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Article

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MANAGEMENT | RESEARCH ARTICLE

The effect of knowledge absorptive capacity on social ventures' performance

Youngkeun Choi^{1*}, Sug-in Chang² and Sung-Jun Youn³

Abstract: This study explores the complementary role of acquisition/assimilation and transformation/exploitation in the absorptive capacity in the perspective of knowledge absorptive capacity. For this, depending on human capital and resource-based view, this study pays attention to the interaction effect of social entrepreneurs' prior experiences and the partnership types of their social ventures on their social ventures' performance. In the Korean context, social enterprises have another function to provide jobs and increase employment rates in a time of low economic growth and economic inequality. Given this situation, it is necessary that researchers investigate what human capitals of social entrepreneurs are helpful to obtain better social and commercial performance and what types of the partnership may have moderating effects on the relationship between the human capitals of social entrepreneurs and the social and commercial performance of social ventures. In the results, first, social entrepreneurs' prior social experience is positively related to the social performance of their social ventures. Second, social entrepreneurs' prior commercial experience is positively related to the commercial performance of their social ventures. Third, partnerships with non-profit organizations enhance the positive relationship between social entrepreneurs' prior social experience and their social venture's social performance. Finally, partnerships with for-profit

ABOUT THE AUTHOR

Youngkeun Choi has published peer-reviewed articles in the areas of social entrepreneurship, organizational management, strategy. He has conducted assessments and empirical analysis with employees. The information in the current perspective article is important for social entrepreneurship and innovation. Social entrepreneurs' human capitals affect their firm performance with the interaction of specific human capital.

PUBLIC INTEREST STATEMENT

A social venture is built upon the founding efforts of entrepreneurs who first design the innovative idea of resolving a social problem that cannot be eradicated with governmental help or market intervention. This study examines the influences of social entrepreneurs' characteristics and the partnership types of their social venture on their firm performance. In the results, first, the prior social experience of social entrepreneurs is positively related to the social performance of their social ventures. Second, the prior commercial experience of social entrepreneurs is positively related to the commercial performance of their social ventures. Third, partnerships with non-profit organizations enhance the positive relationship between social entrepreneurs' prior social experience and their social venture's social performance.

Finally, partnerships with for-profit organizations enhance the positive relationship between social entrepreneurs' prior commercial experience and their social venture's commercial performance.

organizations enhance the positive relationship between social entrepreneurs' prior commercial experience and their social venture's commercial performance.

Subjects: Statistics for Social Sciences; Social Work; Sociology & Social Policy; Business, Management and Accounting

Keywords: social venture; knowledge absorptive capacity; human capital theory; resource-based view

1. Introduction

Over the years of economic crisis, social ventures have arisen as a more resilient business model, as they show lower mortality rates and higher capacity to keep the employment compared to the average of firms' population (Pérotin, 2004). Social ventures play a very important role in terms of jobs creation and keeping in times of crisis. Due to that reality, it can be interesting to analyze and determine the dynamic capabilities that are a source of sustainable competitive advantage for social business. The dynamic capabilities can create shared value for the organization and its customers (both internal and external). Social ventures are agents for change aimed at creating social value in addition to commercial value in a sustainable way which involves following a continuous process of innovation, adaptation, and learning. They do so with the highest transparency and reporting levels to their stakeholders (Defourny & Nyssens, 2012).

Laville and Nyssens (2001) point to a number of social and economic criteria to be made compatible in social ventures. Among social criteria, they find; social ventures are the result of the local initiatives of citizen groups (civil society); the ability to make decisions is not based on equity, instead it is based on democratic management principles; such participative dynamic actively involves all the stakeholders (workers, partners, customers); there is a limitation in the firm's profit distribution (they refuse the principle of profit maximization); and they have the specific goal of serving local community. Among commercial criteria, they highlight; a continuous production of goods and/or services; independence from politic power, and private lobbies; these companies are economic risk-takers; and in their staff, we can find a remarkable level of paid employment.

On the other hand, knowledge management is a strategic tool to create value in the organizations (Zollo & Winter, 2002), in the sense that, through it, organizations are able to attain the best allocation of external resources (Giuliani, 2007). One of the key issues in knowledge management is knowledge absorptive capacity (KAC), something that can be also determinant in the case of social venture as most of them are small-midium enterprises with troubles to fund their investment projects. Furthermore, social business have to deal with the complementarity dilemma between social value and commercial value (Bagnoli & Megali, 2011).

