A Theoretical Model of the Organizational Performance of Social Enterprises: Combining the Resource Dependence and Resource-Based Views

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Abstract

Social enterprise is seen as a new organizational type which differs from other kinds of organization. The objective of this paper is to propose a model that explains the organizational performance of social enterprises. The study is focused on the organizational resources that are necessary for organizational survival and growth. By integrating resource dependence and resource-based views, the author suggests that three characteristics of organizational resources-acquisition, uniqueness, and utilization are required for enhancing organizational performance. Additionally, two main sources of organizational resources, social entrepreneurship (social innovation, proactiveness, and risk-taking) and social capital (social trust, networks, and public sector engagement), are also required for organizational performance. Combining the two theories can explain organizational performance better than using only one theory, and provide a process for organizational resources. A structural relationship among social entrepreneurship, social capital, and organizational performance is proposed. Empirical testing is strongly recommended for future research to confirm the model.

Keywords: Organizational performance, social entrepreneurship, social capital, resource-based view, resource dependence theory

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แบบจำลองผลการดำเนินงานของกิจการเพื่อสังคม: การบูรณาการทฤษฎีมุมมองทรัพยากรกรกับทฤษฎีการพึ่งพาทรัพยากร

สุขยืน เทพทอง

บทคัดย่อ

กิจการเพื่อสังคม (social enterprise) เป็นองค์การรูปแบบใหม่ซึ่งมีความแตกต่างจากองค์การรูปแบบอื่นๆ ค่อนข้างมาก บทความนี้มีวัตถุประสงค์เพื่อแสวงหาแบบจำลองซึ่งสามารถอธิบายผลการดำเนินงานของกิจการเพื่อสังคม การศึกษาใช้การวิเคราะห์ระดับองค์การและมีจุดมุ่งเน้นในเรื่องทรัพยากรองค์การซึ่งมีความอ่อนไหวต่อการอยู่รอดและเจริญเติบโต โดยอาศัยการบูรณาการระหว่างทฤษฎีมุมมองทรัพยากร (resource-based view) และทฤษฎีการพึ่งพาทรัพยากร (resource dependence theory) ผลการศึกษาทำให้เห็นว่าในการส่งเสริมผลการดำเนินงานองค์การนั้น ทรัพยากรองค์การควรมีการพิจารณาในสามมิติคือความมีเอกลักษณ์การได้มา และการใช้ประโยชน์ทรัพยากร นอกจากนี้มีปัจจัยสำคัญสองประการที่ส่งผลกระทบต่อทรัพยากรองค์การ ประการแรกคือความเป็นผู้ประกอบการทางสังคม (social entrepreneurship) ซึ่งประกอบด้วย ความมีนวัตกรรมทางสังคม การทำงานเชิงรุก และการจัดการความเสี่ยง และประการที่สองคือทุนทางสังคม (social capital) ประกอบด้วย ความเชื่อถือของสังคม เครือข่าย และความผูกพันกับหน่วยงานภาครัฐ ผลการศึกษาเสนอว่าการบูรณาการระหว่างทฤษฎีการพึ่งพาทรัพยากรกับมุมมองทรัพยากรสามารถช่วยอธิบายผลการดำเนินงานขององค์การได้ดีกว่าการใช้ทฤษฎีใดทฤษฎีหนึ่งเพียงอย่างเดียวเนื่องจากทำให้ได้มุมมองที่ครบถ้วนตลอดทั้งกระบวนการของทรัพยากรกร ผลการศึกษายังได้เสนอความสัมพันธ์ของตัวแปรต่างๆ ในลักษณะเชิงโครงสร้าง การศึกษาในอนาคตควรได้มีการนำแบบจำลองนี้ไปศึกษากับกิจการเพื่อสังคมประเภทต่างๆ เพื่อยืนยันถึงความถูกต้องของแบบจำลองและเพื่อใช้เป็นแนวทางในการส่งเสริมผลการดำเนินงานของกิจการเพื่อสังคมต่อไป

คำสำคัญ: ผลการดำเนินงานองค์การ ความเป็นผู้ประกอบการทางสังคม ทุนทางสังคม มุมมองทรัพยากร

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1. Introduction

Resource dependence theory (RDT) and resource-based view (RBV) have played an important role in scholarly writings and strategic decision making of organizations over the past four decades. The concepts of RDT and RBV are widely accepted as having the ability to explain organizational competitive advantage and survival (Barney, 1991; Miller & Shamsie, 1996; King, 2007; Pfeffer & Salancik, 1978). However, there are limitations in clarifying organizational performance related to organizational resources. Although these two theories have implications regarding resources, they have different points of view, such as the main focus on internal and external resources perspectives, and alternative strategies for competitive advantage. Moreover, the integration of RDT and RBV has been limited and has been confronted by a lack of theoretical explanation and empirical evidence regarding the combined effects of RDT and RBV on organizational performance (Huang & Wang, 2013; Nemati et al., 2010; Altholz, 2010; Lui, 2013).

