The Effect of Entrepreneurship on the Sustainability of Social Small and Medium Enterprises (SMEs)

- Between the Mediating Effects of Government Support Policy in Korea

Tae-Ho You¹ & Yen-Yoo You¹

¹ Dept. of Smart Convergence Consulting, Hansung University, Seoul, South Korea

Correspondence: Tae-Ho You, Dept. of Smart Convergence Consulting, Hansung University, Seoul, South Korea. Tel: 82-10-9110-5370. E-mail: Yta1348@hanmail.net

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Abstract

Background/Objectives: This study aims to study the impact of the entrepreneurial mentality of social small and medium-sized entrepreneurs on the sustainability of SMEs through the intermediary effect of the Korean government-backed policy for social enterprises in South Korea.

Methods/Statistical analysis: The target of the study is the CEO of a social small and medium-sized business company that has been in business for less than seven years, and the survey method was conducted. The questionnaire item was composed of a total of 35 questions, including five demographic questions, the measurement was used for a Likert 5-point scale. Using SPSS 22.0 as an empirical analysis was carried out technical statistical analysis, exploratory factor analysis, reliability analysis, regression analysis, mediated analysis.

Findings: Looking at the results of the study, first, the empathy, social value orientation, and innovation of the entrepreneurial spirit of social start-ups have been shown to affect the sustainability of social SMEs. Social value orientation has the greatest impact (β = .345***). Second, Empathy, Social value orientation, and Innovation have been shown to influence government policy support, but risk-taking has not been affected. Social value orientation has the greatest impact (β = .459***). Third, the Republic of Korea Government Support Policy has been shown to have an impact on sustainability (β = .751***). Fourth, about the impact of Social SMEs Entrepreneurship and sustainability, innovation and Risk-taking is partly mediated by Government Support Policy, while Empathy (p=.158) and Social value orientation (p=.148) was found to be a complete mediating.

Improvements/Applications: In this study, which mediated government-funded policies on the impact of the entrepreneurial mentality of the CEO of a Social SMB, empathy and Social value orientation were identified as important factors. Therefore, it is believed that a study will be needed on the optimal configuration scenario of the Government Policy Support System of the Republic of Korea, which takes into account social entrepreneurship.

Keywords: social small and medium-sized enterprises (social SMEs), social SME entrepreneurship, the Republic of Korea government support policy, sustainability of social SMEs, social value orientation, empathy

1. Introduction

After the Korean War in 1950, the Republic of Korea reorganized its ruined state and achieved rapid economic growth. In the process, various socio-economic problems are increasing, such as the gap between rich and poor, rising unemployment, regional conflict, and environmental pollution due to income inequality. The national solution to this problem is the social economical, which is emerging as an economic alternative to capitalism. Many small and medium-sized social enterprises (SMEs) are established to realize social value first, to create employment, to solve income inequality, and to solve various social problems (Jang, 2011). However, the purpose of realizing the social value of small and medium-sized enterprises is that the difficulties of CEOs of social start-ups continue because they cannot guarantee their sustainability (Park and Kim, 2016). In this regard, this study investigated the effects of entrepreneurship on small business startups' sustainability through the government support policy of the Republic of Korea. Through this, the entrepreneurial mentality of SMEs and the optimization of government support policies will be optimized to enhance the sustainability of social SMEs.
2. Materials and Methods

2.1 Concept of Social Small and Medium-Sized Enterprises (Social SMEs)

Many previous studies show that the definition of Social SMEs varies slightly from researcher to researcher. But SMEs that innovate through continuous innovation activities can be said. In this study, we mean Social SMEs that realize their social purpose within seven years after their establishment (Son et al., 2018).

2.2 Concept of Social SME Entrepreneurship

As for social entrepreneurship, a variety of scholars define concepts in various areas. Social SME Entrepreneurship is a propensity to create and maintain social values through entrepreneurial and innovative methods, and to define it as a propensity to explore, apply and implement new methods (Lee, 2018). According to the definition of previous studies, this study proposed four types of Social SME Entrepreneurship: risk-taking, empathy, social value orientation, and innovation. Entrepreneurship was first introduced by Schumpeter (1934), and innovation meant new ways of production, new sources of raw materials, new combinations of companies, and recombination of resources for new markets.

