

정부의 사회적 기업인증제도가 사회적 기업의 전략에 미치는 영향에 관한 실증연구

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Accreditation System for Social Enterprise and Business Strategies of Social Enterprises in South Korea

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Abstract

Purpose - The purpose of this study is to analyze how the accreditation system affect the selection of business strategies in social enterprises, which create social value rather than maximize profits.

Design/methodology/approach - This study collected survey data from 40 accredited and 53 non-accredited social enterprises. This research employs a Fuzzy-set/qualitative comparative analysis to compare the combinations of factors that affect a social enterprise's performance

Findings - The results show that for accredited enterprises organizational capabilities are significantly more important than networking capabilities, whereas for non-accredited enterprises internal communication, governance capacities and networking competencies are most important capabilities to improving their social performance. And also The accreditation systems for social enterprises would entice social enterprise away from business strategies based on with local society, which is differentiated with commonly accepted social enterprise model.

Research implications or Originality - This research suggests that the accreditation system for social enterprises should be redesigned for enticing social enterprises in Korea to be more localized to meet local needs in terms of positive changes of local society

Keywords: Social Enterprise, Regulation, Business Strategy, Accreditation, Organizational Structure

JEL Classifications: M50, K20, D22

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I . Introduction

Social enterprise is an organization which pursues a profit from producing commodities or services, which they use the profits for social objectives (Yunus, 2010). In terms of characteristics of social enterprise, social enterprises do not only benefit from adopting the business strategies of general firms, but they differ from non-profit organizations or public service institutions in their necessity for transparency in management and democracy in organization, in addition to their autonomy from the government (Defourny & Nyssens, 2012). Despite these characteristics of social enterprises marking them as different from general firms as well as non-profit organizations in terms of outcomes and organizational structure, we do not have enough knowledge about business strategy that should be employed by social enterprises in order to generate sufficient profit and, thus, to raise their level of social accomplishment as social objectives social enterprises pursue are numerous in comparison with general firms which only pursue maximum profits.

While effective business strategy model of social enterprises is still ambiguous, many countries implement support and regulation policies for increasing the number of social enterprise and their sustainable activities with aims of reducing the state's financial burden in environment, employment, and social services by employing the autonomic local activities of social enterprises. With the aims of raising the publicity and sustainability of social enterprises through government support and private investment, the government can regulate the

management of social enterprises, desirable activities and vitality in start-ups. However, the regulations of government would impede the autonomy and diversity of social enterprise by shaping building business strategy in a certain way.

Relationships of government regulations with the structure and operations of corporations have motivated much research on the organization of business. Recent access to research on the effects of regulations on the business outcomes of firms focuses on their effect on the strategies and structure of the firm (Davis, 2010). Stinchcombe and March (1965) had already analyses how government policy influences the formation of a firm's organizational structure and strategies by its effect on the social environment when the firm was established, the industrial area of its activities, and the management of human power.

The government originally played the role of restraining the freedom of business activity by regulating a firm's entrance to a specific industry or the quality of its products or services. The specific objective of the regulations was to support the growth of firms, but they also had the general focus of distributing social resources efficiently and protecting the interests of consumers (Viscusi et al., 2005).

However, an unintentional effect of regulating firms was that they adapted to the regulations or made an effort to use them to maximize their own interest (Gormley, 1983; Stigler, 1971). Given both the intended and unintended effects of the government regulations, studies consider them a critical variable which explains firms' business strategies and outcomes. These studies focus on the strategies new firms

use to adjust to government regulations (e.g. Casper & Hanckj, 1999; Dobbin & Dowd, 1997; Fligstein, 1993; Grant, 1995).

This research empirically examines the dilemma of regulating social enterprises. We analyze how social enterprises that are accredited by the government construct their organizational capacity in order to create social value in comparison to how non-accredited enterprises do the same thing. To this end, we conduct a fuzzy-set Qualitative Comparative Analysis (Fs/QCA) of the results of self-evaluations by the management of accredited and non-accredited social enterprises in Gyeonggi-province, South Korea (hereafter, Korea) on the enterprises' levels of social performance and organizational capabilities.

II. Literature review

1. Government's regulation and the construction of business strategy

A classic research question on business organization is 'How does a firm constitute its organization to secure rationality in an uncertain environment?' (Davis, 2010: p. 478). A firm selects business strategies in order to maximize organizational outcomes by responding to its external environment. These strategies mean the judgment on the constitution of the firm's organization and on its organizational capacity is enforced to sustain performance. A firm stabilizes its surrounding environment and secures certainty using effective management strategies (Thompson, 1967). Government regulations are a typical part of the environment that affects a firm's business

strategies. These regulations are an essential external factor affecting a new firm's direction and strategies to become established, enter the market, and be competitive (Stinchcombe & March, 1965). Firms construct strategies that correspond to regulations such as the principles or frames in a market (Dobbin & Dowd, 1997), or standardizing a product's quality (Casper & Hanckj, 1999).

Following Fligstein's research on the effect of governmental regulations on forming core business strategies (1993), research has been conducted on their effect on firm's decisions to enter into new a business (Haveman, 1993), on determining the division of businesses in large corporations (Davi et al., 1994), and on establishing new firms (Davis et al., 1994). Furthermore, regulations also have an effect on basic organization structure, fund supply, and strategies for competition with other firms (Fligstein, 1993; Lindberg & Campbell, 1991; Roy, 1997).

