Organizational Capacity, Community Asset Mobilization, and Performance of Korean Social Enterprises*

Sang-Il Han, Moo-Hyun Choi***, and Soyoon Chung******

Abstract: This paper develops an integrative analysis framework for assessing the performance of social enterprises in Korea in the context of combined organizational and environmental factors that provide positive feedback. We surveyed 120 social enterprises in Korea and analyzed the relationships between organizational capacity, community asset mobilization, and performance of those social enterprises. The analysis showed that organizational capacity and community asset mobilization influenced performance in different ways. In addition, management capacity emerged as the most important mediating variable of the organizational capacities, and the mobilization of the community assets of social enterprises contributed to improving their social performance. Finally, strategic leadership contributed to mobilizing the community assets of social enterprises. However, community asset mobilization had negative effects on economic performance. Important lessons for policy makers and future research directions are drawn from these results.

Keywords: social enterprise, organizational capacity, community asset mobilization, performance

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* This work was supported by the Yonsei University Future-leading Research Initiative for 2014 (2014-22-0179). An earlier version of this article was presented at the 3rd International Conference on Social Enterprise in Asia in Wonju on July 5, 2014.

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Manuscript received June 10; out for review June 17, 2015; review completed July 25, 2015; accepted July 28, 2015.

The Korean Journal of Policy Studies, Vol. 30, No. 2 (2015), pp. 69-91.

INTRODUCTION

Since the financial crisis of the late 1990s, the concept of social enterprise has gained ample ground in Korea, where structural problems of poverty and social exclusion have led the central government to embrace civil society organizations and to support social enterprises as solutions to these difficulties (Bidet, 2012). By enacting the Social Enterprise Promotion Act in 2007, the government established the foundation for a new form of collaboration and partnership with civil society to alleviate poverty and achieve work integration. Since then, the number of certified social enterprises in Korea has increased from 50 in 2007 to 1,024 in 2014, catching the attention of community development scholars and practitioners as an innovative model for meeting social and economic objectives. Korean social enterprise is defined as the use of community-oriented and market-based approaches to satisfy socially relevant needs (Nyssens, 2009; Light, 2008; Nicholls, 2009). As such, it often provides a business source of revenue for many types of socially oriented activities. However, within these broad parameters, Korean social enterprises have come to embody different concepts as a result of their contradictory efforts to maximize profit and collaborate with the local community. This variation has also resulted in considerable debate among researchers and practitioners about how to attain a double bottom line by simultaneously enhancing the financial performance and social impact (OECD, 2007). To address these difficulties, this research draws on the capacity-building theory and asset-based community development (ABCD) model to further the understanding of the ways the organizational capacity and mobilization of community assets influence social enterprises' financial and social performance.

It is widely believed that there is a positive relationship between organizational capacity, local asset mobilization, and performance. This belief aligns with Paul Light's (2004) and Mathew Todres et al.'s (2006) approach, which suggests that organizational and community capacity enhance the performance of social enterprises. It also aligns with the ABCD strategy of utilizing community assets, including gifts from individuals, public spaces, and public and nonprofit institutions (Kretzmann & McKnight, 1993). As most groups of stakeholders in social enterprises are embedded within the community, the mobilization and utilization of local assets by social enterprises is associated with the initiative to meet emerging community needs. In reality, however, many Korean social enterprises have been struggling, as their social and financial performances have been declining; while some have shown resilience in enhancing their organizational and community capacity and by providing quality services, many have been struggling in the face of the serious challenges of pursuing simultaneous social and financial results. Current social enterprise research does not address the way

the capacity of social enterprises influences their performance. This article aims to reveal the causal relationships between the organizational capacity, asset mobilization, and performance. Indeed, the paper sets out to build an integrated model by targeting the elements that have the potential to increase social enterprises' performance. Specifically, an empirical model is built by focusing on the strengthening of enterprises' organizational capacity, the mobilization of community assets, and the achievement of economic and social purposes. By reviewing the causal relationships between these factors, the study creates an initial conceptual framework through which a broad range of social enterprise activities and their patterns can be understood.

THEORETICAL BACKGROUND

A social enterprise is "a social mission-driven organization that trades in goods or services for a social purpose" (Bagnoli & Megali, 2011, pp. 149-150). This article examines the mechanisms of social enterprises that lead to improved multidimensional performance. Existing research (Hudson, 2005; Connolly & Lukes, 2002) has divided the organizational mechanisms that improve performance into internal and external elements. An internal mechanism is a social enterprise's system—including people, processes, and infrastructure—that is used to achieve social goals effectively; external mechanisms lie in the relationships with different community assets—including residents, places, and institutions—that are used to achieve a greater impact. This study suggests that organizational capacity and asset mobilization account for a large share of the social and economic performance of social enterprises.

Organizational Capacity and Social Enterprise Performance

Recent theory suggests that strong organizational capacity can sustain social enterprises' performance (Nash, 2010). By building capacity, social enterprises can develop successful programs on a larger scale and thereby maximize their impact on social development. Strong capacity requires the staffs and the stakeholders of a social enterprise to provide high-quality services with limited resources, which could result in the organization earning a better reputation and greater trust from its community (Light, 2004). In the long run, an increased organizational capacity makes programs more effective and improves the performance of the organization, potentially generating more beneficiaries of quality services and expanding the positive impact of the sustained efforts to address social problems.

