with non-profit organizations and functional partnership with marketing firms also had a negative effect on social performance. To examine more precisely the effects of the control variables on other potential factors in the regression model, we used the ordinary least squares method.

Table 2 shows the result of the ordinary least squares estimates. Model 1 is the base model that includes size, time since certification, and industry dummies as control variables. However, no significant effect of size and industry on social performance was found. Considering the short history of non-profit organizations and lack of research examining environmental factors affecting social performance in Korea, the low R^2 value and lack of significance are not unexpected, though they can be regarded as a limitation of this study.

Table 1
CORRELATIONS BETWEEN VARIABLES

	Mean	S.D.	1	2	3	4	5
Social Performance	3.81	0.47	1				
Size	22.7	16.97	0.017	1			
Certification	1.83	1.05	-.377**	0.232	1		
CEO capability	3.72	0.74	.254*	0.007	-0.069	1	
Public	3.73	1.01	.059**	0.051	0.106	0.136	1
Private	1.92	1.07	-.096**	0.132	-0.125	0.019	0.098
Non profit	2.08	1.15	.278*	0.053	-0.067	-0.024	-0.09
Financial	2.98	1.42	-.047**	0.236	-0.066	0.061	0.329**
Managerial	3.2	1.21	0.219	0.201	-0.047	-0.042	-0.033
Marketing	2.5	1.14	0.370**	0.123	-0.126	-0.056	-0.062

Table 1.1
CORRELATIONS BETWEEN VARIABLES

	mean	S.D.	6	7	8	9	10
Private	1.92	1.07	1				
Non profit	2.08	1.15	0.515***	1			
Financial	2.98	1.42	0.197	0.3	1		
Managerial	3.2	1.21	0.244	0.136	-0.017	1	
Marketing	2.5	1.14	0.421***	0.510***	0.318**	.316*	1

*p<0.05, **p<0.01, ***p<0.001

Table 2
RESULTS OF HYPOTHESIS ANALYSIS

	MODEL 1	MODEL2
CONSTANT	3.566***	2.898***
CERTIFICATION	-0.180**	-0.182***
SIZE	0.002	0.003
INDUSTRY(SOCIAL WELFARE)	0.104	-0.012
INDUSTRY(MANUFACTURE)	-0.01	-0.114
CEO CAPABILITY	0.136	0.143*
GOVERNMENT		0.124*
CORPORATION		-0.122*
NONPROFIT		0.131*
FINANCIAL		-0.122**
MANAGERIAL		0.04
MARKETING		0.160**
R2	0.211	0.482
PARTIAL-F	0.015*	0.001***
n=72, *p<0.05, **p<0.01, ***p<0.001		

Model 2 shows significant effects of partnership network scopes on the social performance of firms engaging in social enterprises. Regarding horizontal scope, partnership with government and non-profit organizations had significant and positive effects on social performance. However, this was not true for managerial partnership. By contrast, partnership with corporations had negative effects on social performance. In the process of providing support, partners involved in social enterprises may have signalled focal firms about their purposes or expectations. The goals of government and non-profit organizations may have been related to the social performance of the focal organization. However, corporations may have focused on financial performance rather than social performance in their partnerships with the focal firm because their primary purpose is to maximize economic benefit. Therefore, H1a and H1c are supported. However, H1b is not supported but contrary to expectations

Regarding vertical scope, financial support and marketing support were significantly related to social performance. However, for marketing support, the relationship was positive, while for financial support, it was negative. Marketing support of social enterprises takes the form of various resources such as information for development and extension of sales channels. Resources can then flow through these channels. In addition, marketing support of social enterprises on the part of firms may increase their visibility. In turn, this increased visibility may affect firm behaviours, which then affects social performance. A firm’s identity as a supporter of social enterprises may be an important criterion by which others evaluate it. The negative effect of financial support on social performance can be explained by the dependency of many social enterprises on external funding. The more dependent social enterprises are on external funding, the more difficult it is to create social value because resources are allocated based on that dependency. Funding-dependent social enterprises must focus more on survival and financial performance than on social performance. Therefore, H2c is supported. However, H2a is not supported but contrary to expectations.

CONCLUSION

Discussions

This study examined the relationships between two kinds of partnership network scope and social value creation in the context of social enterprises. The RBV framework was systematically applied to this context in order to examine these relationships. In the analysis of partnership network horizontal scope, partnerships with government and non-profit organizations influenced social value creation resulting from engagement in social enterprises positively, as expected. These results are similar to or consistent with the results of Young (2000; 2008). However, partnerships with corporations impacted the social value creation resulting from engagement in social enterprises negatively. The purpose of government and nonprofit organizations is to address public interests, which are related to social value. However, the major purpose of corporations is to maximize profit, which is related to economic value. Therefore, although corporations support social enterprises as part of their corporate social responsibilities, they are more likely to emphasize the strategic purposes of this support than the social value creation resulting from engagement in social enterprises.