Social enterprise is an organizational form that rapidly emerged and began to attract both academic and civil society in the early to mid-1990s (Defourny & Nyssens, 2008: 202). In Thailand, this kind of organization emerged formally with The Regulations of the Office of the Prime Minister on National Social Enterprise B.E. 2553. Due to its ambiguous form and the status of the term “social enterprise,” questions have always been posed about the resources and performance of social enterprises in both nonfinancial and financial aspects. Although the concept of social enterprise is clearly accepted as a trend of society’s development, organizational survival and prosperity is doubted. Any kind of organization can be defined as a social enterprise if it adopted a business mind and social value at the same time. In the case of traditional NGOs in Thailand, the situation is that donors and their fund supporters are decreasing while government support is unpredictable. This has forced the nonprofits to adopt methods of earned income techniques (Vichit-Vadakan, 2002: 9). As approaches that mix the benefit of private, public, and nonprofit sectors, resources and organizational performance have been increasingly discussed. Do they have enough and competitive resources,

and what are the factors that affect their performance that need to be examined? Empirical research that shows the ability to gain and utilize resources is limited, and the performance issue is also not clear and needs to be studied.

Two other key factors related to the social enterprise which have been raised by recent research are social entrepreneurship and social capital. In the business sector, the aggressive behaviors of entrepreneurship clearly show an effect on organizational performance, but there are questions in the case of the social enterprise sector. Social capital is another valuable resource embedded in any organization. Social capital contributes meaningfully to gaining and developing resources and generating competency for social exchange between an organization and stakeholders or outsiders. Previous studies have shown that higher levels of social capital can create overall growth. Baker (1990: 619) argues, for example, that social capital is a mechanism which organizations derive resources from social structures and then use them to pursue their interests. Consequently, social capital can be seen as a catalytic-driven approach for organizations to do anything. Trust, networks, and related issues are critical for their success. Since previous researches regarding social enterprises were mostly studied using qualitative approaches, Braunerhjelm & Hamilton (2012: 45) suggested that a quantitative research approach should be used to complement in a wide variety of social enterprise's cases.

In order to clarify critical factors generating social enterprise performance of the social enterprise, this paper develops and proposes a theoretical model of the relationship between social entrepreneurship and social capital of social enterprises in terms of resources and performance. The integration of RBV and RDT fills the gap in these theories and explains the results in relation to resources and organizational performance effectively. This in turn may help scholars and social entrepreneurs understand the conditions necessary to respond to constrained environments.

2. Literature Review

2.1 Organizational Performance

Organizational performance, the status of organizational competencies, is one of the most important constructs in the management research field, and most studies postulate organizational performance as a dependent variable. In the classical view, organizational performance is generally referred to as financial performance. Davis et al. (2010) pointed out that the most commonly-used measures of performance have been profitability, sales growth, return on investment (ROI), and return on equity (ROE). In other words, organizational success is associated with financial benefits. However, financial outcomes do not reflect good or poor financial results in the future. Kaplan & Norton believe that financial and non-financial aspects should be mixed to evaluate and motivate a company's performance. Three non-financial perspectives-customer satisfaction, internal business process, and learning and growth-have been introduced and have been accompanied by the financial perspective (Kaplan & Norton, 1992). The pressure of reporting organizational performance based on non-financial as well as financial measures has increased during the last few years (Sim & Koh, 2001: 18). Aggarwal & Gupta (2006) suggest that internal and external factors should be measured. The internal measures involve the internal factors inside the organization such as stakeholders, strategy, leadership, employees, innovation, information system, and corporate governance, while the external measures hinge upon the variables outside the organization such as suppliers, customers, competitors, and other market-related indicators.

Chong (2008) found that many organizations use a hybrid approach, combining both financial and non-financial measures to evaluate performance based on four main approaches to measuring the performance of the organization: the goal attainment approach, the system resource approach, the stakeholder approach, and the competitive values approach. The goal attainment approach and the system resource approach measure the extent to which an organization achieves its goals and accesses resources. The stakeholder approach and the competitive values

approach evaluate the competency of an organization based upon its ability to meet the needs and expectations of the stakeholders (Daft, 1995). Although all four approaches aim to measure the extent to which an organization has satisfied its planned targets, the first two approaches focus on the internally-set targets while the latter two focus on the needs and expectations of the external stakeholders (Chong, 2008). Pfeffer & Salancik (1978) pointed out that the goal attainment approach is the most commonly-used method because of its simplicity, understandability, and internal focus. The goal attainment approach is directly used to measure organizational targets based on stakeholders' interests, and it can cover both financial and non-financial perspectives. The overall organizational performance depends upon the different levels of people at work and the different goals.

Regarding the performance measurement of the social enterprise, social enterprises have different characteristics from general profit organizations. Martin (2004) challenged how one should go about conceptualizing and measuring social enterprise performance in the delivery of public and private goods, and what measures should be used. Austin et al. (2006) found that social entrepreneurs do not use only financial measures to determine the success of the organization; social value and social change as a means of developing suitable measures of social enterprise also need to be defined (Bull, 2007).