Organizational capacity refers to the organizational characteristics that can contribute

to the achievement of sustainable development, including management capacity, infrastructure, human resource management, organizational culture, financial resources, strategic leadership, mission, and governance (Allison & Kaye, 2005).

Management capacity includes the systems and mechanisms that ensure organizational quality and attract additional stakeholders to programs and services. In order to improve its performance, a social enterprise's programs and services need to be adapted to meet the customers' identified needs. According to Alan Andreasen and Philip Kotler (2008), an organization should regularly research its customers' needs, wants, perceptions, and preferences and should improve its systems in order to better satisfy them. In this sense, the marketing, communication, and quality improvement systems of social enterprises can improve their performance and benefit people and the community (Gibb & Manu, 1990).

Human resource management refers to social enterprises' need to maximize employees' performance according to strategic objectives. Elements such as recruiting systems, salaries, career development opportunities, and skill development are primarily concerned with the management of people within organizations, focusing on policies and systems (Collings & Wood, 2009). A social enterprise's human resource management system should help employees and stakeholders gain a better understanding of their organization's social missions and of the community's social needs.

Organizational culture involves vertical and horizontal communication, collaboration, and participation in decision making. A strong organizational culture makes the achievement of goals paramount to all aspects of the organization and leads to consistent messages being delivered to the various constituencies. In addition, a communicative culture allows employees and stakeholders to participate in discussions about organizational strategy and to create innovative approaches. These positive aspects of organizational culture could contribute to social innovation as well as economic performance.

Financial capacity refers to an organization's ability to carry out financial reporting, budget planning, and auditing in order to ensure the social enterprise's financial accountability. Unlike other nonprofit voluntary organizations, a social enterprise can only pursue its social goals while seeking economic and financial efficiency. To this end, social enterprises need to use a double-entry accounting system to establish well-constructed financial statements and to adopt an auditing system that will assess economic and financial values and guarantee a true and fair view of the financial situation of the organization.

In a complex, rapidly changing environment that places many social demands on organizations, strategic leadership has the greatest potential impact on the performance

of social enterprises. In a social enterprise, strategic leadership should pursue social entrepreneurship—namely, "innovations that have the potential for major societal impact by addressing the root causes of a social problem, reducing particular social needs, and preventing undesirable outcomes" (Dees & Anderson, 2006, p. 26). In order to drive social innovation, executive members should share their experience and knowledge, initiate innovation, show patience and resolution, and create social values.

The organizational mission is the reason for the social enterprise's existence. In a social enterprise, an effective mission integrates the different stakeholders' perspectives, establishing a consistent direction for the entire organization. An agreed-on social purpose, vision sharing, long-term strategy, and an annual implementation plan can guide the actions of the organization, provide a developmental path and function as decision-making criteria. It is particularly important to reach an organizational consensus about the mission, as this becomes the cornerstone for the formulation of the social enterprise's strategies.

Finally, governance is the organizational structure responsible for the organization's programs and services. In a social enterprise, board members have the responsibility to exercise authority in order to achieve the mission of the organization. The professionalism, effectiveness, and responsibility of the directorate are pivotal elements of the social enterprise. On the basis of previous studies, we offer the following hypothesis:

> **H1:** The organizational capacity of a social enterprise will be positively related to its performance.

There has been increasing interest in the seven elements that comprise the organizational capacity of social enterprises partly as a result of research on the nonprofit sector, which took off in the late 1990s (Lett et al., 1999; Shore, 1999). Studies noted the problem of inappropriate organizational capacity, and the funders of nonprofits encouraged them to reduce their management costs in order to maximize the amount of resources spent on direct programs and services. South Korean governments also have been providing management consulting services and have been operating regulatory filing systems to nurture social enterprises' organizational capacity. However, many scholars have suggested that Korea's social enterprise sector lacks external capacity and have called for more collaboration to achieve a greater impact. Collaboration is needed not only with other social enterprises but also across sectors in order to mobilize community resources in an efficient and effective way.

Mobilizing Community Assets

The importance of social enterprises is being increasingly emphasized, and it has been stressed that the assets of the community in which the social enterprise is implanted should be actively utilized. If social enterprises are defined as the main actors of the community's social ecosystem, then they should develop along with the community by letting various members participate in organizational operations and by making use of most of the spaces and agencies available in the community. In light of this, it is important for social enterprises to identify and organize community assets.

This approach is widely known as asset-based community development (ABCD) in the United States. Communities and social enterprises were forced to take full advantage of community assets when the global economic crisis weakened countries' financial capacity and decreased governments' support of the social economy. Those who tout ABCD oppose the development model, which they claim inhibits endogenous development and depends on outside assistance. The development model, they say, is unsustainable and causes social enterprises to lose their identity (McKnight, 1995). They also insist that a community's positive assets need to be developed. When the individuals and organizations in the local community are utilized, the community's problems can be identified more precisely and solved more exhaustively. The ABCD theory has been applied to the field of community development since the 1990s and has had great success (Shin, Han, & Chung, 2014).