Based on these studies, we analyze how regulations on the establishment and performance of social enterprises affect their business strategy formation with regard to social outcomes. Social enterprises are influenced more by government policies than are other types of firms. This is because social enterprises are responsible for social services or participate in governmental businesses in many countries. Thus, governments of many countries promulgate laws to regulate the management and performance of social enterprises in order to provide more stable public services for citizens.

2. Accreditation system for social enterprise and business performance of social enterprise in Korea

Although cooperatives which are one of typical type of social enterprises in Korea have a long history, the existences of social enterprises which provide products or services to the public, rather than to cooperative members, were not evident before the introduction of related policies (Defourny et al., 2011). In 2007, the Korean government enacted the 'Social Enterprise Promotion Act', with the expectation that social enterprises would play a major role in providing local governments' social services and in creating jobs for the disadvantaged.

According to the law, social enterprise is defined as an entity that the one that pursue a social objective aimed at enhancing the quality of life of community residents by providing vulnerable social groups with social services or job opportunities or by contributing to the communities while conducting its business activities, such as the manufacture or sale of goods and services. (Social Enterprise Promotion Act: Article 2). The legal form of the social enterprise is not limited to the non-profit organization such as cooperatives. It ranges between association in the Civil code and company in the commercial code. The corporation of public interest, non-profit private organization, social welfare corporation can be social enterprise if the organizations get official certification and follow the criteria on their business and management afterwards, which is posted on the 'accreditation system'.¹⁾ The accreditation

system for social enterprises, implemented by the Korean government since 2007, is a typical accreditation system. The government introduced the system to allow organizations that fit its standards of organization, including its social purposes, business operations, wage, labour and management structure, to use the official name of a social enterprise (Bidet, 2012). The law particularly set the main regulations for the accreditation as follows; 1) organizations should employ paid workers and conduct business activities, such as the production and sale of goods and services etc., 2) main purposes of business activities should be to realise a social objective, such as raising local residents' quality of life, etc., by providing vulnerable groups with social services or jobs or contributing to local communities, 3) they should have a decision-making structure in which interested persons, such as service beneficiaries and workers etc., can participate 4) Revenue from their business activities should meet or exceed the standards prescribed by the law (for example, the total income made through business activities should be more than 50%

nouncement by the government or by a third party for a specific organization to maintain a certain standard. As such, the accreditation system is a kind of government regulation in which the government limits the entry, price or product quality of a certain business. If a firm qualifies for the standard of business management suggested by the government, the accreditation system helps the firm to occupy a stronger position in the market with incentives in its management. In particular, the incentives and compensations are set by the government regulations as the accreditation system, which has the purpose of helping an immature market grow in desirable ways.

1) The accreditation system is an official an-

of the labour cost), 5) where they have distributable profits for each fiscal year, they should spend at least 2/3 of the profits for social objectives (Social enterprise promotion act, article 8). As rewards for participating in the accreditation system, accredited social businesses can also have official advantages when they participate in government procurements market as well as contracting-out of social service for the disadvantaged, and can have subsidized labour costs for stable performance in the market.

As of 2014 in which eight years after it was first implemented, it seems that the social enterprise policy of the Korean government is successful because the number of accredited social enterprises has grown from 42 in 2007 to 1,299 in 2014 (Ministry of Employment and Labor(MoEL), 2015). However, research on social enterprises in Korea analyses the peculiarities and limitations of the model in terms of the relations between the government and civil society. Defourny et al. (2011) classified the model of social enterprises in Korea as an accredited social enterprise model, led by the government, and a voluntarily grown social enterprise model based on civil society. The accredited model constructed by the government has the purpose of igniting the re-entry of welfare beneficiaries using the welfare to work strategy and, thus, is distinguished from the model of social enterprises, which grew from civil society, with various social purposes (Defourny et al., 2011; McCabe & Hahn, 2006).

In addition, from a more structural perspective, Liang (2016) sought the reason for the division of the social enterprise

model in Korea from Korea's characteristics as a developmental state. Korea is classified as an East Asian development state, like Taiwan and Japan, whose economic development was led by the state. The strong capacity of the state impedes the autonomy and capacity of civil society. Thus, the state also controls the leadership of a social enterprise's development, and these enterprises have closer relationships with the state's public policies than they do with civil society (Defourny et al., 2011; Jeong, 2015; Liang, 2016). As noted, the Korean social enterprise model was formed through the state's promotion of social enterprises in its role supporting the re-employment of the disadvantaged and providing them with social services, although there was already an autonomous model driven by civil society. From the viewpoint of an institution, these government social enterprise policies originated from Korea's peculiarity as a developmental state. In other words, the state has a customary practice in its policy of leading rather than cooperating with civil society or supporting its activities.

In this context, much research on Korea's social enterprise has tried to reveal relationships between performances of social enterprises and government's support based on the accreditation system, which provides assumption about that government supports for accredited social enterprises would not benefits to economic sustainability of social enterprises despite their positive effects on social performances of social enterprises.