The notion of social return on investment (SROI), developed by the Roberts Enterprise Development Fund, derives from the financial perspective of social enterprises. This approach is based on traditional cost-benefit analysis. It determines the value of social benefits created by an organization related to the relative costs of achieving such benefits. SROI is equal to the net present value of benefits divided by the net present value of investment. The SEBC, developed in 2005 by Somers at the Social Enterprise London, was inspired by Kaplan and Norton's balanced scorecard (BSC) approach. Some perspectives and strategies were modified such as social goals and stakeholders. SIMPLEs, developed by Mcloughlin et al., comprise four steps to help social enterprises conceptualize

the impact problem: identify impacts for measurement, develop impact measures, report impacts, and integrate the results in management decision making (Yang et al., 2014). This study recommends the multidimensional view of organizational performance represented by the effectiveness, financial, and sustainability perspectives.

2.2 Social Entrepreneurship

The term "social entrepreneurship" first appeared in a publication entitled The Sociology of Social Movements written in 1972 by J. A. Banks, who proposed the differentiation between traditional entrepreneurs and social entrepreneurs (Jones et al., 2010: 45). Social entrepreneurship is growing in significance because of a variety of forces, such as the New Public Management, increased competition for donors, grants, and service contracts, and growing needs of target markets (Mort et al., 2003: 85-86).

There are three main views in the social entrepreneurship literature. The first view stresses organizational type as adopting funding and management schemes to generate social value. According to Austin et al. (2006: 2) and Weerawardena & Mort (2006: 21), social entrepreneurship occurs within or across the nonprofit, business, and government sectors. Similarly, Pomerantz (2003: 25) states that social entrepreneurship was adopted by individual social entrepreneurs, non-profits, or nonprofit organizations in association with for-profits. Noruzi et al. (2010: 4-5) pointed out that the definition of social entrepreneurship ranges from broad to narrow. In the broad definition, social entrepreneurship refers to innovative activity with a social objective in the for-profit or in the nonprofit sector, and according to the narrow definition, it refers to the behaviors of applying business capability and market-based techniques in the nonprofit sector. Nevertheless, all definitions support social value rather than personal and shareholder wealth, and focus on innovation and creation rather than simply focusing on practices.

The second view focuses on social entrepreneurship as a mechanism to solve social problems and social transformation. For Lasprogata & Cotton (2003: 69), social entrepreneurship is the entrepreneurial behavior to sustain them financially while maintaining an effect on their social mission. As mentioned by Zahra et al. (2008), four main causes of the global impact of social entrepreneurship are global wealth disparity, the movement of corporate social responsibility, market failures, and technological advances and shared responsibility. Jiao (2011: 131) added two more reasons for the emergence of entrepreneurship: social entrepreneurship can help nonprofits operate in innovative ways due to resource reduction, and there is the requirement of alliances between for-profit and non-profit organizations and cooperation among different components in society. There are multi-levels of social entrepreneurship; individual, group, network, organization, and networks involving the innovative use of resources to pursue opportunities to address social needs (Mair & Marti 2006: 37; Light 2008: 12). Perrini & Vurro (2006: 78) pointed out that social entrepreneurship is a dynamic process which exploits social innovation in order to create new social value in the market and community.

The third view tries to classify the dimensions of social entrepreneurship. Most of definitions and characteristics of social entrepreneurship have been inspired and adopted from the concept of business entrepreneurial orientation. Martin (2004: 6), for example, has discussed the idea that the empirical analysis of social entrepreneurship should explore the relation between changes in the field of philanthropic giving and the concept of social investment. Four dimensions of social entrepreneurship can be measured: (1) the innovation dimension analyzes the work of social innovators through empirical research; (2) the performance dimension relates to the outcomes of how successful social entrepreneurs are, and how we should measure their performance as providers of public and private goods; (3) the leadership dimension evaluates how can we render operational the specific nature of the leadership for empirical analysis; and (4) the identity dimension measures how we should classify the emergence of social entrepreneurship as

a new feature for social sector leaders. Mort et al. (2003: 76) identified social entrepreneurship as a multidimensional factor regarding the key decision-making characteristics of innovativeness, proactiveness and risk-taking. Using a grounded theory method, Weerawardena & Mort (2006: 31-32) developed a multidimensional model of social entrepreneurship, Their model portays social entrepreneurship as holistic, comprising innovativeness, proactiveness, and risk management within the constraints of the environment, sustainability, and social mission.

Since most of social enterprises are in the form of a hybrid between private, non-profit, and public sectors, the strengths or weaknesses of the concept of social entrepreneurship depend upon the way in which we choose to view social enterprises (Roper & Cheney, 2005: 101). In sum, social entrepreneurship should be viewed with a holistically, including the concepts of innovativeness, proactiveness, and risk management within the constraints of the environment, sustainability, and the social mission.

2.3 Social Capital

There are many approaches regarding the concept of social capital. OECD (2007: 103) defined social capital as networks together with the shared norms and values that facilitate co-operation among groups. In this definition, groups or individuals are linked in networks. Adler & Kwon (2002) classified the social capital concept into three groups: the external view, internal view, and the integration between the external and internal view. The first group focuses primarily on external social capital or a bridging view, which means explanation of the relation between social networks or among organizations. In this group, social capital can help describe the differential achievement of individuals and firms in their competitive contexts (Bourdieu, 1997; Burt, 1992; Portes, 1998). Bourdieu (1997: 51) defines social capital as the actual and potential resources which are linked in a network. Additionally, Portes (1998: 6) stresses the competency of actors to gain benefits from membership in other social structures or networks.