Some researchers have studied the mobilization of community assets. Ronald Ferguson and William Dickens (1999) categorize community assets as human, social, financial, and political capital. Those community assets in turn have been classified as external and internal assets by Richard Lerner and Peter Benson (2003). Finally, Daniel Rainey et al. (2003) have defined the core assets of a community as human, physical, and social capital. John Kretzmann and John McKnight's (1993) classification is the most frequently used in ABCD research. They define community assets as the "capacity and technology of individuals, organizations, institutions" (1993, p. 25) and suggest making a community asset map in order to pinpoint those assets exactly. Individual assets refer to members' knowledge and talents. In this model, high-expertise members or adults are not the only important members; marginal groups, including people with disabilities, low-income families, the elderly, immigrants, and so on, are also important, and it is critical to utilize and explore their capabilities. Organizational assets include local governments, public institutions, nonprofit organizations, social enterprises, and general companies. In order to encourage the participation of schools, police, libraries, and religious organizations, social enterprises must identify these resources and cooperate with them through regular meetings. Finally, as a physical

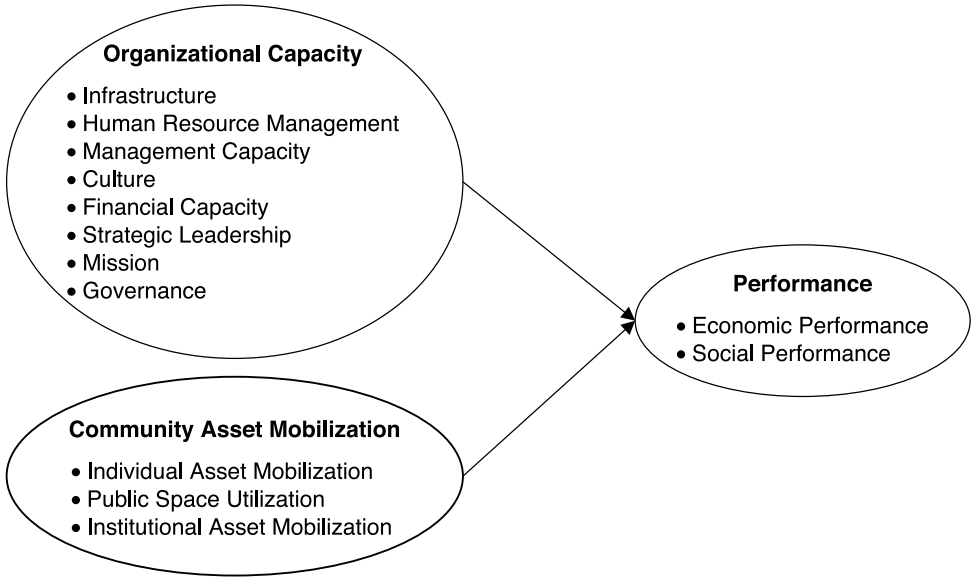
asset, public space is another key community asset. By actively utilizing previously unused spaces, social enterprises can establish social capital and a community identity, leading to better financial and social performance. On that basis, the following hypothesis is formulated:

> **H2:** Community asset mobilization will be positively related to the performance of social enterprises.

Research Framework

This study aims to build a sustainable model for improving the performance of social enterprises that is based on a combination of internal and external components that takes account of the relationship between organizations and their environment. The study builds an analytical framework by focusing on (1) organizational capacity, (2) community asset mobilization, and (3) economic and social performance. Organizational capacity consists of seven components: infrastructure, human resource management, management capacity, culture, financial capacity, strategic leadership, mission, and governance. Community asset mobilization comprises the mobilization of individual assets, public spaces, and institutional assets. The performance of social enterprises is seen as complex, as they pursue contradictory objectives in seeking both economic

Figure 1. Research Framework



and social results (Borzaga & Defourny, 2001). According to Luca Bagnoli and Cecilia Megali (2011), economic/financial performance is measured by looking at profits, the production costs of services, and efficiency indicators that gauge the financial accountability of the enterprises. A social enterprise's performance can be assessed by considering the employment rate of vulnerable groups in the community, the importance it assigns to social services, the rate of its reinvestments and dividends, and the contributions it makes to local foundations, local income increases, local employment creation, local finances, local poverty reduction, local crime decrease, and the diffusion of community spirit.

RESEARCH METHODS

Data Collection

One-hundred-and-twenty social enterprises out of 501 officially certified social enterprises were sampled in December 2010. We selected respondents through purposive rather than random sampling, using a stratified sampling method taking into

Table 1. Respondents' Individual and Organizational Characteristics

Classification	Type	Frequency	Percent
Type of Organization	Commercial Law Corporation	38	31.7
	Civil Law Corporation	27	22.5
	Nonprofit Organization	22	18.3
	Social Welfare Corporation	11	9.2
	Cooperative Society	18	15
	Other	4	3.2
Sex	Male	79	65.8
	Female	41	34.2
Region	R1: Seoul, Incheon, Gyounggi, and Gangwon	62	51.7
	R2: Daejeon, Chungnam, and Chungbuk	14	11.7
	R3: Gwangju, Jeonnam, and Jeonbuk	19	15.8
	R4: Busan, Ulsan, and Gyoungnam	15	12.5
	R5: Daegu and Gyoungbuk	10	8.3
Total		120	100

account the firms' locations. Region 1 (Seoul, Incheon, Gyounggi, and Gangwon) accounted for 52.4% of the sample, while 10.4% of the sample came from Region 2 (Daejeon, Chungnam, and Chungbuk). 15.7% came from Region 3 (Gwangju, Jeonnam, Jeonbuk, and Jeju). 12.1% came from Region 4 (Busan, Ulsan, and Gyoungnam), and 9.4% came from Region 5 (Daegu and Gyoungbuk). High-ranking directors (including executive and financial directors) of all the sampled social enterprises were contacted and surveyed. The individual and organizational characteristics of the respondents are summarized in Table 1.