In fact, there is little consensus among research on which factors are relevant in increasing performances of social enterprises in Korea. That is because, as shown in

Table 1. Previous Research on Social Enterprises in Korea

Article	Sample	Criteria of Performance	influence factor
Kim and Kim (2016)	410 Social Enterprises	economic Performance	sales account, operating profit ratio type of organization, company size, capital, government grants
		social Performance	employment rate for tier – employment type of organization, certification period, government grants, the number of paid workers, the number of disclosures
Hong and Kim (2016)	218 Social Enterprises	economic Performance	operating profits, net income type of organization, democratic decision – making structures, government and general funds
		social Performance	employment rate for tier – employment type of organization, authentication types, government and general funds
Rhee and Choi (2016)	218 Social Enterprises	economic Performance	sales account Network diversity
		social Performance	employment rate for tier – employment Network diversity
Na and Yi (2014)	130 Social Enterprises	economic Performance	sales account, operating profit ratio management strategy, government policy
		social Performance	(a)Local community reduction of profits, (b)Employment of local residents and vulnerable Social group, (c)Offering good products and services, (d)Use of local companies when purchasing raw materials, (e)Maintain win-win relations with the trading company, (f)Customer Satisfaction on Products, (g)Efforts to Improve Awareness of Local residents organizational culture, government policy, management capacity
Cho et al. (2012)	235 Social Enterprises	economic Performance	(a)Continued revenue growth, (b)Continued operating profit increase, (c)Achieving sustainable revenue goals, (d)fiscal self-reliance ratio, (e) Increase in customer satisfaction with products strategic factors (Operational strategy), management system (Human resource management), innovative organizational culture
		social Performance	(a) Increased employment rate of vulnerable employees, (b)Community promotion, (c)Invest in public utility business, (d)Resolving the Problems in Communities, (e)Increasing the percentage of vulnerable service offerings, (f)Improve local community issues, (g)Ethical Management strategic factors (Market selection strategy, Diversification of products and services, Operational strategy), external environment (community support)

following table, research on social enterprises set different and various measurements for economic and social performances based on researchers' own interests on social enterprises. Nevertheless, research on social enterprise in Korea

commonly reveals a fact that there is no confident that accredited social enterprises can be sustainable financially without government's supports such as grants or non-monetary subsidies. By the same token, according to research on social enterprises

in Korea, accredited social enterprises which are more dependent on the government are likely to enhance social performances while prospects of their economic sustainability are relatively low (Cho et al., 2012; Hong & Kim, 2016; Kim & Kim, 2016; Na & Yi, 2014; Kim et al., 2016). Therefore, it is not confident that the accreditation system for social enterprise is effective for social enterprise to develop a business strategy which is adequate in view of the policy of Korean government for social enterprise.

Therefore, to examine whether the government's regulation such as accreditation system affects social enterprises in terms of business strategy formation, we need to compare social enterprises regulated by the government with unregulated enterprises led by civil society. In particular, economic support for social enterprises by the government and the accreditation of such enterprises can hinder them from developing certain business models, making them dependent on government support rather than managing their businesses based on the needs of local society. This research proposes that government regulations for social enterprises will affect their business strategy choices and that the implementation of a product strategy will play an important role in their social performance.

3. Business strategy and firms' capabilities

The business strategy of a firm determines how its capacity should be used to achieve its own outcomes (Nag et al., 2007). In order to promote organizational accomplishment, a manager of a firm selects a business strategy, considering the

environment surrounding the organization and the resources that can be mobilized, whether internally or externally. Thus, the business strategy can be called the process of establishing feasible objectives to be accomplished by determining the necessary division of competences for the input of resources.

Resource-based theory clearly shows the relationship between firms' business strategies and competences. The theory states that a constant competitive advantage of firms is based on inimitable resources and the capability to utilize them (Wernerfelt, 1984). Here, 'resource' refers to intangible assets such as knowledge, marketing know-how or organizational management, while 'capability' refers to a firm's ability to integrate and utilize its resources effectively (Makadok, 2001). A firm precedes competing firms and secures sustainability with these intangible resources and capability. Furthermore, a firm should have 'dynamic competence' in order to integrate external and internal resources and to create new resources and capabilities, enabling it to respond to changes in its environment. Dynamic competence includes the competence to manage and use existing resources, but also includes the competence to create architectural changes and radical changes in resources. To do so, a firm needs the competence to obtain resources owned by external actors and to connect them to the internal resources of the firm (Ludwig & Pemberton, 2011).

The concept of core competence is an essential part of a business strategy. A core competence can be defined as 'a harmonized combination of multiple resources and skills that distinguish a firm in

the marketplace' (Schilling, 2013; p.117). It can also be defined as a bundle of technologies or knowledge that provides specific utility for consumers (Prahalad & Hamel, 1994). Like the concept of distinctive competence described by Selznick (1957) and Ansoff (1965), core competence means the activities that an organization is able to perform better than other competing firms (Mooney, 2007). In other words, it refers to a specific capacity for efficiently improving the value of services for customers or the process of delivering them. This capacity could add power to a firm entering a new business, and being relatively competitive in relation to other competing firms. Prahalad and Hamel (1994) summarized the following three characteristics of a firm's core competence: 1) it should correspond with the values emphasized by customers; 2) it should be superior to that of competitors and not be imitated by other firms; 3) it can be applied to the firm's real business.