The second group focuses on internal social capital or the bonding view, the linkages among individuals or groups (Coleman, 1990; Putnam, 1995; Thomas, 1996). Coleman (1988: 98) states that social capital can be defined according to its function. It is not a single entity but a variety of different entities, with two elements in common. According to Putnam (1995: 67), social capital is the characteristics of the social organization such as social trust, norms, and networks that assist cooperation for mutual benefit.

The third group is neutral on both the internal and external dimension (Nahapiet & Ghoshal, 1998; Woolcock, 1998). The advantage of this group's definition is that is has a broad viewpoint. Nahapiet & Ghoshal (1998: 243) defined social capital as the sum of the potential and actual resources embedded in the network possessed by an individual or social unit, while Woolcock (1998: 153) stresses the information, trust, and norms or reciprocity in one's social networks. According to Tripp et al. (2009: vii), social capital is comprised of social networks and the norms of reciprocity and trust in achieving mutual objectives. By encompassing both internal and external ties, Adler & Kwon (2002: 23) define social capital as, "the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations. Its effects flow from information, influence, and solidarity it makes available to the actor." In this article, the definition of external social capital will be developed as a common conceptual framework.

The OECD (2007: 103) points out that the benefits of social capital can be seen by looking at social bonds. At the individual level, friends and families can help people in many ways. For example, a UK government survey found that more people secure their jobs through personal contacts than through advertisements. Macerinskiene & Aleknaviciute (2011: 121) summarized the benefits of social capital, including less time consumption, reduced transaction costs, strengthened relations with suppliers and customers, reduced business risks, easier to reach company goals, improved manufacturing processes, renewed production and expanded distribution, increased sales and profits of

the enterprise, increased flexibility of a company, better communication between companies and reduced uncertainty, strengthened personal relations, ensured permanent business development, easier access to new markets, ensured better portfolios of employees for the enterprise, effective relationships between employees and employers, high efficiency of the company, reduced rotations of employees, better diffusion of information within a company, stimulated innovation and intellectual capital creation in the enterprise, and increased reputation of the enterprise.

While several research articles have identified the positive outcomes of social capital, some articles point out the negative side of it. According to Adler & Kwon, investment in social capital is similar to investment in other capital in the sense that over-investment may be ineffective and counterproductive. The benefits and risks will have a different value for an actor, depending on a number of factors (Adler & Kwon, 2002: 28-29). Moreover, the use of social capital by the dominant group can enhance the exclusion of subordinate categories from the information. There is no warranty that the use of social capital will generate an optimal outcome (Yoon, 2006: 9). In some cases, the benefits of the social capital trade off against its information benefits, and the solidarity benefits may reduce the flow of new ideas into the group (Adler & Kwon, 2002: 30).

In the broad view, two dimensions of social capital can be distinguished: internal and external social capital. However, this paper concentrates on external social capital, or the relationship with the environment, and the content of social capital in social enterprise, including social trust, networks, and public sector engagement.

2.4 Resource Dependence and Resource-Based View: An Integrated Approach

RDT was formally developed in the 1970s by Pfeffer & Salancik in *The External Control of Organizations*. Resource dependence theory assumes that organizations are externally constrained by the environment for resources. RDT defines a resource as anything that an actor perceives as valuable, whereas dependence is a state in which one actor relies on the actions of another for achieving particular outcomes (Emerson, 1962). The first assumption of RDT is that the survival of an organization includes the ability to obtain resources from the environment (Pfeffer, 1982). Organizations also need to obtain resources to satisfy the demand of customers for their products and services. Throughout the years, the organization will be selected out by the environment if it loses access to resources. Therefore, organizational survival depends on the ability of the organization to acquire and maintain resources. The second assumption is that the organization that controls the flow of resources, could influence other organizations. A third assumption, in order to be able to sustain themselves within the environment, organizations must have the ability to acquire information from the environment, know how to react to the environment based on this acquired information, and have the ability to develop future responses based on past experiences (Pfeffer & Salancik, 1978). The final assumption is that organizations always seek predictability and certainty regarding the resources that they require (Oliver, 1991). They need to have strategies to acquire, maintain, and sustain their survival and prosperity.

RDT provides a systematic explanation of interorganizational relations, and provides a useful foundation for understanding and enhancing resource exchange in the environment. Based upon power exchange, RDT suggests that organizations can sustain access to their resources through strategic choices such as cooperation, joint ventures, partnerships, etc. Active choice behavior should be recognized by organizations to manage a fluctuating environment. However, RDT faces four limitations. First, the analyses are done at the industry level rather than the organizational level; the results are therefore

sensitive to claims of an ecological fallacy. Regarding the second limitation, the theory does not show how benefits and costs are to be ascertained in managing particular interdependence. Third, resource-based interests are the main objective of this theory not the social responsibility of the good governance concept. Finally, RDT is resource- or input-oriented. It is not related to or does not mention organizational performance. Resource dependency theory also fails to suitably value a sense of rationality in the organization, although the theory does help to clarify the environment and context in which individual decisions are made within organizations (Nemati et al., 2010: 113). In summary, organizations actively manage environmental constraints by adopting strategies and structures that ensure the flow of resources. Social enterprises basically face constraints from their environmental stakeholders. They therefore may adopt environmental practices to ensure that those stakeholders will continuously supply resources to the organization.