Several studies have analyzed absorptive capacity as a firm's knowledge stock, that is, from the content point of view, usually linked to R&D. However, more recent studies associate it to organizational internal processes (Lane et al., 2006). Such research differentiates between potential and realized absorptive capacity (S.A. Zahra & George, 2002). The first one has to do with external knowledge and represents all those capabilities that firms develop to acquire knowledge, not always related to innovation. The second one focuses on knowledge transformation and exploitation capabilities and is associated with the ability to develop products and services from the stock of knowledge. Both are necessary to better organizational performance (Jansen et al., 2005). By means of this double approach, it is possible to analyze how absorptive capacity contributes to create value in firms. It is not only a simple knowledge content (measured through R&D variables) and as internal processes related to the development of dynamic capabilities (I. Cepeda-Carrión et al., 2016).

In this perspective, this study explores the complementary role of acquisition/assimilation and transformation/exploitation in the absorptive capacity. Therefore, depending on human capital and RBV, this study pay its attention to the interaction of prior experiences of social entrepreneurs and the partnership types of their social venture.

2. Theoretical background and hypothesis development

2.1. Knowledge absorptive capacity

Initially, Cohen and Levinthal (1990), conceptualized knowledge absorptive capacity (KAC), focusing on two key aspects: externally generated knowledge assimilation and exploitation. S.A. Zahra and George (2002) review such definition by adding two other essential aspects: internal knowledge sharing and integration, so that, absorptive capacity relates to a set of organizational routines and strategic processes through which organizations acquire, assimilate, transform and exploit external knowledge to create organizational dynamic capabilities. From this approach, S.A. Zahra and George (2002) modify the original model from Cohen and Levinthal (1990) based on three key dimensions (acquisition, assimilation and exploitation or application) by adding the fourth dimension: knowledge transformation capacity. Subsequent studies (Camisón & Forés, 2010) collect and justify such fourth dimension, as they develop KAC from a dynamic or process approach (Camisón & Forés, 2011).

Several studies recognize that KAC is not an end by itself; on contrary, it is a mean to attain organizational performance (Camisón & Forés, 2011). In this sense, Fiol (1996) points that organizations' potential to generate performance depends on their previous knowledge accumulation, which, in turn, allows organizations to generate value. First studies on absorptive capacity focused on organizational innovation and R&D capacity as a path to create organizational value (Cohen & Levinthal, 1990). Subsequent studies extend the analysis to other internal factors such as: organizational culture, organizational structure and design (G. Cepeda-Carrión et al., 2012), information management systems (Camisón et al., 2009), new products development (Stock et al., 2001), new organizational practices (Lenox & King, 2004), growth processes (Barkema & Nadolska, 2003), strategies (Lane et al., 2006), quality management (Martínez Costa & Jiménez, 2008), human resources motivation (Minbaeva, 2005) and financial resources (Kamien & Zang, 2000), among others. Some others also include capacities developed from external factors such as: degree of environmental turbulence (Liao et al., 2003), degree of competitiveness of the environment (Lev et al., 2009), cultural diversity (Lane et al., 2019), geographical distance (Szulansky, 1996) and participation in integration processes as industrial clusters (Camisón & Forés, 2011), mergers (S.A. Zahra & George, 2002) and cooperation partnerships (S.A. Zahra & George, 2002), among others. S. A. Zahra and George (2002) review the definition of KAC given by Cohen and Levinthal (1990), decomposing this concept into two components: potential absorptive capacity, which at the same time includes external knowledge acquisition and assimilation, and realized absorptive capacity, which includes external knowledge transformation and exploitation. As a consequence, they define the concept as “a set of organizational routines and strategic processes through which companies acquire, assimilate, transform and exploit knowledge with the purpose of creating value”, structuring such concept in four different dimensions: acquisition, assimilation, transformation and exploitation.

Acquisition capacity or value recognition consists of identifying and acquiring external knowledge by the organization, and it is possible to attain it by means of attributes as the intensity, speed and direction of the organization's efforts (S.A. Zahra & George, 2002). Assimilation capacity consists of understanding the acquired external knowledge to turn it into organizational routines. In this process, the interpretation and comprehension of the knowledge by the organization members plays an essential role (S.A. Zahra & George, 2002; Szulansky, 1996). Transformation capacity, added by S.A. Zahra and George (2002), links the dimensions assimilation and exploitation and consists of turning the external knowledge into organizational routines to apply knowledge through its adaptation to reality and organizational necessities (S.A. Zahra & George, 2002).

Finally, exploitation or application capacity refers to using the absorbed knowledge with commercial purposes (Lane & Lubatkin, 1998), so that by means of it, the organization can incorporate the new acquired knowledge to improve, develop and expand routines, processes and pre-existent knowledge which, in turn, allows the creation of new capabilities and operations in the organization (S.A. Zahra & George, 2002).