The core competence of a firm can be classified as organizational management competence and external networking competence. Organizational competence includes the following: (1) basic administration, such as performance management and an allowance system; (2) human resource management, such as employment and employee education; (3) business management on product and service development, quality management, marketing, and product Standardisation; (4) the financing capacity for external and internal fundraising and fiscal management; (5) governance on organizational structure; (6) communication for sharing the organizational vision and objectives; and (7)

the social capital of employees (Javidan, 1998; Prahalad & Hamel, 2006; Sanchez, 2004).

More recent research adds networking competence to the core competence of firms. Networking capabilities refers to the capacity to exchange knowledge and resources by forming networks with stakeholders (Ritter & Gemnden, 2004). There are three reasons to improve organizational performance through networking. First, it is possible, given an organization's present environment. Examples include realizing economies of scale, improving performance through learning from competitors, increasing flexibility, sharing the burden of risk and expenses, and so on. Second, a firm can occupy a market early through the common development of products and services or by reducing competition through silent rigging with other firms (Burgers et al., 1993). Third, a firm can enter a new industry or market through its network, and can sometimes eliminate competing organizations (Mitchell & Singh 1996). Moreover, a firm can enforce learning through an external network and provide better services to customers (Alter & Hage, 1993; Brass et al., 2004).

Organizational performance is the final result of strategic activities by an organization and its consecutive output (Armstrong, 2006). Business strategies are justified with the improvement of organizational performance, and therefore core competence, as a supporting basic business strategy, should be directly related to improvement (ex: Agha et al., 2012; Calantone et al., 2002; King & Zeithaml, 2001; Srivastava, 2005). In other words,

although the CEO of a firm might think that specific capabilities of the firm are better than those of competing firms, the business strategies of the firm could be wrong if the capability cannot contribute to improving performance. For instance, Agha et al. (2012) analyze how a firm's capability of vision sharing, cooperation and empowerment is correlated with increasing the profit of the firm.

III. Research Design

1. Conceptual model

This research examines whether there is a difference in the business strategies of social performance as social enterprises in Gyeonggi Province, Korea, between third-sector organizations with accreditation and those without accreditation. Through the examination, we would discuss the relationships of governmental regulations for social enterprises between the business strategies of social enterprises in terms of effects of regulations and sustainability of social enterprise.

The proposed conceptual model of this research is as follows. We assume that the accreditation system for social enterprises affects the business strategy formation of a social enterprise, and that the strategy affects the social performance of the accredited enterprise. Here, we note which of the core competences in a enterprises have a positive effect on social performance in that organizations with a highly fit subset of competences under a certain environment such as regulations of government are high performing.

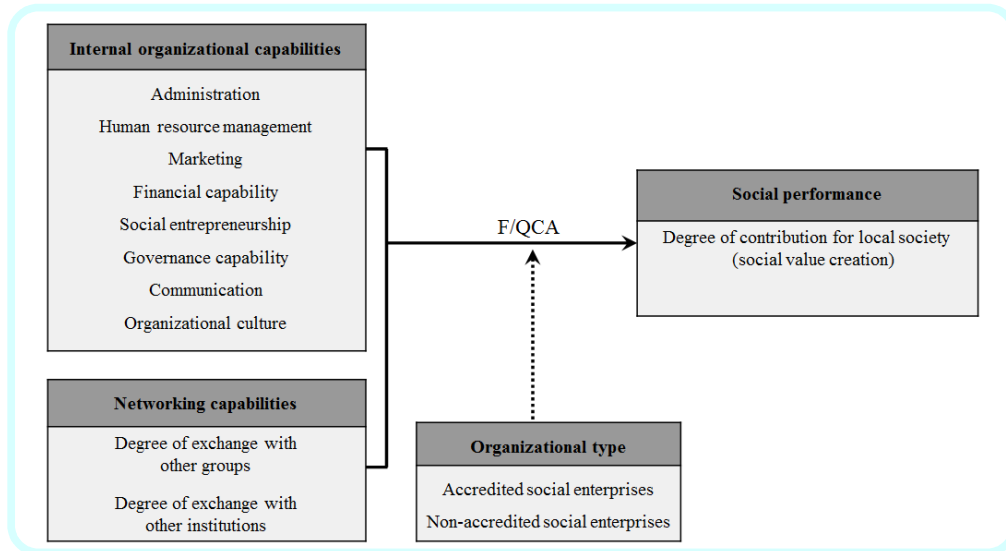
We only consider social performances of social enterprise in this research although social enterprise is defined as an organization which pursues both economic and social outcomes. Researchers should more carefully evaluate economic performances such as size of net-profits and gross sale in that social enterprise pursue optimum economic outcomes in compared with general firms which only pursue maximum profits. In detail, social enterprises should pursue economic outcomes under the condition in which they curb external costs such as environment contamination and do not lead to pass the cost onto consumer and employees. In this context, evaluation for economic performances of social enterprise would be considered in terms of a social nature of their business activities, thereby not much differentiated from their social performance. Also, aim of the accreditation system eventually to enhance social performances of social enterprises. Taken all together, we focus on a relationship of social performances of social enterprises with their business strategy.