Measurement

A number of variables representing different facets of organizational capacity, community asset mobilization, and organizational performance were generated to form an initial variable pool for the measurement tool. Existing measurements were adopted and modified to suit the purpose of this study. Following several group discussions and a pilot test in Korea, the initial measures were refined to enhance their validity and to iron out any potential deficiencies. This process resulted in the generation of 86 items. To measure all the items in the consolidated questionnaire, we employed a subjective measurement tool in the form of a six-point Likert-type scale ranging from "strongly disagree" to "strongly agree." Previous research has suggested that subjective measurements tended to be consistent with objective measures, as managerial decisions and actions are primarily driven by executives' and managers' perceptions (Day, 1994; Dees & Robinson, 1984).

Table 2. Measurement Variables

Group	Factors and Measurement Variables
Organizational Capacity	• Management Capacity: facility management, office automation, performance, skillfulness, recruiting system, salary, capacity development opportunity, quality competitiveness, quality investment, marketing, systematic workflow, vertical communication, horizontal communication, cooperation, participation in decision making, cooperation with community • Financial Capacity: internal financial capacity, budget planning/execution, financial report monitoring, auditing, resource security, social support • Strategic Leadership: leader's experience and knowledge, innovative leadership, balanced leadership, value-oriented leadership, leader's patience and resolution, community-friendly leadership, vision of social economy, decentralized leadership • Governance cCpacity: managerial responsibility, professional directorate, directorate's effectiveness • Mission/Planning Capacity: agreement on social purpose, vision sharing, midterm and long-term strategy, annual implementation plan, devotional work performance

Group	Factors and Measurement Variables
Asset Mobilization	• Individuals Assets: the elderly, businesspeople, social workers, journalists, low-income groups, the disabled, women, immigrants, small business owners, experts, ministers of religion and/or cultural artists, educators, public officials • Agency Assets: local governments, public agencies, financial agencies, hospitals, citizen organizations, community organizations, local companies, cultural and arts organizations, media, religious institutions, local educational institutions, social welfare institutions • Space Assets: parks, vacant lots, closed schools, sports facilities, religious facilities, public agency facilities, enterprise facilities, social welfare facilities
Performance	• Economic Performance: rate of reinvestment, increasing rate of sales, profits and debts, rate of sales growth, rate of income, rate of expenses increase, rate of asset growth, rate of debt increase • Social Performance: employment rate of minorities in the local community, record of providing social service, diminishing rate of crime, rate of the vulnerable in the community, employment rate of vulnerable groups in the community, importance of social service, rate of reinvestment, rate of bonus/dividend, contribution to local foundations, contribution to local income increase, contribution to local employment creation, contribution to local finances, contribution to local poverty reduction, contribution to local crime decrease, diffusion of community spirit, rate of permanent employment

Scale Purification

We refined the 86-item instrument by analyzing the corrected item-to-total correlation, in accordance with Gilbert Churchill's (1979) recommendation. The first step was to eliminate the items with the lowest item-to-total correlation value (Perry, 1996). The item-to-total correlation is used to identify irrelevant items in a survey (Churchill, 1979). The coefficient shows the correlation between an individual item and the sum of the other items, indicating that the items with the lowest values measure different concepts from the other items. According to Andy Field (2005), it is desirable to eliminate items with a value under .3, as this is the generally accepted discrimination point at which an item is found not to measure the same concepts as other items. However, it is difficult to agree on the exact value to assess the relationship between specific items and the total items in the purification process, as the distribution of the item values depends on the purpose of the survey, the number of items, the number of samples, and so on.

When the item-to-total correlation is used, Cronbach's alpha value usually increases whenever the item with the lowest item-to-total correlation value is eliminated. The elimination of items is generally performed up to the point where the tendency of increase becomes stagnant. In this study, organizational capacity and asset mobilization

were used as independent variables, and the dependent variables of economic performance, social performance, and relationship with the community were analyzed as part of the same process. Generally, an item-to-total correlation value under .2 is considered very low (Foa et al., 1993; Kim, 2009). Therefore, variables with values under .2 were eliminated as a first step, and those with the lowest values in each area were then removed.

The values of the coefficient alpha ranged from .814 to .950 across the five dimensions, suggesting that the deletion of certain items from each dimension improved the

Table 3. Measurement Item Purification Using Corrected Item-to-Total Correlation

Area	Elimination	Corrected Item Total Correlation		Elimination Point	Eliminated Variable	Cronbach's α	Difference of α
		Minimum	Maximum				
Capacity	Initial	.301	.753	Minimum Value (.303)	Social support employment	.948	–
	1st	.394	.754	–	–	.950	.002
	Final	.418	.757	–	–	.950	–
Mobilization	Initial	.231	.707	< .2	The disabled, Women	.934	–
	1st	.366	.711	–	–	.937	.003
	Final	.341	.715	–	–	.936	-.001
Economic Performance	Initial	.562	.943	Minimum Value (.562)	Rate of debt increase	.926	–
	Final	1.000	1.000	–	–	1.000	.074
Social Performance	Initial	.165	.715	< .2	Rate of full-time employment	.814	–
	1st	.360	.701	–	–	.838	.024
	Final	.359	.719	–	–	.837	-.001
Community Relations	Initial	.675	.791	Minimum Value (.675)	–	.901	–
	Final	.699	.794	–	–	.892	–

Note: The variables eliminated as a result of the analysis with the value of the corrected item-to-total correlation are included in the shaded boxes.