Potential absorptive capacity serves to be receptive to external knowledge, and in this way, to internalize it into the organization. So, this knowledge perception includes both dimensions: acquisition and assimilation. On the other hand, realized absorptive capacity focuses on new knowledge transformation and exploitation with the purpose of incorporating it to organizational processes and operations. These two components perform different but complementary roles. Some organizations can develop capabilities to acquire and assimilate new knowledge. But, if they cannot transform and exploit it, they will not take advantage of it. As a result they will not create any kind of value from this knowledge. Therefore, the complementarity between potential and realized absorptive capacity makes them essential as dynamic capabilities, as they allow to obtain new organizational capabilities (Teece et al., 1997). In the present study, we focus on dynamic capabilities related to knowledge management, leaving a part of the other two types of dynamic capabilities: networking and innovation.

Accordingly, due to the abovementioned complementarity, it is necessary to determine the relationship between both components that (S.A. Zahra & George, 2002) name “effectiveness factor”. Such factor allows to demonstrate why some companies are more effective than others regarding their external KAC. So, firms with more potential absorptive capacity are more prone to obtain sustainable competitive advantages, as they show more flexibility to reconfigure their resources and develop capacities at low cost and using a short period of time. Whereas, firms with more realized absorptive capacity tend to achieve sustainable competitive advantages by means of new products and processes development (Leal-Rodríguez et al., 2014).

The existing literature has analyzed organizational value creation from two different approaches (I. Cepeda-Carrión et al., 2016): customers’ approach and firm’s approach. Customers’ approach focuses on value perception for internal and external customers, whereas firm’s approach does it from the point of view of the organization and its capacity to create and capture value (Martelo Landroguéz et al., 2013). Both approaches are interrelated through knowledge management, and more specifically, through KAC (Lane et al., 2006).

Resource-based view (RBV) and its current version, the dynamic capabilities theory consider dynamic capabilities a key factor in creating organizational value (Teece et al., 1997). From this point of view, organizations, besides being able to create value for their external and internal customers, must also be able to make them perceive this value and capture and retain it for the organization while absorbing the external knowledge (Mocciaro & Battista, 2005). To take advantage of knowledge, firms need to know how to create, share and use it inside the organization, so that knowledge management becomes a key capability to create value for customers (Grant, 1996). Having valuable and rare capabilities is not enough by itself to create value; furthermore, the organizations must manage them in an effective way (Sirmon et al., 2007). Meyskens et al. (2010) apply resource-based lens to the context of social entrepreneurship pointing out the existence of a positive relationship between innovativeness and SV creation. On the other hand, SHV can be defined as the policies and operating practices that enhance a company’s competitiveness while simultaneously advancing the economic and social conditions in the communities in which it operates (Porter & Kramer, 2011). Hence, we consider SHV as the combination of economic and social value which seems to fit SEs’ reality. EV creation is being understood as the firm’s ability to generate value for customers, managers and members who can provide it some type of competitive advantage in relation with its main competitors, while SV creation are the net benefits (benefits less harm caused) that the firm provides to society and environment.

Previous studies have tried to measure SEs' performance, reporting difficulties to measure social performance and also pointing to knowledge and organizational learning as important antecedents of SEs' performance (Spear et al., 2009). However, no previous empirical studies are analyzing the influence of KAC on value creation in SEs, our research being a pioneer in that sense. In fact, our research proposal involves going beyond performance to better the measurement of SEs' outcomes.

2.2. Social entrepreneur's human capital and firm performance

Potential absorptive capacity serves to be receptive to external knowledge, and in this way, to internalize it into the organization. S.A. Zahra and George (2002) review the definition of KAC given by Cohen and Levinthal (1990), decomposing this concept into two components: potential absorptive capacity, which at the same time includes external knowledge acquisition and assimilation, and realized absorptive capacity, which includes external knowledge transformation and exploitation. So, this knowledge perception includes both dimensions: acquisition and assimilation. In this perspective, human capital represents the knowledge and skills that individuals bring to an organization (D. P. Dimov & Shepherd, 2005). It is developed through education and previous experience and thus contributes to the firm's explicit and tacit knowledge. The fundamental argument of human capital theory is that the better the firm's human capital, the better the firm's performance in particular tasks (D. P. Dimov & Shepherd, 2005). Specifically, individuals' knowledge and experience increase their cognitive abilities, leading to more productive and efficient activities (Davidsson & Honig, 2003). Therefore, entrepreneurs with greater or higher quality of human capital can better perceive and exploit new value creation opportunities. Entrepreneurship research has supported the positive effect of human capital on entrepreneurial outcomes, such as the start of entrepreneurship or self-employment, new venture formation, and new venture growth and survival (Davidsson & Honig, 2003; D. P. Dimov & Shepherd, 2005).