The indicator of social enterprises' performance is the index of social value as a subjective criterion. The index is composed of evaluations by social entrepreneurs of their organizations' contribution to local society, such as creating jobs, financial help for local governments, improving community sentiment etc.

The following diagram depicts this research analysis model.

I

Fig. 1. Research Mode



2. Data

Data for this research is taken from the Social Enterprise Survey conducted by Gyeonggi Provincial Government of Korea in 2014. Gyeonggi Province has the biggest population in Korea of about 12 million. It also had the most third-sector organizations (1,013) in 2013. Among these, the number of accredited social enterprises is 151. According to statistics the Korean government provided as of 2013, main business areas of social enterprise in Korea were environment, culture and social service (including care service) etc., and social enterprises in social service sector among all social enterprises was about 30%. Therefore, sample of this research was selected considering on ratio of social service areas and non-social service area since social enterprises in social service employed more people because of their labour-dependent

business. However, after dropping firms which did not business activities and ones which refused answers to the survey final sample of the survey were 40 accredited and 53 non-accredited social enterprises. The survey was conducted in August 2013, and took one month to interview each chief executive by the survey collectors of the Gyeonggi Provincial Government.

The questionnaires include general counts of management, sales amounts, the number of employees, operation period, type of business, and so on, as well as the self-evaluation by managers of the business management. The questions for subjective evaluation by managers estimate organization capacities, degree of exchanges with other local institutions or groups in terms of local resource utilization, organizational culture in the organization and business performance, all based on a six-point Likert scale.

Table 2. Variables and definition

Classification	Variable	Operational definition (the number of question items)	Question items	
Outcome variable	Social performances	Degree of contribution for local society (social value Creation), (13)	d1-d13.	
		Administration, (2)	a1, a4	
Explanatory variable	Internal organizational capabilities	Human resource management, (3)	a2, a3, a5	
		Marketing, (6)	a6, a7, a8, a9, a13, a27	
		Financial capability, (5)	a14, a15 a16, a17, a18	
		Social entrepreneurship, (3)	a19, a20, a21	
		Governance capability, (3)	a24, a25, a26	
		Communication, (5)	a10, a11, a12, a22, a23	
		Organizational culture, (13)	c1-c13	
		Networking capabilities	Degree of exchange with other groups, (14)	b1_1-b1_14
			Degree of exchange with other institutions, (14)	b2_1-b2_14

3. Variables and indicators

This research analyses how a combination of factors that affect social enterprise performance may differ between accredited social enterprises and privately established social enterprises. To do this, we consider the characteristics of the social enterprises' social performance, which is the dependent variable for our research. Social enterprise in theory is an organization that aims to create social value in a local community using economic businesses. The social performance is an average score of 13 social performance indicators. The indicators are 6 scale score of self-evaluation for both indirect and direct contribution to local society in term of social integration - increase in the local employment rate, contribution to social welfare, sales boost in local communities, contribution to the local government budget, the contribution to increase of community sentiments, employing the disadvantaged, regular worker, local people, providing social services to local people, reinvestment to the

organization, distribution of profits to employees, contribution to start-up social enterprises in local society.

Then, business strategies that affect the performance of the enterprise were measured by organizational capabilities and network capabilities. Organizational capabilities were subdivided into eight subsections of administrative capability, human resource management capability, marketing capability, communication, financial capability, social entrepreneurship, organizational culture and governance capacity, with each section containing three to eight questions on six-point scales. Network capability within the enterprise was also divided into three to eight questions. The questionnaire for each concept was constructed according to the Asset Based Community Development model for this survey. This research adds up the responses to each question using the operational definition shown in the table below. And basic information about variables in the dataset is provided in the following table.

4. Research method

This research employs a Fuzzy-set/qualitative comparative analysis (Fs/QCA) to compare the combinations of factors that affect a social enterprise's performance (Choi, 2009; Ragin, 2000, 2008).²⁾ This method complements each quantitative and qualitative study's methodological limitation, which for quantitative research can easily generalist arguments that can only be validated by securing a large pool of cases (large N). In contrast, qualitative research has the advantage of sufficiently overlooking individual cases that can be meaningful only on their own. That is, Fs/QCA adopts advantages of two methods at the time examining of both the diversity and heterogeneity of cases. Fs/QCA can be useful in analyzing relationships of the outcome with explanatory variables with small samples where standard statistical analyses such as regression require large samples in that Fs/QCA is the method which analyze the effects of combinations of explanatory variables on the outcome variable in comparison with a regression model which analyze the effect of each individual variable holding equal the other individual variable on the outcome variable. Aforementioned, there are multiple configurations of competencies that enhance social performance of social enterprises and Fs/QCA is idea for revealing such relationships about sufficient combinations of characteristics linked to high level of

social performances with small samples. Therefore, this research adopt Fs/QCA in that Fs/QCA is well suited to identifying and conceptualizing ideal business strategy of both accredited social enterprises and non-accredited social enterprises - important casual relationships of competency factors with social performances of social enterprises -. That is, this research clarifies how the regulations of the Korean government's accreditation system differentiate between business strategies of social enterprises, including the core competence combination that would affect social enterprises' social performance by comparing accredited with non-accredited social enterprises.