Table 4. Variables Included and Eliminated after Purification Process

Factors	Included Variable	Eliminated Variable
Infrastructure	facility management, office automation, performance	–
Human	skillfulness, recruiting system, salary, capacity development opportunity	–
Management Capacity	quality competitiveness, quality investment, marketing, systematic workflow	
Culture	vertical communication, horizontal communication, cooperation, participation in decision making	cooperation with community
Financial Capacity	internal financial capacity, budget planning/ execution, financial report monitoring, Auditing	resource security, social support
Strategic Leadership	leader's experience and knowledge, innovative leadership, balanced leadership, value-oriented leadership	leader's patience and resolution, community-friendly leadership, vision for social economy, decentralized leadership
Mission	agreement on social purpose, vision sharing, midterm and long-term strategy, annual implementation plan	devotional work performance
Governance	managerial responsibility, professional directorate, directorate's effectiveness	–
Individual Asset Mobilization	the elderly, businesspeople, social workers, journalists	low-income groups, the disabled, women, immigrants, small business owners, experts, artists, educators, public officials
Institutional Asset	local government, public agencies, financial Agencies, hospitals	citizen organizations, community organizations, local companies, cultural and arts organizations, media, religious institutions, local educational institutions, social welfare institutions
Public Space Utilization	parks, vacant lots, closed schools, sports facilities	religious facilities, public agency facilities, enterprise facilities, social welfare facilities
Social Performance	rate of the vulnerable, employment rate of vulnerable groups in the community, importance of social service, rate of reinvestment, rate of bonuses/dividends, contribution to local foundations, contribution to local income increase, contribution to local employment creation, contribution to local finance, contribution to local poverty reduction, contribution to local crime decrease, diffusion of community spirit	rate of permanent employment
Economic Performance	rate of sales growth, rate of income, rate of expenses increase, rate of asset growth	rate of debt increase

Cronbach's alpha values. The criterion used to decide whether to delete an item was the item's corrected item-to-total correlation. The items with very low correlations were discarded. Recomputation of the alpha values for the reduced sets of statements and the examination of the new corrected item-to-total correlations led to the further deletion of items, whose elimination improved the corresponding alpha values. The iterative sequence of computing alphas and item-to-total correlations, followed by the deletion of items, was repeated several times, ultimately resulting in a set of 82 items.

The next task in the scale purification stage was to examine the dimensionality of the 82-item scale. This was accomplished by analyzing the modification index scores suggested by AMOS ver. 18 for the 82 items. The variables whose modification index indicated an association with multiple dimensions—which was contrary to the goal of having each observed variable load onto a single latent factor—were eliminated one at a time to increase the unidimensionality of the factors. As a result of this procedure, the correlations among the dimensions were altered. The application of this heuristic method resulted in the elimination of 32 variables. Table 4 shows the variables eliminated through the two heuristic methods for measurement purification.

RESULTS

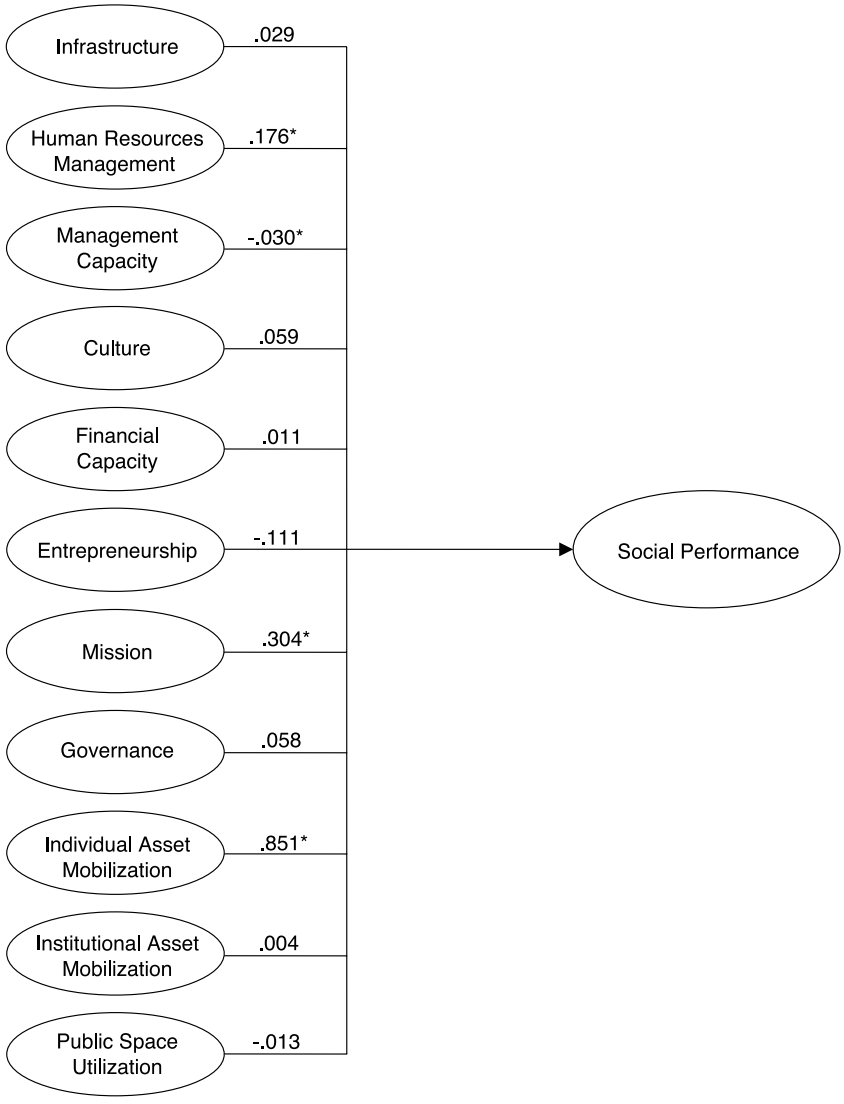
Organizational Capacity, Community Asset Mobilization, and Social Performance