RBV was developed for sustained competitive advantage by using strategic resources (Scherer, 1980). RBV assumes that resources are variously distributed among the organizations and are immobile across the organizations (Barney, 2001: 101). Barney concludes that the search for sources of sustainable competitive advantage has to focus on firm resource immobility and heterogeneity. External variables are strategic factors that impact the firm, including other stakeholders such as buyers, suppliers, intensity of competition, and industry and market structure (Porter, 1985). These factors impact how resources are conceived, as well as how they are deployed.

Not all resources are important for achieving competitive advantage and firm performance (Fahy, 2000: 96). According to the resource-based view, firms with VRIN (valuable, rare, inimitable, and non-substitutable resources) criteria have the competency for achieving high performance (Barney 1991). According to Miller & Shamsie (1996), resources are inputs into an organization's production process that can be tangible or intangible, property-based or knowledge-based. Property -based resources are tangible resources while knowledge-based resources refer

to intangible resources. Both types are necessary for an organization's operation. The resource-based view of firms helps an organization find the strategic resources for competitive advantage.

Although the RBV is useful for finding out how firms outperform others, it has both strengths and limitations. There are four main strengths of the RBV. First, the RBV provides a complementary view of why organizations differ that was not represented in previous theories such as the transaction cost approach and agency theory. Second, the RBV strengthens the organizational resource perspective as a source of competitive advantage, as Barney (1991) strongly recommended. Third, internal resources are more focused on the idea that firms should build up a distinctive capacity and seek to integrate and reconfigure their internal and external resources. Finally, there are several strategic choices for organizations to improve performance, such as intangible resource patents, intellectual property, contracts, client databases, distribution networks, and supplier relationships. Regarding the limitations of the RBV, the critiques fall into five categories. First, it is considered a general idea or tautological statement without managerial implications and it not operationally valid (Priem & Butler, 2001: 31). Second, it seems impossible to find and develop such resources. Third, the link between resources and competitive advantage is hindered by causal ambiguity. Fourth, VRIN, as mentioned in this theory, is neither necessary nor sufficient. Finally, there is limited research that supports the relationship between resources and performance.

Based on the strengths and limitations, RDT and RBV share similarities and maintain differences. Combining these two theories suggests that they should complement each other in order to fill the organizational resource perspective. First, RDT is based on an external-oriented approach, while RBV is an internally-oriented view. The construct of organizational resources could include resource acquisition (from the perspective of resource dependence theory) and resource uniqueness (from the perspective of the resource-based view) accompanied by resource utilization. Second, it has been argued that RDT omits society and

environment issues while RBV, from on the other hand, neglects external competitors. The integration of both theories will concentrate on both internal and external environments. Therefore, the variable used for the integration of these two approaches is social entrepreneurship, including social innovation, proactiveness, and the risk-taking dimension, which considers both environmental responsibility (social innovation) and internal success factors (proactiveness and risk taking). Finally, RDT focuses on strategic choices to gain external resources, while the RBV argument asserts that it is difficult to find such resources. The integration of these theories is represented by the social capital variable, including social trust, networks, and public engagement. The critique that RDT do not address on organizational performance will be by including resources the utilization perspective as a sub-variable of the organizational resource factor. Critiques on the RBV are helpful in terms of linking the firm's resource capabilities, sustainable competitive advantage, and performance, while RDT considers that certain valuable resources are needed to maintain the organization and to enable growth.

In this article, there are three perspectives on resources: resource acquisition refers to the organizational competency for acquiring resources; resource uniqueness refers to the unique composition of resources that the organization contains; and resource utilization is the ability to use resources for effective work.

Table 1 Comparison and Combination of Resource Dependence and the Resource-Based View

Issues	Resource-Based View	Resource Dependence Theory	Integration and Proposed Variables
Key concept	Resource characteristics: Firms with valuable, rare, inimitable, and non-substitute resources have the potential for achieving superior performance.	Interrelationship strategies: Organizational resources depend on external resources and level of resource-dependence bases on relative magnitude of the exchange and criticality of the resource.	Organizational resources: resources perspective should be considered in their uniqueness, acquisition, and utilization
Strengths and Limitation (1)	It has been argued that RBV neglects external competitors and the environment.	It has been argued that RDT omits social responsibility and environmental issues.	Social entrepreneurship represents social responsibility while exhibiting aggressive behaviors: ☐ Social Innovation ☐ Proactiveness ☐ Risk-taking
Strengths and Limitation (2)	It is difficult to acquire such competitive resources as mentioned by Barney (1991).	External resource is viewed as a source of power. There is loose coupling between the organization and environment.	Social Capital is the main source of resources through networks and relationships: ☐ Social Trust ☐ Network ☐ Public Sector Engagement
Strengths and Limitation (3)	There is little research about the relationship between resources and performance.	RDT has no implications directly concerning resource and performance.	The organizational performance perspective is basically needed to appraise: ☐ effectiveness ☐ SROI ☐ Growth

3. Organizational Performance of Social Enterprises: A Proposed Model

This section elaborates on the relationship among social entrepreneurship, social capital, organizational resources, and organizational performance and a theoretical model will be proposed.