However, Fs/QCA would have has a few limitations because of small samples. Results of Fs/QCA may depend on which cases are included in the analysis. This is naturally related to researchers' decision making on research design. That is to say, if researchers do not collect comprehensive information about research objects they would select biased samples due to subjective decision making. In this reason, research using Fs/QCA should have substantive and theoretical knowledge about research objects in designing a research model.

To collect information about social enterprise we circulated questionnaires to social enterprises in Gyeonggi-province. Considering the limitation of samples collected, this research chose to separately analyze each type of economic entity using the Fs/OCA method, and then to compare each result. A Fs/OCA in social science undergoes a contextual analysis to understand various factors and to seek

2) For more detail, visit the following sites at <http://www.u.arizona.edu/~cragin/fsQCA/>; <https://pcmh.ahrq.gov/page/fuzzy-set-qualitative-comparative-analysis-configurational-comparative-method-identify-multiple/>.

Table 3. Descriptive Statistics

Classification	Variable	Accredited social enterprises(n=40)		Non-accredited social enterprises(n=53)				
		Mean	Std. dev.	Mean	Std. dev.			
Outcome variable	Social performances	Our organization has a high proportion of the disadvantaged among employees	4.70	1.26	3.64	1.39		
		Our organization has a high percentage of full-time employees.	4.28	1.72	3.45	1.61		
		Our organization has a high proportion of vulnerable people from this region.	4.68	1.29	3.72	1.55		
		Our organization has a high proportion of social services.	4.83	1.20	4.49	1.07		
		Our organization has a high rate of reinvestment in annual revenue.	3.78	1.33	3.98	1.10		
		Our organization uses a large percentage of its annual revenues for employee compensation	3.73	1.52	3.68	1.33		
		Our organization contributes to local entrepreneurship activities.	3.60	1.37	3.87	1.23		
		Our organization contributes to local income growth	4.40	1.01	4.25	1.12		
		Our organization contributes to job creation in the community.	4.85	0.95	4.26	1.16		
		Our organization contributes to revenue of local government.	4.00	1.11	3.91	1.18		
		Our organization contributes to the resolution of poverty in the community.	4.20	1.07	4.02	1.10		
		Our organization contributes to the resolution of community welfare issues.	4.48	1.11	4.04	1.36		
		Our organization contributes to the spread of community consciousness.	4.53	0.93	4.91	0.90		
		Explanatory variable	Internal organizational capabilities	Our organization has a well-established performance management and knowledge management system.	3.30	1.11	3.30	1.28
				Our organization is more competitive than regular companies in terms of employee salaries and welfare.	3.28	1.13	2.87	1.36
Overall, our employees are highly skilled.	4.18			1.06	3.89	1.19		
Our organization has a system for hiring and managing competent employees.	3.38			1.00	3.38	1.24		
Our employees are provided with adequate training opportunities.	3.80			1.18	3.38	1.32		
The service provided by our organization has a high quality competitiveness.	4.25			0.95	3.87	1.13		
Our organization is superior in marketing ability to other companies.	3.23			1.25	3.26	1.30		
Our organization strives to provide standardized services through systematic business processes.	4.23			1.05	3.77	1.28		
Our organization has sufficient capacity to maintain and grow our business.	4.30			1.04	4.06	1.06		
Overall, our organization's program and service levels are high.	4.13			1.04	3.96	0.92		
Our organization has higher external social support than other organizations.	3.40			1.15	3.11	1.51		

Our organization is more capable of mobilizing internal funds than other organizations.	3.38	1.05	2.66	1.47
Our organization has established effective planning and execution procedures for business budgets.	3.78	0.97	3.42	1.12
Our organization has an effective financial monitoring system.	3.80	1.07	3.55	1.20
Our organization faithfully conducts audits in accordance with laws and regulations	4.65	0.98	4.55	1.10
Our leaders strive for community development.	4.75	1.01	4.68	1.05
Our leaders have a vision for a social economy with a perception of the community.	4.75	1.03	4.77	1.10
Our employees agree with the social goals the organization pursues.	4.73	0.85	4.62	0.84
The members of our organization's board of directors have real management responsibilities.	4.13	1.09	4.53	0.95
The board of directors of our organization is made up of experts with expertise.	4.20	0.94	3.66	1.27
Our organization's board of directors communicates effectively with employees.	4.18	0.81	4.30	0.93
Our organization communicates well, and employees participate in management decisions.	4.58	1.03	4.51	0.97
Our organization is run by multiple people, not depending on one's ability.	4.45	0.71	4.15	1.12
Our organization has a close working relationship with various organizations in the community.	4.75	1.03	4.77	1.10
Our organization shares a clear organizational vision between managers and its staffs.	4.50	0.93	4.60	0.82
Our organization has established and implemented a concrete annual action plan to achieve the organizational goals.	4.18	0.71	4.09	1.01
Most people in our organization are reliable in terms of relationships.	4.68	0.97	5.04	0.85
Members of our organization trust their colleagues.	4.73	0.99	5.06	0.79
In our organization, we trust each other between levels.	4.63	1.00	4.94	0.84
Our organization aims to treat its employees fairly.	4.95	0.99	5.11	0.72
Our members work hard without anyone's supervision.	4.80	0.88	4.87	0.86
In our organization, we work hard without special rewards.	4.53	1.13	4.79	0.91
Our organizational members prioritize the interests of the organization.	4.35	0.92	4.79	0.95
In our organization, we generally maintain the norms and order of the organization.	4.58	0.71	4.70	0.80
In our organization, people are actively communicating.	4.58	0.90	4.72	1.01
Our members actively cooperate with each other on all matters.	4.30	0.99	4.66	0.88
Our organization members share enough information about the organization.	4.48	0.64	4.40	1.04
Our organizational members tend to help with personal affairs.	4.43	0.98	4.70	0.91
Our organization members tend to actively	3.63	1.03	4.30	1.12