The human capital literature distinguishes between general human capital, typically acquired through formal education and overall life experience, and specific human capital obtained via experience specific to a particular activity or context (Becker, 1975; Estrin et al., 2016). Research efforts have mainly focused on how general human capital, including age, education, and years of work experience affect organizational outcomes. According to the literature, general human capital encourages motivation to engage in start-up activities (Davidsson & Honig, 2003; Estrin et al., 2016) and increases the likelihood of fund-raising success (Gimmon & Levie, 2010), venture performance (Beckman & Burton, 2008; Davidsson & Honig, 2003), and venture survival (Gimeno et al., 1997).

However, recent arguments suggest that specific human capital, which is more closely related to creating value in a specific venture context but limited in its applicability across multiple industries, is likely a more proximal predictor of venture outcomes (Dimov, 2010). Specific human capital represents the degree of similarity between a new venture and the organization where the entrepreneur had previously worked (Gimeno et al., 1997). Specific human capital accrued through task-specific experiences helps entrepreneurs select knowledge more relevant to the firm's success, especially in cases where experience is both firm and industry specific (Kor, 2003). For the dualistic nature of social ventures, this study investigates two founders' human capital: prior commercial experience and prior social experience. These are associated with the venture's goal of social mission and of profit generation, respectively.

Dees (1998) posited that a social mission forms the key distinction between social ventures and traditional ventures. Impact investors regard social ventures' mission, social entrepreneurs' authenticity and passion for social change, and ethical orientation as critical assessment factors in addition to dimensions related to entrepreneurial and commercial activities (Miller, Grimes, McMullen, & Vogus, 2012). Social experience refers to an entrepreneur's previous work experience in government ministries or government agencies, or enterprises with a social aim, and of starting

and managing an enterprise with the intention to make a social impact (Scarlata et al., 2016). By engaging in activities in such organizations, individuals can form role identities as social activists and accumulate relevant knowledge on solving societal problems and applying these solutions across multiple contexts. Thus, an entrepreneur's social experience can improve the credibility of the social venture as it can enhance the venture's ability to address its social mission.

The distinctive features of an entrepreneur's knowledge and expertise can make the difference in social ventures' primary goals and orientation. Wry and York (2017) suggested that the entrepreneur's role identity associated with knowledge and competencies in a particular domain likely determines the social venture's approach to address its social mission. For instance, entrepreneurs with knowledge and competencies in social welfare areas tend to seek the maximization of social impact in opportunity development. These entrepreneurs are less likely to lose sight of their purpose and values in the quest for organizational efficiency (Ebrahim et al., 2014). Thus, an entrepreneur's social experience can affect the venture's credibility in its support of social mission and consequently affect the venture's chances of acquire funding from impact investors. Considering the mission-oriented nature of social ventures, this study suggests that social entrepreneurs' prior social experience might increase the contributions to the their social venture's social performance.

H1: Prior social experience of social entrepreneurs is positively related to the social performance of their social ventures.

Even though social and traditional entrepreneurs differ in their ultimate goals and ways of creating value, they both need to acquire external resources in their organizations' early operation to move into the next step (Estrin et al., 2016). In particular, like commercial ventures, early-stage social ventures must acquire seed capital from external investors to create viable product or service (D. Dimov & Murray, 2008) as most entrepreneurs lack sufficient capital to finance projects in general (Gompers & Lerner, 1999). The external financing of seed capital reduces business circumstances' uncertainty and offers advantages where professional investors provide guidance and advice to new ventures (D. Dimov & Murray, 2008; Gompers & Lerner, 1999). Therefore, one of a social venture's entrepreneurs' primary duties is to attract financial resources from external investors.

Typical funding sources for early-stage social ventures are impact investors include social venture capitalists (SVCs), philanthropic venture capitalists (PhVC), and fellowship foundations (Nicholls, 2006). These funding organizations aim to create social wealth by financially and strategically supporting organizations pursue social changes. The funding decision rules of impact investors are unique because of the dual goal and identity of organizations they support (Miller et al., 2010). For instance, assessment factors of SVCs include attributes unique to social ventures such as social mission, an entrepreneur's passion for social change, and community-based networks. In addition to these attributes, SVCs also importantly consider entrepreneurial and commercial attributes such as business experience, innovation capabilities, and educational prestige (Miller et al., 2010). Research provides empirical evidence that the greater the entrepreneur's management experience is, the less likely SVCs evaluate the venture as uncertain (Miller et al., 2010). Scholars also found that SVCs tend to put much weight on entrepreneurial and commercial attributes in decisions on social ventures to support (Miller et al., 2010; Scarlata & Alemany, 2009; Scarlata et al., 2016). These findings imply that impact investors select social ventures that can be economically sustainable, because only economically sustainable social ventures can grow and survive and, consequently, create the intended social impact (Scarlata & Alemany, 2009).