3.1 Social Entrepreneurship and Organizational Resources

Organizational resources are the sum of resources acquised and mobilited by an organization over time. Additionally, the uniqueness of the resources helps the enterprise to maintain a competitive advantage. According to RDT, organizations need to obtain resources for their operations while organizational resources are externally constrained by the environment. Acitve choice behavior and organizational strategies, such as partnership, joint venture, etc. have been recommended. In the case of social enterprises, the organizational resources are generally limited, and it is necessary to support the entrepreneurial capacity for securing them. Social entrepreneurship, then, can be viewed as a strategic preference leading to the main source of resources. As Lasprogata and Cotton (2003: 69) proposed, social entrepreneurship is comprised of strategies to sustain organizations financially while having an impact on their social mission. Mair and Marti (2006: 37) viewed social entrepreneurship as a process involving the innovative use and combination of resources to pursue opportunities to address social change.

RBV also makes the point that the organization needs to concentrate its strategic resources. This study conceptualizes social entrepreneurship in terms of three dimensions: social innovation, proactiveness, and risk management. Uniqueness, acquisition, and utilization are the three dimensions of organizational resources. Regarding SMEs, Wiklund and Shepherd (2003: 1312) observed that entrepreneurial orientation has a positive relationship with knowledge-based resources while Cheng et al. (2007: 227) found strong correlations between organizational entrepreneurial orientation and resources and suggested that adequate resources come from a high level of proactiveness, autonomy, and innovation. If the social enterprise fails to generate social innovation, proactiveness, and risk taking, it is unlikely to have enough resources.

In sum, it has been obviously demonstrated that social entrepreneurship will have impacts on organizational resources. In contrast, without social entrepreneurship, social enterprises are constrained in terms of being able to capture organizational resources.

Proposition 1: Social entrepreneurship has a positive effect on organizational resources.

3.2 Social Entrepreneurship and Organizational Performance

Previous studies in the business sector have revealed that entrepreneurial orientation enhances opportunities to generate resources for sustained competitive advantage, and entrepreneurship has a positive relationship with performance (Cheng, 2007: 218). Like the "entrepreneurial orientation" term in the business sector, social entrepreneurship is an organizational capability for sustaining the competitive advantage of social enterprises. Brooks (2009: 3-4) describes entrepreneurship as a process consisting of five parts: opportunities recognition, concept development, resource determination and acquisition, launch and venture growth, and harvest of the venture.

Social innovation, proactiveness, and risk management have been viewed as the key components of social entrepreneurship. Davis et al. (2010) found that organizations have a preference for innovative activities, risk taking, and proactiveness and are in a more favorable position to compete with others. Basically, customers take an interest in new products, services, and technologies which may result in organizational growth. Social enterprises believe that they need to be proactive to survive and to grow in the market. Compared to passive competitors, proactive enterprises can be seen as first-movers which can dominate the market. The progressively competitive environment has forced nonprofits to place great emphasis on innovation for creating activities as well. Additionally, they have to adopt a highly-cautious approach in dealing with risk management with a clear focus on the survival of the organization. Good risk management leads to retaining and accelerating performance variation in the long term.

Social entrepreneurship has implications regarding organizational performance. According to Oeij et al. (2010: 1), active organizations with social innovation have more often reported improved organizational performance. The social entrepreneurial organization's response to environmental complexity has been discussed to create the need for innovativeness, proactive behavior, and risk management (Weerawardena & Mort, 2006: 41-42). Cheng et al. (2007: 227) found in their research that innovation and proactivity influence a new venture's profit and growth. Fox (2008) suggested that the field of entrepreneurship offers a principle for continuously improving performance.

Proposition 2: Social entrepreneurship has a positive effect on organizational performance.

3.3 Social Entrepreneurship and Social Capital

More recently, the theory of social entrepreneurship has been expanded to the field of social capital research. Social entrepreneurship and social capital are relatively connected. At the organizational level, Ahmadi (2011: 644) proposed that the entrepreneurship literature has emphasized the influence of social capital in understanding how firms create networks and what the outcomes are. According to Nahapiet and Ghoshal (1998: 243), social capital is the sum of resources derived from the network while social entrepreneurship is the formation of structures, relations, institutions, and practices to yield social benefits (Fowler, 2000: 649).