The Innovative concept is Represents a new combination of new products, new sources of raw materials, new ways of production, new markets, and recombination of resources for new organizations. All physical and human factors are called new combinations. In addition, innovation is a manager's effort to continuously change the organization and create new opportunities despite the uncertainty of the external environment and resource constraints (Won et al., 2015).

Social value orientation refers to the tendency to recognize social problems, to create social value, and to contribute to the community through stakeholder involvement (Helm and Anderson, 2010).

2.3 Concept of Republic of Korea Government Support Policy

In Korea, companies certified as social enterprises under the Social Enterprise Promotion Act will benefit from government support such as management support, financial support, tax support, and human resource development. Specifically, management support can be provided with management consulting in a variety of ways that meet the needs and levels of social enterprises and conduct projects that link activities that donate the expertise of experts in various fields such as management, law, and accounting. Financial support can be provided for workers' labor costs and social insurance premiums if social enterprises engage in social jobs and employ vulnerable groups. Tax support can reduce taxes for social enterprises as required by the Corporate Tax Act, the Restriction of Special Taxation Act and the Local Tax Act (Kim and Park, 2012).

2.4 Concept of Empathy

The UK Department of Trade and Industry (DTI) looked at the concept of sustainability in social enterprises from three perspectives. First, even if subsidies were suspended, financial sustainability should be maintained. Second, fiscal revenue should be secured through 100% commercial transactions. Third, financial and social goals should be pursued simultaneously. In this study, the sustainability of social enterprises is defined as “the realization of economic profit and environmental sustainability in the long term while continuing the social mission as the value of the social enterprise” (Ahmad et al., 2015).

2.5 Relationship Between Social SME Entrepreneurship and Sustainability of Social SMEs

As one of the components of social entrepreneurship, it was first demonstrated and analyzed using the "empathy" element, which was recently developed as a measuring tool for social entrepreneurship. However, contrary to this study result, empathy did not have a positive impact on sustainability. This means that while empathy affects the motivation, vision and goal setting of social enterprises through the recognition of social issues, it does not directly affect the sustainability of social Enterprises (Oh, 2017).

2.6 Relationship Between Korean Government Support Policy and Sustainability of Social SMEs

Corporate support policies are recognized as a necessity because social enterprises operate in different characteristics and environmental conditions than ordinary businesses. In particular, considering the environment of domestic social enterprises, a system of support for social enterprises is needed even more. However, since the government’s policy of supporting social enterprises is focused on "social enterprises that make money and become self-reliant in the market," relevant support for social enterprises is provided in accordance with this policy direction. Securing sustainability is difficult. In addition, the central government is promoting the localization of social enterprise-related policies without establishing a support system for social enterprises. In this policy environment, we cannot guarantee the sustainability
of social enterprises (Lim and Chang, 2018).

2.7 The Research Model and Hypothesis

2.7.1 Research Model

The purpose of this study is to find the optimal combination of Social SME Entrepreneurship and the Korean government support policy. For empirical verification of this study, Social SME Entrepreneurship's Risk-taking, Empathy, Social value orientation, and Innovative were set as independent variables. Korea's government support policy was set as a parameter for establishing the Social SME Entrepreneurship and social SME sustainability research model. This research analysis model can be displayed as shown in [Figure 1].

![Figure 1. Research model](image)

2.7.2 Research Hypothesis

Based on Figure 1, the following hypotheses were established about the relationship between Social SME Entrepreneurship and government policy support on the sustainability of social SMEs.