Past research provided both theoretical support and empirical evidence that entrepreneurs' human capital conveys an important signal for ventures' future performance (Hsu, 2007). To

enhance a social venture's commercial performance, entrepreneurs' previous commercial experience would be importantly considered. Therefore, this study proposes that social entrepreneurs' prior commercial experience might increase the contributions to the their social venture's commercial performance.

H2: Prior commercial experience of social entrepreneurs is positively related to the commercial performance of their social ventures.

On the other hand, realized absorptive capacity focuses on new knowledge transformation and exploitation to incorporate it to organizational processes and operations. Some organizations can develop capabilities to acquire and assimilate new knowledge. But, if they cannot transform and exploit it, they will not take advantage of it. As a result they will not create any kind of value from this knowledge. These two components, which are acquisition/assimilation and transformation/exploitation perform different but complementary roles. In this perspective, the resource-based view (RBV) traditionally emphasizes internal sources of competitive advantage gained through heterogeneous resources (Barney, 1991). When taking on new ventures, firms leverage existing resources to obtain additional resources (Greene et al., 1999) and create new capabilities (Stopford & Baden-Fuller, 1994). Partnerships, or strategic alliances, may provide adequate resource conditions and strategies in which social enterprises can develop and contribute to competitive advantage (Teng, 2007). Previous studies have focused on how entrepreneurial ventures (Jack, 2010) and nonprofit organizations (Galaskiewicz et al., 2006) utilize partnerships or networks of partnerships to reach their goals.

As suggested, these two components, acquisition/assimilation and transformation/exploitation perform different but complementary roles. In this perspective, this study explores the complementary role of acquisition/assimilation and transformation/exploitation in the absorptive capacity. Therefore, depending on human capital and RBV, this study pay its attention to the interaction of prior experiences of social entrepreneurs and the partnership types of their social venture.

Social enterprise partnerships involve two or more organizations from the same or distinct sectors (Meyskens, Carsrud and Cardozo, 2010). Primary actors from the non-profit and for-profit sectors may be involved in social enterprise partnerships. The non-profit sector includes individual beneficiaries and citizens, and nongovernmental organizations like religious entities, foundations, community organizations and social service organizations, each of which may represent various social interests (Fox et al., 2005). The primary goal of the non-profit sector is to provide social value. In the non-profit, profits are not distributed among those with an ownership interest (Maase et al., 2010). Entities from other sectors may partner with each other and with non-profit sector organizations to reach their goals.

When the social ventures with the prior social experience of their entrepreneurs make the partnerships with non-profit organizations, they are more likely not only to identify external knowledge and understand the acquired external knowledge by prior social experience of their entrepreneurs, but also to turn the external knowledge into organizational routines and use the absorbed knowledge with their social purposes than any others. Therefore, this study proposes that the partnerships with non-profit organizations might increase the relationship between social entrepreneurs' prior social experience and the their social venture's social performance.

H3: The partnerships with non-profit organizations enhance the positive relationship between social entrepreneurs' prior social experience and the their social venture's social performance.

The private or corporate sector includes corporations or businesses whose primary goal is to maximize economic returns. Organizations from this sector provide resources and knowhow and

create employment opportunities, distributing profits to owners or stakeholders (Maase et al., 2010). The social sector operates outside the market and apart from the state. It encompasses all aspects of society other than the public and private sectors. The social sector may also be referred to as the nonprofit, civil, or third sector (Drayton, 2002). It is often involved in enterprises where the public and private sectors have failed to address social problems adequately.

When the social ventures with the prior commercial experience of their entrepreneurs make the partnerships with for-profit organizations, they are more likely not only to identify external knowledge and understand the acquired external knowledge by prior social experience of their entrepreneurs, but also to turn the external knowledge into organizational routines and use the absorbed knowledge with their commercial purposes than any others. Therefore, this study proposes that the partnerships with for-profit organizations might increase the relationship between social entrepreneurs' prior commercial experience and the their social venture's commercial performance.

H4: The partnerships with for-profit organizations enhance the positive relationship between social entrepreneurs' prior commercial experience and the their social venture's commercial performance.

3. Methodology

3.1. Sample

This study includes all of social ventures certified by the Ministry of Employment and Labor in Korea as social ventures from 2007 to 2010. The Ministry of Employment and Labor certifies social ventures by considering both social value creation and commercial sustainability. The certification condition of social value creation has two elements: job creation, which applies if a firm employs more than 50% of its total employees from a socially disadvantaged class; providing social services, which applies if a firm provides more than 50% of its services for socially disadvantaged class. And the certification condition of commercial sustainability is that the total revenue for six months before the application for certification should be more than 30% of labour expenses for the same period.