	participate in meetings within the community.				
	low income class	4.50	1.24	3.96	1.14
	the disabled	3.83	1.48	3.45	1.15
	women	4.55	1.22	4.74	0.96
	the old	4.13	1.47	3.75	1.30
	immigrants	3.38	1.35	3.09	1.15
	local company owners	3.95	1.32	4.02	1.01
	small business owners	3.10	1.32	3.91	1.10
	professionals (doctors and lawyers etc.)	3.93	1.29	3.89	1.25
	local artists	3.35	1.31	3.64	1.13
	social workers	3.88	1.44	3.79	1.13
	educators (teachers, professors etc.)	3.63	1.33	3.89	1.01
	social servants	4.45	1.28	4.25	1.14
	journalists in local media	3.25	1.26	3.72	1.17
Networking capabilities	large firms in local	3.00	1.38	2.87	1.19
	civil organizations (NGOs etc.)	3.40	1.28	4.00	1.09
	social economy organizations	4.48	1.15	4.34	1.16
	community organizations	3.28	1.18	3.98	1.28
	local governments	4.60	1.08	4.34	1.11
	local public employment service agencies	4.15	1.27	3.57	1.08
	police and fire stations	3.30	1.36	3.28	1.13
	local companies	3.68	1.29	3.83	1.09
	local finance	3.23	1.14	3.58	1.05
	local institutions for art and culture	3.38	1.35	3.57	1.08
	local media	3.15	1.35	3.47	1.20
	religious groups	2.83	1.15	3.32	1.27
	local education institutions	3.80	1.49	3.83	1.10
	medical institutions	3.38	1.31	3.30	1.10
	local welfare institutions	4.03	1.25	3.81	1.18

correlations and combinations of conditions that overcome the limitations of a small number of samples (Choi, 2009; Kim, 2010; Lee, 2010; Ragin, 2000). In a Fs/OCA, calculating a fuzzy score requires a calculation per variable, which does not necessitate dividing the total into a number of questionnaires. This research employs Ragin's (2008) method of conversion to calibrate functions in Fs/OCA 2.0. Selecting each variable's qualitative set point in his theory seems crucial in to calculating the raw score. This rule contributes to successfully excluding arbitrariness in social research, which emphasizes circumstantial realness and contextual settings over absolute and ideal theories (Lee 2010; Nam

& Lee 2012). In this context, this research settles its qualitative set point at each variable's maximum value, minimum value and median. Setting a median value different from the average score relies on the theory that the median value can eliminate unnecessary variants (Kim, 2004; Nam & Lee, 2012).

This research simultaneously divides these into accredited and non-accredited social enterprises' performances, and compares how the variable factors for each entity differed relative to the type of social enterprise. For this purpose, this research conducted of two truth-table analyses. That is, each truth-table analysis accounts for accredited social enterprises' social

Table 4. Accredited Social Enterprises (N=40)

Category	Output model	Coverage	Consistency
Model 1 (enhanced internal capability combination type)	Administration* Human resource management * Marketing*Financial capability* Social entrepreneurship*Governance capability*Communication*~Organizational culture*~Exchange with other groups*~Exchange with other institutions	0.339319	0.986613
Model 2 (enhanced internal and external capability combination type)	Administration* Human resource management*Marketing* Financial capability*Social entrepreneurship*Governance capability*Communication*Organizational culture*Exchange with other groups*Exchange with other institutions	0.451658	0.966503
Model 3 (enhanced internal network and external network capability combination type)	~ Administration *~ Human resource management *Social entrepreneurship*Communication*Organizational culture*Exchange with other groups	0.420350	0.959034

* Condition of standardized analysis: frequency cutoff = 1 / consistency cutoff = 0.781188

** (solution coverage = 0.687845, consistency = 0.803226)

performances and non-accredited social performance. The result of the analysis shows logical combinations of $2k$, and k , which here denote the number of independent variables. Hence, this research has 28 results. Considering the amount of the population for each type of social enterprise, this research eliminated those within the target below the threshold of 2 for non-accredited social enterprises and 1 for accredited social enterprises. In addition, we assumed a combination consistency score of over 0.85 points to control for a social enterprise's success. Ragin (2008) argues that a consistency level below 0.75 shows a high level of inconsistency.

5. Findings

We intend to see how the effects of the variable combinations of cause appear differently by accredited and non-accredited

enterprises. Here, two truth table analyses are conducted. The results of the truth table analysis are shown as $2k$, and k , which here denotes the number of independent variables.