However, there are studies that highlight the relationship between social entrepreneurship and social capital. Several articles have investigated the business field in terms of entrepreneurial orientation instead of social entrepreneurship. Ahmadi (2011), studying a sample of 52 companies, found that there was a meaningful relation between structural, relational, and cognitive dimensions of entrepreneurship and social capital. Basu (2012: 386) analyzed the links between social entrepreneurship and social capital by assessing the activities of social entrepreneurs in community organizations. The study found that in a poor socio-economic context, social entrepreneurs can reproduce social capital

and sustain an organization. These articles show the connection among social network and trust that are viewed as parts of social capital, and that social capital is strengthened by social entrepreneurship through proactive behaviors, social innovation activities and risk management.

Proposition 3: Social entrepreneurship has a positive effect on social capital.

3.4 Social Capital and Organizational Resources

Social capital is the sum of actual and potential opportunity to secure resources. Resource acquisition through networks is important for enterprises because it can help organizations overcome market information hurdles and support them to extend new capabilities in an efficient manner (Huang et al., 2010). Organizations are linked to the environments by competitive relationships that control the nature and limits of resources.

For social enterprises, social capital should be viewed in terms of at least three dimensions: trust, networks, and public sector engagement. Trust means the promise that exists within a community of honesty based on commonly-shared norms. A network is the number of members that are directly connected with a specific community. Government can be viewed as an important source of resources. Public sector engagement related to government plans and government agencies' projects provides a way for the public sector to delegate and outsource service delivery. (Fatoki, 2011: 195). In order to attract resources, that is funding, board members, management, and staff, Austin et al. (2006: 6) proposed that social entrepreneurs must have a strong reputation that engenders trust among networks.

This literature review shows a strong link between social capital and organizational resources. For example, Cheng et al. (2007: 227) indicated in their research that there is a strong correlation between social capital and organizational resources for new ventures. Consistent with Ge et al. (2009: 233), there is a positive relation between network intensity and resource acquisition

capability. Firms that closely work within the network can improve their resource acquisition capability by using contacts for more resources. Moreover, using data from China, Junwei et al. (2007: 135) found that state-owned enterprises have more advantages in using their connection with public agencies, leading to a better social status than non-SOEs have. Social capital also has a positive effect on knowledge transfer or the learning organization (Sorama, et al., 2004; Lakpetch, 2009). These arguments show the robust link between social capital and organizational resources.

Proposition 4: Social capital has a positive effect on organizational resources.

3.5 Social Capital and Organizational Performance

Several studies have shown that social capital is important for organizational capacity. Social capital theory explores the benefits and costs derived from social ties and relationships. Using the resource-based view, resource dependence theory, network theories, and goal attainment approach, Sherman (2007: 2) surveyed data from 228 entrepreneurial social sector organizations to examine the factors that encourage growth and organizational performance. He found that the findings highlighted the importance of social capital in achieving high levels of organizational performance in the social sector. Nevertheless, social enterprises are different from commercial firm in the sense that financial capacity is not an ultimate goal. In this study it is suggested that organizational effectiveness, growth, and sustainability should be considered.

Social capital directly impacts organizational performance, growth, and effectiveness (Sherman, 2007; Smerek & Denison; 2007; Cheng, et al., 2007; Chisholm & Nielsen, 2009; Fatoki, 2011; Gupta et al., 2011; Roxas & Chadee, 2011; Bratkovic et al., 2009; Fatoki, 2011). This empirical evidence shows the positive correlations among the firm's social capital, entrepreneurial orientation, and performance. Moreover, firm growth can be influenced by the strategic utilization of the entrepreneur's resource-based social capital.

In addition, as organizational performance is also reflected by the strategies and processes of leveraging knowledge, a network provides crucial information to support its members' success. Lakpetch (2009) suggests that the complementarities in terms of strategic and resource alignment between partners are key antecedent factors which have an effect contributing to knowledge transfers. From all of the above arguments the contribution of social capital to organizational performance can be seen.

Proposition 5: Social capital has a positive effect on organizational performance.

3.6 Organizational Resources and Organizational Performance

According to RBV, resource acquisition is an important point because resources with value, rareness, inimitableness, and non-substitutability can create competitive advantages and have a great effect on organizational performance. The resource-based approach focuses on the features of resources and strategies for organizational survival and long-term performance (Barney, 1991). Resources and capabilities are seen as sources of superior firm performance.

Jayatilaka et al. (2002) described the resource-based view as focusing on the resources for competitiveness while resource dependence theory focuses on the relationship between the task environment and resources. The resource-based view is related to how a competitive advantage. Resource dependence on the other hand focuses on how a firm manages its dependence on the environment as a result of insufficient internal resources (Klangboonkrong, 2011)

In this study, organizational resources are portrayed as including acquisition, uniqueness, and utilization. Organizational uniqueness means the specialty of resources that are difficult to find in other places, including more expertise than other organizations in the same industry, information needed by others, difficulty in imitating the organization's procedures, and employees' competencies. Resource acquisition is the ability to acquire all important resources, both tangible and intangible. Certain items should be identified, such as the ability to raise sufficient funds to accomplish the mission, sources of revenue, volunteering, and

information from the network. Utilization is the ability of organizations to use resources with effective work, reducing transactional costs, and profit delivering for a better society.