3.2. Data

Data was collected by survey. The list of social enterprises was taken from the public website of the Korean Social Enterprise Promotion Agency (KSEPA, <http://www.socialenterprise.or.kr>). This list includes titles, contact information, phone numbers, and addresses for all of the 565 firms. Since the Korean Ministry of Employment and Labor established KSEPA to provide efficient monitoring of certified enterprises, its list of certified social enterprises is taken to be comprehensive. We surveyed from October to November 2020. We regarded CEO (Chief Executive Officer) as the representative of social venture. Initial attempts were made to contact representatives of all 565 certified social enterprises by telephone. The research's purpose and implications were explained, and the representatives were asked to participate in the survey. However, 45 firms refused to participate due to lack of time or based on company policy, and 3 other firms were in the process of closing. As a result, questionnaires were sent to 517 firms by mail, e-mail, fax, or the Google Drive Form system. In total, 88 responses were received, but 16 were excluded from the statistical analysis due to incompleteness. Thus, the final response rate was 17%.

3.3. Measurement

3.3.1. Dependent variable

Social venture's performance. The performance of social enterprises was measured by subjective performance of social and commercial performance. Objective performance was not used because social enterprises are not obligated to report objective performance in accordance with accounting

principles, so data that can measure objective performance cannot be obtained. Relevant government ministries are reporting performance because they have to certify and manage social enterprises, but these data could not be obtained from them. This study attempted to directly ask managers and managers about objective performance through a survey, but it was not possible to use it because it was difficult to view as accurate data. As Narver and Slater (1990) used, commercial performance was measured by asking rival companies about their relative return on assets. On the other hand, social performance asked managers' perception of overall social performance. The questions asked were whether they specifically set social goals and corporate social responsibility, whether they have a performance management system for those goals, and whether they are actually performing the activities well. These three items are intended to measure one concept of social performance, so the averaged values afterwards were considered social performance.

3.3.2. *Independent variables*

Prior social experience. social experience indicates prior work experience in organizations with a primary social aim. Social experiences include a founder's prior work experience in SVCs or PhVCs, senior management experience at organizations with a social aim, government or government agencies, and founding experience or work experience at a venture with a social aim, and other work experience at organizations with a primary social aim (adapted from Scarlata et al., 2016). Senior management experience indicates work experience as CEO, COO, CSO, and CFO in organizations with a social aim, where the focal individual is not a founder. Government experience indicates work experience in a government branch or for international governmental organizations aimed at promoting economic development and social progress. The sum of months that spent on each experience was measured.

Prior commercial experience. A founders' prior commercial experience was conceptualized as a founder's work experience at commercial companies (Beckman & Burton, 2008; Scarlata et al., 2016). It included a founder's occupational experience at venture capital (VC) firms, financial experience, senior management experience, consulting experience, entrepreneurial experience as a founder and an employee of a startup, and other work experience at commercially motivated firms (adapted from Scarlata et al., 2016). VC experience indicated core founders' prior experience of working in a traditional venture capital. Financial experience includes investment banking, options trading, commercial banking, and mutual fund portfolio management (Scarlata et al., 2016). Senior management experience includes work experience as CEO, COO, CSO, and CFO in companies where the focal individual is not a founder. The sum of months that spent on each experience was measured.

3.3.3. *Moderating variables*

Partnership with non-profit firms or for profit firms. Partnership variables were measured based on the target and nature of the partnership. The target of the partnership means to what extent the involved institutions support the focal social enterprise. Thus, the degree of support provided by non-profit firms and for-profit firms, and was measured on a 5-point Likert scale. In this survey, the nature of all relationships between target institutions and organizations was evaluated according to the methods of Stam and Elfring (2008).

3.3.4. *Control variables*

This study's control variables were firm age, time of certification, firm size, and industry characteristics variables. **Firm age.** This study included the period from founding to the time of the survey of each firm. It controls for differences resulting from variations in the developmental stage of the social ventures. It was measured in months. **Time of certification.** This study included the period from certification to the time of the survey of each firm. Certification may provide an essential initial resource to a social venture, but the extent of support or the relationship with the target partner may also change over time. The social venture's evaluation could result in changes after more objective and critical criteria have been developed. It was measured in months. **Firm size.**

Firm size was used to account for the greater resources and choices available to larger firms with a greater ability as well as potential scale advantages. It was measured in sales amount. This study measured it at the time of survey. **Industry characteristics.** The industries in which the social ventures were conducted were treated as dummy variables. Industries were classified into three types. First, ventures in social welfare industries were grouped together. The maturity of their industries also distinguished most social ventures operating in the social welfare sphere. These not-for-profit social welfare organizations provided specialized services such as nursing or caring for the underprivileged or injured. This is different from other industries that provide services or products. Second, the remaining social ventures were classified according to the services or products they provided. Consequently, three industry dummy variables were utilized in this study: one for social welfare industries, one for service industries, and the last for product-related industries.