Initial Model

Figure 2 shows the initial model for the relationship between organizational capacity, community asset mobilization, and social performance. The GFI and AGFI fell well below the threshold of .9, and the other goodness-of-fit scores did not satisfy the acceptable fit indices. Therefore, we modified the model by considering the modification index and eliminating the insignificant paths from the initial model.

The initial analysis identified seven endogenous variables (infrastructure, culture, financial capacity, strategic leadership, governance, institutional asset mobilization, and public space utilization) that had an insignificant effect on the dependent variable. These variables were then deleted and a structural equation model was estimated for the mission, human resources, management capacity, individual asset mobilization, and social performance. The modification index for the newly estimated model indicated that causal relationships existed between the mission, human resources, and management capacity. The paths between these variables were added to the modified model.

Figure 2. Initial Model for Organizational Capacity, Community Asset Mobilization, and Social Performance

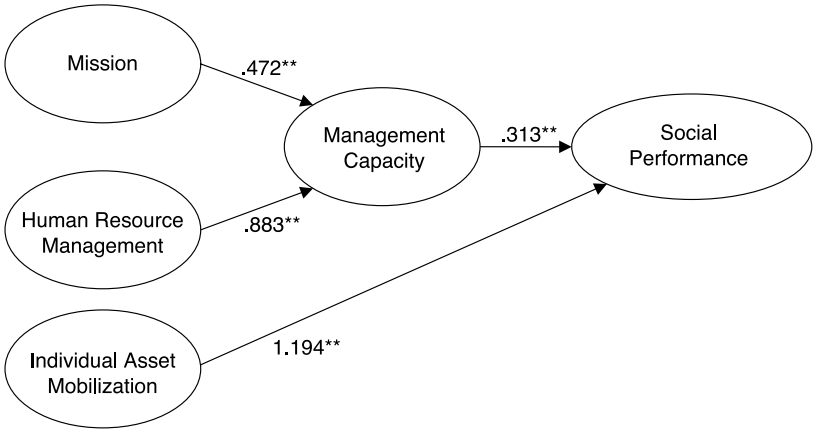


Note: CMN/DF=2.060, GFI=.521, AGFI=.480, NFI=.425, CFI=.582, RMSEA=.094

Modified Model

The modified model was estimated as per Figure 3; the goodness-of-fit indices are given in the note. The GFI and AGFI did not satisfy the acceptable fit indices, although

Figure 3. Modified Model for Social Performance



Note: CMN/DF=.921, GFI=.867, AGFI=.837, NFI=.934, CFI=.989, RMSEA=.068

they almost approached the acceptable level. According to Herbert Marsh & Kit-Tai Hau (1996), the GFI and AGFI indices are biased by a small N, leading Marsh and John Balla (1994) to recommend that it would be more useful to consider the NFI and RMSEA. The NFI, CFI, and RMSEA were significant and acceptable, and all the independent variables were significantly related to the economic performance. Individual asset mobilization demonstrated a direct, positive, and significant association with social performance. Mission and human resource management also showed a significant and positive association through the strong mediation of management capacity.