H1-1 Risk-taking has a positive effect on the sustainability of Social SMEs.
H1-2 Empathy has a positive impact on the sustainability of Social SMEs.
H1-3 Social Value Orientation Positively Affects the Sustainability of Social SMEs.
H1-4 Innovative positively affects the Sustainability of Social SMEs.
H2-1 Risk-taking positively affects Government Support Policies.
H2-2 Empathy has a positive impact on government support policies.
H2-3 Social Value Orientation positively affects Government Support Policies.
H2-4 Innovative positively affects Government Support Policies.

H3 The Republic Korea government support policy has a positive impact on the sustainability of Social SMEs.

H4-1 The mediating effect of government support policy has a positive effect on the relationship between Risk-taking and sustainability of Social SMEs.

H4-2 The mediating effect of government support policy has a positive effect on the relationship between empathy and sustainability of Social SMEs.

H4-3 The mediating effect of government support policy has a positive effect on the relationship between social value
Table 1. Operational definition of variables

| Evaluation | Measurement variable | Operational definition | Configure Questionnaire | Researcher |
|------------|----------------------|------------------------|-------------------------|------------|
| Social SMEs Entrepreneurship | Risk-taking | In spite of uncertainties in the external environment and resource constraints, managers' efforts to continuously change their organization to create new opportunities | 5 question | |
| | Innovative | An innovation process that develops, fuses and transforms the ideas needed to create new programs and values to generate results | 5 question | (Kim and Chang, 2018) |
| | Social Value Orientation | Activities that recognize the problems of social problems, create social value and contribute to the community through the participation of stakeholders | 5 question | |
| | Empathy | By capturing social needs not met by existing business models, specifying business items, market-driven thinking of starting or operating social enterprises can be made | 5 question | (Oh et al., 2017) |
| Korea Government Support Policy | Korea Government Support Policy | In Korea, the Social Enterprises Promotion Act was enacted in July 2007, providing various support for social enterprises such as certification, management, finance, and taxation | 5 question | (Jang, 2011) |
| Sustainability of Social SMEs | Sustainability of Social SMEs | In order for social enterprises to be sustainable, we believe that human resource management efforts that are appropriate for social enterprises that seek to secure the capacity development and employment continuity of hired workers will be needed | 5 question | (Lee, 2013) |

3. Results and Discussion

3.1 Empirical Discussion

3.1.1 Analysis of Demographic Characteristics and Descriptive Statistics

The number of samples used in this study was a total of 263, the frequency analysis was carried out to determine the demographic characteristics of the sample. The analysis showed that men 86.3% (227), women 13.7% (36). Age was the highest in the 40s to 38% (100), followed by 30 was found to be 35.4% (93). The start-up period was the highest in less than 0-1 years at 36.9% (97), while Seoul and Gyeonggi (metropolitan area) was 81.7% (215). Re-start-up experience was 55.1% (145) and 2 times 30.4% (80). In this study, it was analyzed the data collected for real
Social SME Entrepreneurs, the standard deviation 3 or less, why the statistics absolute value 3 or less, the cusp statistics absolute value 3 or less it was found that the individual measurement variables follow the normal distribution (Keho, 2019); (Kpae and Masi, 2019).

3.1.2 Exploring Factors and Reliability Analysis

It was carried out an exploratory factor analysis to verify the validity. The main component analysis was used it was used for the simplistic method (Varimax2, Government Support Policy 5 was removed due to low convergent validity, Risk-taking 5, Sustainability of SMEs 4, Empathy 2 was removed due to low discriminant validity. Reliability analysis is determined that the Cronbach's alpha coefficient of all measurement variables appears above the general level of 0.6 or more to ensure the reliability. The summary of the exploratory factor analysis and reliability analysis is as follows [Table 2].