3.4. Method of analysis

This study used multiple regression analysis. In statistics, regression analysis is an analysis method in which a model between two variables is obtained for observed continuous variables and then the goodness of fit is measured. Regression analysis can be used for statistical predictions such as data changing over time, certain influences, hypothetical experiments, and causal modeling. The purpose of this study is to the interaction effect of prior experiences of social entrepreneurs and the partnership types of their social ventures on their social ventures' performance. Therefore, in this study, multiple regression analysis is appropriate to investigate the causal relationship between the experience of entrepreneurs and the type of partnership of their social venture and the performance of their social venture.

4. Results

4.1. Descriptive statistics and correlations

The features of the sample are described as follows. Some firms were newly founded. Firms <10 years old made up 85.9% of the sample and those <3 years old accounted for 54.7%. Most firms (92.2%) were small or middle sized (>50 employees). The social ventures observed in this study shared many features with newly founded firms. [Table 1](#) shows correlations between variables. In the analysis of the control variables, firm age has negative effect on social performance. In the independents, prior social experience positively affects social performance, while prior commercial experience has a positive effect on commercial performance. In the moderators, partnership with non-profit firms positively affects social performance, while partnership with for-profit firms has a positive effect on commercial performance.

4.2. Analysis

In order to test hypotheses 1, 3, and 5, a series of multiple regression analyses was conducted. Model 1 in [Table 2](#) shows that among control variables, firm age were significantly associated with social performance. It means that the younger a social venture is, the better social performance it makes. As independent variables, prior social experience was associated with social performance. It means that the more prior social experience social entrepreneurs have, the better social performance their social ventures show. Model 3 in [Table 2](#) shows that partnership with non-profit firms moderates the effect of prior social experience on social performance. When social ventures with prior social experience make the partnership of their entrepreneurs with non-profit firms, the better social performance their social ventures show than others.

In order to test hypotheses 2 and 4, a series of multiple regression analyses was conducted. Model 1 in [Table 3](#) shows that firm age was significantly associated with commercial performance among control variables. It means that the younger a social venture is, the better commercial performance it makes. As independent variables, prior commercial experience was associated with commercial performance. It means that the more prior commercial experience social entrepreneurs have, the better commercial performance their social ventures show. Model 3 in [Table 2](#) shows that

Table 1. Descriptive statistics and correlations

	Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1	Firm age	5.38	4.76											
2	Time of certification	1.81	.354**											
3	Firm size	25.06	19.94	.012	.164									
4														
	Manufacturing	.32	1.00	-.126	-.087									
5	Service	.53	.50	.034	-.043	-.145	-.339**							
6	Well-fare	.23	.42	.046	.222 ⁺	.326**	-.174**	-.583**						
7	Prior social													
	experience	.65	.21	-.110	.121	.051	-.110	.011						
8	Prior commercial													
	experience	.42	1.12	-.063	.121	.011	.121	-.026	-.122**					
9	Partnership with non-profit firms		3.34	1.03	.181	-.023	.018	.192	-.018	-.190	.101	.112		
10	Partnership with for-profit firms		1.98	2.21	-.128	-.118	-.110	.126	.018	-.101	.005	-.123	.201	
11	Social performance	2.12	1.42	-.190	.196	-.021	-.080	.024	.122**	.017	.001**	.017		
12	Commercial performance	2.01	1.25	-.109	.112	-.012	-.023	.011	.110	.008**	.018	.009**	.110	

* p < .05, ** p < .01

Table 2. Results 1

	Model 1	Model 2	Model 3
Control			
Firm age	-.162 *	-.135 *	-.118 *
Time of certification	-.053	-.044	-.018
Firm size	.042	.035	.022
Manufacturing	.140	.137	.124
Service	.167	.142	.123
Well-fare(reference)			
Independent variable			
Prior social experience	.242 **	.204 **	.191 **
Moderator			
Partnership with non-profit firms		.053 **	.036 **
Interaction			
Prior social experience * Partnership with non-profit firms			.101 *
Adj. R ²	.188	.222	.272
F	6.234**	8.420**	9.212**

* p < .05, ** p < .01

Table 3. Results 2

	Model 1	Model 2	Model 3
Control			
Firm age	-.022 *	-.019 *	-.012 *
Time of certification	-.063	-.054	-.039
Firm size	.041	.030	.022
Manufacturing	.132	.120	.114
Service	.117	.112	.100
Well-fare(reference)			
Independent variable			
Prior commercial experience	.312 **	.284 **	.161 **
Moderator			
Partnership with for-profit firms		.083 **	.042 **
Interaction			
Prior commercial experience * Partnership with for-profit firms			.091 *
Adj. R ²	.194	.204	.284
F	6.534**	7.998**	9.832**

* p < .05, ** p < .01

partnership with for-profit firms moderates the effect of prior commercial experience on commercial performance. It means that when social venture with prior commercial experience of their entrepreneurs make the partnership with for-profit firms, the better social performance their commercial ventures show than others.