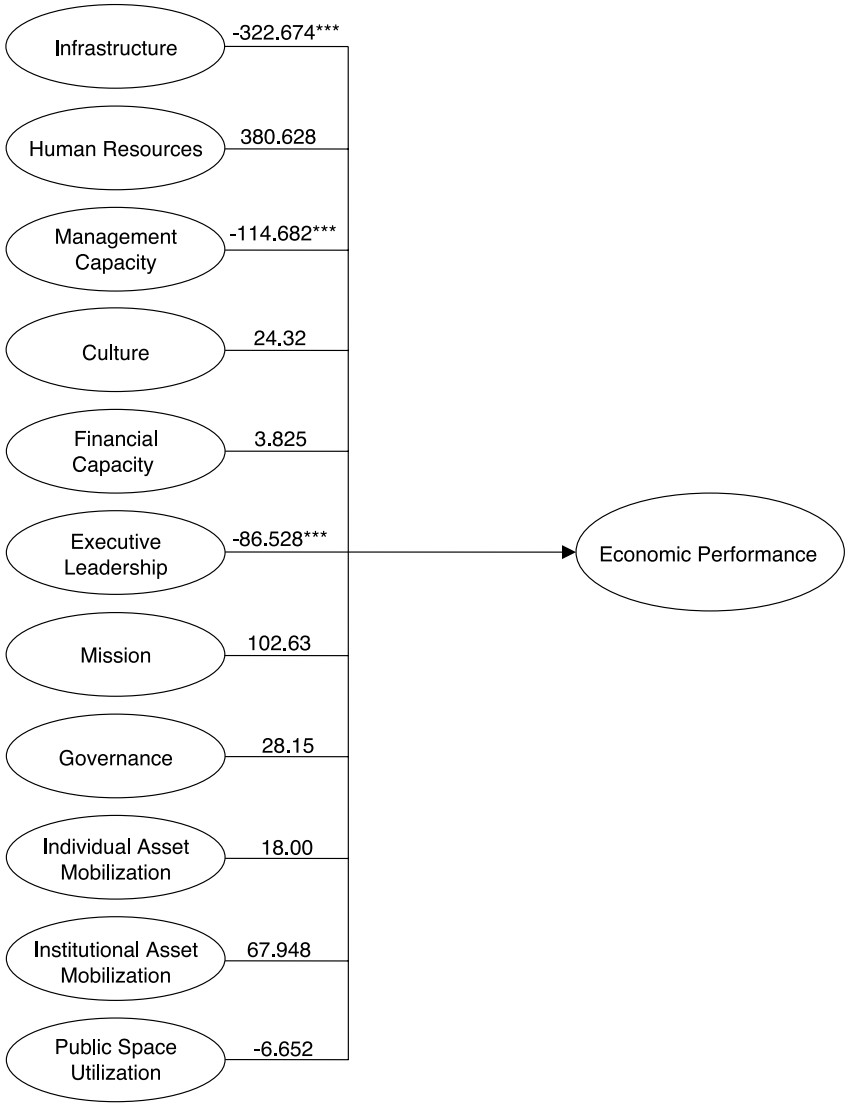
Organizational Capacity, Community Asset Mobilization, and Economic Performance

Initial Model

Figure 4 shows the initial model for the relationship between organizational capacity, community asset mobilization, and economic performance. The goodness-of-fit scores did not satisfy the acceptable fit indices. Therefore, we modified the initial model by considering the modification index and eliminating the insignificant paths from the initial model.

Six endogenous variables (culture, financial capacity, mission, governance, individual asset mobilization, and public space utilization) showed no causal relationship with economic performance. These insignificant variables were deleted, and a new structural equation model incorporating infrastructure, human resources, management

Figure 4. Initial Model for Economic Performance



Note: CMN/DF=2.138, GFI=.539, AGFI=.491, NFI=.721, CFI=.827, RMSEA=.098

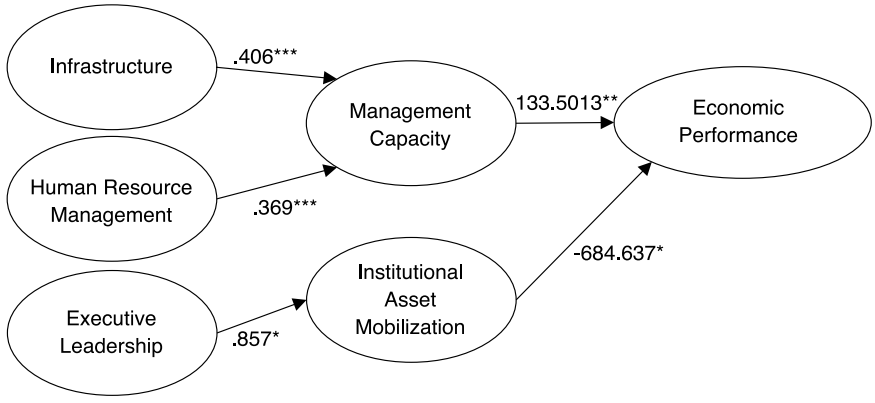
capacity, strategic leadership, institutional asset mobilization, and economic performance was estimated. The modification index for the new model showed that infrastructure and human resources positively influenced management capacity and that strategic leadership was positively associated with institutional asset mobilization. These mediating relationships were considered in the modified model.

Modified Model

Figure 5 shows the modified model and summarizes the goodness-of-fit indices. The AGFI index was not significant. As previously stated, the GFI and AGFI indices are biased by the small N, so that it is more useful to use the NFI and RMSEA. The NFI, CFI, and RMSEA were significant and acceptable, and all the independent variables were significantly related to economic performance.

Infrastructure and human resource management had a significant and positive association through the very strong mediation of management capacity. Strategic leadership had an effect on the economic performance through the very strong negative mediation of institutional asset mobilization. This finding implies that entrepreneurs in Korean social enterprises utilize institutional assets but that asset mobilization has a negative association with the economic performance.