Subjective self-evaluations of social enterprises about impacts of their business activities on a local society in terms of creating social value are selected as the second index of social performance. In case of Models 1 and 2, similar conditions in their combinations in the analysis of objective social performance are derived. In other words, the degree of contribution by accredited social enterprises to local society could be affected by internal capabilities, other than organizational culture, although their utilization of external networks is low. Model 3 shows the common factors for all other conditions of the combination. From the model, higher levels of capabilities in consciousness for social purpose,

Table 5. Non-accredited Social Enterprise (N=53)

Category	Output model	Coverage	Consistency
Model 1 (enhanced social entrepreneurship type)	~ Human resource management * Social entrepreneurship *~Exchange with other groups*~Exchange with other institutions	0.476483	0.878000
Model 2 (enhanced internal and external network capability combination type)	Administration* Human resource management * Marketing* Financial capability *~ Social entrepreneurship*Governance capability*~Communication*~ Organizational culture*Exchange with other groups*Exchange with other institutions	0.613604	0.880581
Model 3 (enhanced internal network and external network capability combination type)	~ Administration*~ Human resource management *~ Marketing *~ Financial capability *~ Social entrepreneurship*~ Governance capability*~ Communication*Organizational culture*Exchange with other groups* Exchange with other institutions	0.340449	0.967112

* Condition of standardized analysis: frequency cutoff = 1 / consistency cutoff = 0.908530

** (solution coverage = 0.700796, consistency = 0.885283)

communication, organizational culture, and exchange with external groups could have a positive contribution to local society by accredited social enterprises, even if they have lower capabilities in administration and human resources. The total coverage of these three models is 68.3%, and their consistency is 0.803. Summarising the analytical results on accredited social enterprises, a common essential factor for improving subjective social performance is analyses as the spirit of a social entrepreneur with the social purpose of consciousness and communication capability. In addition, accredited social enterprises with high internal capability show high subjective social performance. Moreover, accredited social enterprises' higher spirit of social entrepreneurs and communication capability improve social performance, even when their administration capability and human resource capability are low.

Next, three models are derived as an organizational capability combination model

of non-accredited social enterprises affecting the creation of social values in local society. Model 1 is the result of contracting two conditions. The model shows that a high level of social purpose consciousness by leaders and members of non-accredited social enterprises could affect their positive performance in contributing to local society, although their human resource capability or utilization of external networks is low. Models 2 and 3 also show a high possibility that a high level of utilizing external networks could positively affect their performance, even if other internal conditions show differences. The total explanatory power, and coverage of these three models for non-accredited social enterprises' performance in creating social value is 71.7%, and their consistency is 0.885. From the results, utilizing networks is seen as an essential capability in non-accredited social enterprises' subjective social performance. It can be seen that non-accredited enterprises with higher

networking competency show greater accomplishment in creating social value, although their other capabilities are low.

IV. Conclusion

The research tried to understand empirically how the accreditation system for social enterprise can affect the actual establishment of business strategies. The Korean government's policies have focused on establishing exemplary cases of nurturing social enterprises to provide employment and social services for the socially precarious population. However, criticism of the government's stringent standardized support policy has been raised continuously because their monotonic accreditation process weakens localized development strategies to seek a diverse business model.

The results show that there are clear differences between accredited social enterprises, which are regulated by government, and non-accredited social enterprises in terms of business strategies. To enhance social performance, we find that accredited social enterprises would be better in internal capabilities such as administration, marketing, human resource management, and so on, compared with non-accredited social enterprises, in that accredited enterprises' business areas are mainly confined to employment and social services for the disadvantaged in local communities that boost their sales. Also, our results show that non-accredited social enterprises would have both distinguished organizational capabilities and networking capabilities. They, unlike accredited social enterprises, build a business model with local resources so that,

eventually, their economic outcomes benefit the local community.

This result explains why accredited social enterprises concentrate on government-related business to compensate for the preferential treatment of earning overhead expenses and public service opportunities, while unaccredited social enterprises, which have not earned government accreditation have business characteristics similar to the origins of co-ops from the West, share local community concerns and operate businesses within the communal resource and setting.

In sum, government accreditation the system for social enterprises affects business strategies of social enterprises in Korea. The results support the theoretical arguments in organizational research that the organization's external environment affects its selection of business strategies (Brderl et al., 1992; Child, 1972). Particularly, social enterprises that enter a market nurtured by the government are constructing internal capabilities according to government regulations.

This would be negative, however, that business strategies of Korean social enterprises are responding to their original requirements. Social enterprises' activities should be done by constructing networks with various stakeholders in local society because a social enterprise is an economic organization that performs business utilizing local resources through cooperation with local society. The core competence of accredited social enterprises, however, appears as internal organizational capabilities, like those of general firms, rather than those of social enterprises in utilizing local resources by constructing networks with local society. The Korean government's accreditation system on social enterprises could be an obstacle for

the enterprises to possess resources creating capabilities by integrating internal and external resources, because the accreditation system help firms to concentrate on improving their internal capability for an advantage over other firms. In conclusion, for social enterprises to construct business strategies to improve their social performance innovatively there needs to be regulations to preserve their identity and to gain constant advantages over other general firms by constructing networks with external

actors to supplement deficient resources. Therefore, this research suggests that the accreditation system for social enterprises should be redesigned for enticing social enterprises in Korea to be more localized to meet local needs in terms of positive changes of local society. In addition, the system should adopt new evaluation criteria which encourage social enterprises to develop network capabilities for acquisition of social funding and supports from local society.

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