In the analysis of partnership network vertical scope, marketing partnerships influenced the social value creation resulting from engagement in social enterprises positively, as expected. However, financial partnerships impacted social value creation negatively, and managerial partnerships had no impact. We expected that financial aid would help in operation of social enterprises and facilitate social value creation, but the results of the analysis showed that the reverse was true. The negative association of financial aid with social value creation may have been caused by the dependency of social enterprises on external funding. The more direct funding from external organizations was provided, the less operational competitiveness and social value creation was observed. The lack of impact of managerial partnerships may have been due to the ineffectiveness of external managerial consulting in the context of social enterprises. Social value is best defined and understood by the founders of social enterprises. Other external consultants who do not share this understanding may therefore be unhelpful for social value creation.

Two other unexpected results in this study merit mention: the negative association between time of certification and social value creation and the positive association between entrepreneur capability and social value creation. These two results are discussed below. Social enterprises that had been certified earlier created less social value. In order to interpret this result correctly, the environment in which social enterprises are conducted in Korea must be understood. In the USA, non-profit organizations engage in various activities and the institutional environment to support these activities is favourable. European countries have traditional local communities that provide social services not provided by government. However, in Korea, the government has only recently provided incentive for organizations to engage in social enterprises in order to create job opportunities by introducing relevant laws and the certification system. The Korean government certifies social enterprises regardless of the details of the businesses supporting them as long as they satisfy certain conditions. Given this situation, many social enterprises have been certified despite their lack of ability to create social value and perform well. Therefore, the results of this study show that the social enterprises decay after certification under this new system in Korea.

The positive association between entrepreneur capability and social value creation may be explained as follows. The entrepreneur is the most important actor in the entrepreneurial process (Shane and Venkataramen, 2000; Archer, 2000). When they experience a lack of resources in the entrepreneurial process (Stinchombe, 1965), entrepreneurs depend on their own capabilities and experience. Therefore, social performance must depend on the capability of the entrepreneur for firms engaged in social enterprises, rather than on that of the founders.

Contributions

This study makes several contributions to the literature on social enterprises. First, this is the first study to apply and test the partnership network scope with RBV systematically and empirically in the context of social enterprises. Until now, the RBV has primarily been used as a means to examine the inputs, processes, and outputs of individual social enterprises, but no studies have used the model as a complete framework. This study is based on the conceptual model of Teng (2007), in which the RBV is systematically applied to commercial ventures to elucidate the relationships among strategic alliances, corporate entrepreneurship strategies, resource conditions, and competitive advantage. Given the differences in focus between for-profit enterprises and social enterprises, we expected these relationships to differ.

Second, the results suggest that partnerships and partnership types (network and functional partnerships) are important to social value creation. Most existing management research on partnerships explores the role of strategic alliances in international business, including large corporations whose primary goal is to improve the economic bottom line. Previous research on ventures conducted for the purpose of creating social value generally focused on non-profit ventures and their partnerships with a single corporate or government entity or tri-sector partnerships through case studies or anecdotes. Entrepreneurship research in this area has examined networks as a whole and how they impact entrepreneurial ventures. In this study, the effects of partnerships and types of partnerships on the success of social enterprises were examined. Thus, this study provides a better understanding of the partnership framework, which includes numerous partners from different sectors, in which social enterprises actually operate.

Implications

This study has several implications for both scholars and practitioners. Until recently, social enterprise research in the field of management has focused primarily on defining the concept of social entrepreneurship and assessing social enterprises through anecdotes and case studies. This study contributes to the growing quantitative empirical research in this field and demonstrates that a large-scale study of social enterprises is feasible. In addition, this study demonstrates the applicability of the RBV to the context of nascent social enterprises. This suggests that the RBV and other mainstream theories should be utilized in this context in future studies.

The findings of this study have important implications for practitioners. This research suggests that nascent social enterprises are more likely to develop and create value if certain conditions are met. Social capital is an important resource for achieving competitive advantage. Developing social capital through networking and partnerships is an important means of gaining access to new markets, beneficiaries, and resources. Thus, firms engaging in social enterprises must focus on developing this social capital. Developing partnerships with numerous entities from different sectors will provide a variety of resources and facilitate the development and achievement of value creation goals for firms engaging in social enterprises. Partnership network scope type also affects the success of nascent social enterprises. Thus, firms engaging in social enterprises may be more effective and create more social value by forming partnerships with organizations of certain types while avoiding relationships with others.

Limitation and Future Research Direction

Despite the contribution of this study to provide these academic and practical implications, this study presents the following limitation and future research direction. The study showed the results that the authors classify as unexpected, and the hypotheses were not fully supported. This could be the result of the measurement problems. In the methodology of this study, there may be a common method bias among those who responded to the questionnaire using the research methodology used in this study. As with all self-reported data, there is the potential for the occurrence of common method variance (MacKenzie and Podsakoff, 2012). To alleviate and assess the magnitude of common method bias, this study adopted several procedural and statistical remedies that Podsakoff et al. (2003) suggest. First, during the survey, respondents were guaranteed of anonymity and confidentiality to reduce the evaluation apprehension. Second, this study conducted a Harman's one-factor test on all of items. Despite these efforts, there could be common method bias in the methodology of this study. Therefore, since this study considers the limitation in the methodology, we probably frame it as an explorative one, given this consideration. Second, we suggest two kinds of network partnership such as horizontal and vertical scope. However, there are the different types of collaboration such as mergers, joint ventures, and strategic alliances in the methodological perspective of partnerships. Therefore, future researches need to consider these different types of collaboration in the methodological perspective of partnerships.

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