However, the contribution of resources depends upon their utilization. Tvorik and McGivern's research suggests that the firm capability aligning resources mobilizes the firm through the creation of a shared vision, and these symbiotic relationships help the firm to pursue innovation with the expectations of increasing competitive advantage (Tvorik & McGivern,1997: 428). Social enterprises are forced to revise organizational strategies not only in how they acquire their assets but how they utilize and maintain them for a competitive advantage as well, thus improving organizational performance (Bhatti et al., 2011: 2847). The study of small and medium-sized firms by Ge et al. (2009: 233) found that both resource acquisition capability and resource acquisition outcomes have a positive impact on performance. Therefore, resources are key factors affecting organizational performance.

Proposition 6: Organizational resources have a positive effect on organizational performance.

Figure 1 shows the model of the relationships among social entrepreneurship, social capital, organizational resources, and organizational performance of social enterprises.

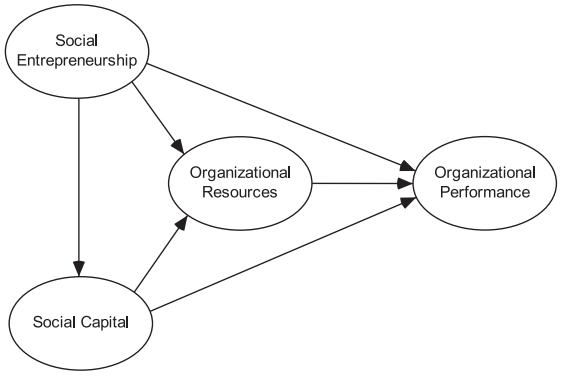

Figure 1. A Proposed Model

4. Application of the Model and Conclusion

The implications of this article provide a basis for a theoretical model for increasing organizational resources and their performance. The proposed model will fit social enterprise or nonprofit organizations, whose resources are very significant for their survival. At the theoretical level, combining the resource-based view and resource dependence theory is better for explaining organizational resources than using only one theory. Both theories can also be integrated by taking advantage of their similarities and differences for powerful clarification of organizational performance. When taken together, the theories suggest that organizational resources, which include acquisition, uniqueness, and utilization, are essential for the competency of the social enterprise. An integrated model is also proposed for providing a holistic view of the social enterprise's performance in the relationship between social entrepreneurship and social capital regarding organizational resources. At the practical level, the study suggests a comprehensive model for organizational decision making in the future to concentrate on and invest in resources and competencies.

In terms of policy recommendations, social enterprise is an interesting kind of organization. It can earn income while tackling social issues. In order to create social capital among social enterprises, public policy could encourage and support cooperation and networks. Financial support may directly carry through the form of purchaser-provider splits. Laws and regulations that support social enterprises would be launched and revised. Funds or loans with low interest as well as tax privileges should be established, and start-up or seed money for program development should be provided. In Thailand, the Thai Social Enterprise Office (TSEO) was established in 2011. The TSEO's priority is to stimulate cooperation among social enterprises and to develop their networks in Thailand. However, the perception of people has been limited. The investment in enhancing charity and private organizations for them to become social enterprises involves new public management that is linked to a scaling down of the public sector transferring public sector mission to private enterprises.

Additionally, the theories when integrated suggest that social enterprises have to focus on key factors as follows.

1) Social capital has a direct effect on organizational resources. In Thailand, the influence of the relationship is very important. Through networks, social enterprises need to engage with the environment, for example, through associations and public agencies. Creating social trust through formal and informal channels drives reliability. Further, the public sector still plays a chief role nowadays, so, engaging public agencies is important.

2) Social entrepreneurship is an active behavior that social enterprises should recognize. In order to sustain organizational resources, social enterprises should try new processes and management methods, as well as launch new products which are different to the existing ones. Taking initiative by anticipating new opportunities is part of the proactive characteristics for success. In order to adopt earned income opportunities, social entrepreneurs should behave like business entrepreneurs. These characteristics will help them generate funding, and nonfinancial aspects, such as knowledge and volunteers.

3) The organizational resource factor directly affects organization performance. Based on the resource-based view and resource dependent theories, in this study organizational resources were portrayed in terms of resource acquisition, uniqueness, and utilization. While previous studies have concentrated on the characteristics of resources, this study also focuses on both characteristics and utilization, which will demonstrate the real benefits of resources.

4) Nonprofit organizations might transform themselves into social enterprises by engaging in commercial activities while providing social value, Other kinds of organizations can adopt social entrepreneurship and the social capital concept as well.

The model developed in this study was derived from reviewing the main sources of resources and their effect on organizational performance. The findings suggest that organizational resources are directly influenced by social entrepreneurship and social capital. The organizational resources variable

was characterized as including uniqueness, acquisition, and utilization. Social entrepreneurship, social capital, and organizational resources were viewed as direct determinants of organizational performance as well. Then, a theoretical model, which showed the structural relation between social entrepreneurship, social capital, organizational resources, and organizational performance, was proposed. The integration of RBV and RDT may fill the gap in these theories and explain the results in relation to resources and organizational performance effectively. This, in turn, may help scholars and social entrepreneurs understand the conditions necessary to respond to constrained environments.

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