Figure 5. Modified Model for Organizational Capacity, Community Asset Mobilization, and Economic Performance



Note: CMN/DF=1.672, GFI=.922, AGFI=.839, NFI=.937, CFI=.973, RMSEA=.075

Table 5 shows that employees in Korean social enterprises tend to place an equal emphasis on human resource management as a means of achieving social and economic results. However, it is interesting to note that Korean social enterprise employees perceive management capacity and institutional asset mobilization to be mediators of other variables. This finding implies that mission, infrastructure, human resource management, and social executive leadership are not significant without management capacity and institutional asset mobilization. Therefore, top management should consider how to build management capacity, as it facilitates both the social and economic performance.

Table 5. Effects of Organizational Capacity and Asset Mobilization on Performance

Variables		Social Performance			Economic Performance		
		Total Effect	Direct Effect	Indirect Effect	Total Effect	Direct Effect	Indirect Effect
Organizational Capacity	mission	.148	–	.148	–	–	–
	infrastructure	–	–	–	54.202	–	54.202
	human resource management	.276	–	.276	49.262	–	49.262
	strategic leadership	–	–	–	-586.734	–	-586.734
	management capacity	–	–	–	133.5013	133.5013	–
Asset Mobilization	individual asset mobilization	1.194	1.194	–	–	–	–
	institutional asset mobilization	–	–	–	-684.637	-684.637	–

IMPLICATIONS

The first finding of this study is that organizational capacities positively influence organizational performance. The enterprise's mission and human resource management improve the social performance, while infrastructure and human resource management improve economic performance. Among the various organizational capacity components of Korean social enterprises, human resource management is particularly important, as it improves both social and economic performance. According to Barry Dym and Harry Hutson (2005), organizational effectiveness results from having the right person in the right job at the right time. In other words, it is necessary to have a good fit between employees and the present needs of the social enterprise. In South Korea, proactive student and community activists became competent employees of social enterprises, which led to the development of a Korean social economy in the early days of social enterprise in the 1980s. In the 2010s and into the next decade, an effective human resource management system for recruiting and training the workforce will be important to enhance the impact of social enterprises.

The second finding of this study is that management capacity is the most important organizational capacity variable. Management capacity mediates mission, infrastructure, and human resource management, thereby improving organizational performance (i.e., other variables cannot function without management capacity). As most social enterprises in Korea are medium- or small-sized organizations, day-to-day management, quality assurance, and marketing systems are important. These results make sense in the context of Korea, where the public recognition of social enterprises is not very high.

Therefore, the consulting services provided by local governments and the Social Enterprise Promotion Agency should focus on quality management systems and marketing to attract more clients.

The third finding is that asset mobilization has a strong impact on organizational performance. As individual asset mobilization has the strongest impact on social performance, social enterprises can realize social values in collaboration with community residents, particularly disadvantaged groups. Based on this result, the creation of an asset map for community development as suggested by ABCD theory could make a significant contribution to improving social performance.

The final and most important finding is that strategic leadership contributes to the mobilization of community assets but influences economic performance negatively. This finding shows a very unique and significant causal relationship between local asset mobilization and economic performance. In South Korea, executive leaders and employees are very passionate, but social enterprises are operating in inferior environments (Lee, Han & Chung, 2014). In this context, organizational leaders can initiate financially challenging programs and services and maximize the community asset mobilization based on inappropriate financial forecasts. In order to address this problem, a systematic financial management system should be introduced, and investments and project management should always be gauged according to strict financial standards and in line with a risk management system.

CONCLUSION

This empirical study sought to illustrate the way organizational capacity and community asset mobilization influence the organizational performance of Korean social enterprises. It proposed a general framework for enhancing the performance of social enterprises and tested the theoretical model with empirical data. The results provided preliminary evidence for the existence of mediating relationships and the importance of human resources management and management capacity. Interestingly, a negative relationship was found between community asset mobilization and economic performance.

Among the limitations to be noted in this study, the first is that the research objective of finding the causal relationships between organizational capacity, asset mobilization and performance was based on very high expectations. Although the results turned out to be statistically significant, we deleted many observed and latent variables in the empirical analysis, which led us to modify the original model. Thus, an exploration of more practical and specific causal relationships should be undertaken in future

research. The second limitation comes from the assumption about the relationship between social and economic performance. The dependent variables, economic and social performance, were shown separately in results but not in the hypotheses. Since economic and social performance will often affect negatively each other in management practice, the influence of independent variables on economic and social performance should have been hypothesized separately first and tested with data to confirm the hypotheses. The third limitation is that literature review of this study only considers management capacity and asset mobilization as independent variables. A theoretical argument about the roles and processes of the mediating variables should be developed in future research.

Based on the limitations of this research, future work should concentrate on the relationship between asset mobilization and economic performance. In Korean social enterprises, researchers should consider the complicated relationship between local asset mobilization and the economic performance, focusing on the mediation effect by using multiple datasets and methodologies. Many directors and managers of social enterprises interviewed in the current study believed that greater coordination and collaboration between community stakeholders and institutions could affect the economic performance negatively. There were widespread concerns among those surveyed in this study about the high trade-off relationship between social entrepreneurs' proactive initiative and innovation and organizations' financial sustainability. For this reason, Korean social enterprise researchers and practitioners should investigate what type of community activities are most needed to enhance financial sustainability, how to strengthen the effectiveness of local asset mobilization, how to build collaboration with community stakeholders, and what type of internal learning and innovation to support.

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