5. Conclusions

The core of my tested models can be recapitulated as follows. This study explores the complementary role of acquisition/assimilation and transformation/exploitation in the absorptive capacity in the perspective of knowledge absorptive capacity. For this, depending on human capital and resource-based view, this study pays its attention to the interaction of prior experiences of social entrepreneurs and the partnership types of their social venture. The first research question is what types of experience of social entrepreneurs are helpful to obtain better social and commercial performance. First, social entrepreneurs' prior social experience is positively related to the social performance of their social ventures. Second, prior commercial experience of social entrepreneurs is positively related to their social ventures' commercial performance. The second research question is that considering the dualistic nature of social ventures, this study investigates two types of partnership. In the results, first, the partnerships with non-profit organizations enhance the positive relationship between social entrepreneurs' prior social experience and the their social venture's social performance. Second, the partnerships with for-profit organizations enhance the positive relationship between social entrepreneurs' prior commercial experience and the their social venture's commercial performance.

This study makes several contributions. First, this is the first study to systematically and empirically apply and test the specific human capital in the context of social ventures. The human capital theory has primarily been used to examine the inputs, processes, and outputs of individual social ventures, but no studies have used the model as a complete framework.

Second, the results suggest that the types of partnership are important to social venture's performance. Most existing management researches on partnership explore the role of strategic alliances in international business, including large corporations whose primary goal is to improve the economic bottom line. In this study, the effects of the types of partnership on the success of social ventures were examined. Thus, this study provides a better understanding of the social ventures' absorptive capacity framework, which includes numerous prior experiences of social entrepreneurs and numerous partnerships in which social ventures actually operate.

Finally, this study demonstrates the applicability of the specific human capital to the context of nascent social ventures. This suggests that the human capital theory should be utilized in this context in future studies. The findings of this study also have important implications for policy makers or practitioners. Among numerous supports in Korea, managerial supports are helpful for incubating the social value of nascent social ventures. In Korea, which drives leading policies for social ventures, they need to be systematically and strategically designed in new manners because existing manners of financial support such as subsidies and donations are not effective and, furthermore, harmful for social ventures' social performance.

However, although this research provides these contributions, it has some limitations. First, the sample size is low. For the empirical analysis of this research, this study contacted all of 565 social enterprises was available to the public on the web site of the Korean Social Enterprise Promotion Agency (KSEPA, <http://www.socialenterprise.or.kr>) which was established by the Korean Ministry of Employment and Labor to provide efficient monitoring of certified social enterprise. However, although I tried my best to get sample data, this study didn't get enough ones. However, until recently, social venture research in management has focused primarily on defining the concept of social entrepreneurship and assessing social ventures through anecdotes and case studies. This study contributes to the growing quantitative empirical research in this field and demonstrates that a large-scale analysis of social ventures is feasible. Second, this study measures the variable

of social ventures' performance by managers' perception. The reasons why this study uses managers' perceptions of social ventures' performance are the following. First, this study's sample doesn't have objective data that show their social ventures' performance. Second, although alternative measures are available, such as the social return on investment and balanced score card, these measures focus on financial donation or strategic consulting to social ventures rather than social ventures' performance resulting from engagement in social ventures. Social ventures' performance depends on their goal, so it seems to be subjective one rather than objective. Finally, Dess and Robinson (1984) confirmed strong correlation between subjective and objective performance. However, because the measurement of perception is controversial, future researches need to develop the variables to get objective data.

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APPENDIX

Social Performance

1. Our company is suggesting the social purpose and social responsibility in detail.
2. Our company is having the system of performance management to achieve the social purpose and social responsibility.
3. Our company is acting for the social purpose and social responsibility.
4. Our company is contributing to create the employment of socially disadvantaged class.
5. Our company is contributing to provide social service.
6. Our company is doing eco-friendly business activity.
7. Our company is doing (local) society-friendly business activity.
8. Our company is using more than two-thirds of profit available for dividend for social purpose
9. Our company has a systematic and efficient management system.
10. Our company is establishing a revenue-generating model.
11. Our company's profit structure is good.
12. Our company has a higher return on asset than other companies in the competitive industry.



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