Table 2. Exploring factors and reliability analysis

| Measurement Item               | Social Value Orientation | Innovative | Government Support Policy | Risk taking | Sustainability of social SMEs | Empathy | Cronbach’s alpha |
|-------------------------------|--------------------------|------------|---------------------------|-------------|-------------------------------|---------|------------------|
| Social Value Orientation 5    | .826                     | .148       | .227                      | .142        | .210                          | .073    | .721             |
| Social Value Orientation 4    | .824                     | .102       | .235                      | .078        | .208                          | .153    | .784             |
| Social Value Orientation 2    | .804                     | .230       | .218                      | -.036       | .127                          | .229    | .548             |
| Social Value Orientation 1    | .764                     | .214       | .214                      | .071        | .147                          | .222    | .654             |
| Innovative 3                  | .088                     | .879       | .193                      | .085        | .111                          | .108    | .681             |
| Innovative 4                  | .140                     | .867       | .136                      | .044        | .170                          | .153    | .790             |
| Innovative 5                  | .227                     | .857       | .154                      | .016        | .064                          | -.033   | .742             |
| Innovative 1                  | .145                     | .718       | -.074                     | .111        | .247                          | .163    | .751             |
| Government Support Policy 2   | .234                     | .163       | .793                      | .035        | .234                          | .144    | .817             |
| Government Support Policy 3   | .258                     | .107       | .722                      | .111        | .326                          | .198    | .818             |
| Government Support Policy 4   | .283                     | .076       | .706                      | .094        | .368                          | .169    | .825             |
| Government Support Policy 1   | .239                     | .123       | .638                      | .022        | .351                          | .070    | .642             |
| Risk taking 3                 | .012                     | .041       | .081                      | .848        | -.070                         | .132    | .848             |
| Risk taking 2                 | .015                     | .162       | .045                      | .843        | .133                          | .163    | .844             |
| Risk taking 1                 | .039                     | .053       | -.028                     | .833        | .067                          | .128    | .815             |
| Risk taking 4                 | .132                     | -.020      | .112                      | .686        | .197                          | .089    | .609             |
| Sustainability of social SMEs | .174                     | .222       | .249                      | .086        | .791                          | .200    | .787             |

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3.1.3 Correlation Analysis

Correlation analysis showed that the correlation between variables was statistically significant. Sustainability of social SMEs Government Support Policy correlation was .751** with the highest correlation. The correlation analysis summary is shown in [Table 3].

**. The correlation is significant at the .01 level (both sides).

3.1.4 Hypothesis Test Result

SPSS ver.22 statistical package was analyzed to test this study hypothesis, Durbin-Watson was determined that there is no residue close to 1.511, VIF (distributed expansion coefficient) is less than 10, so it is determined that there is no Multi-collinearity between the independent variables. Social SME Entrepreneurship appears to have an effect on the sustainability of social SMEs (+) hypothesis H1-1, H1-2, H1-3, H1-4 hypothesis have all been adopted, Social Value Orientation has the greatest impact to .345*** and the next Innovative appears to have an effect of .237***. Social
SME Entrepreneurship can be said to have a 41.6% descriptive force for the sustainability of social SMEs. [Table 4] is a summary of the results of the multi-regression analysis with Social SME Entrepreneurship and Sustainability of social SMEs.

Table 4. Summary of multi-regression analysis results

| Hypothesis | Constructs                | B     | β   | t    | p-value | VIF  | Results        |
|------------|--------------------------|-------|-----|------|---------|------|----------------|
| (Constant) | .624                     | 2.294 | .023|      |         |      |                |
| H1-1       | Risk taking              | .105  | .090| 1.732| .084    | 1.223| Not reject     |
| H1-2       | Empathy                  | .234  | .197| 3.357| .001    | 1.546| Not reject     |
| H1-3       | Social Value Orientation | .275  | .345| 6.044| .000    | 1.463| Not reject     |
| H1-4       | Innovative               | .232  | .237| 4.483| .000    | 1.256| Not reject     |
| R²=.425, Adjusted R²=.416, F=47.586(p = <.001), Durbin-Watson=1.511, Dependent variable: Sustainability of social SMEs |

| Hypothesis | Constructs                | B     | β   | t    | p-value | VIF  | Results        |
|------------|--------------------------|-------|-----|------|---------|------|----------------|
| (Constant) | 1.111                    | 4.269 | .000|      |         |      |                |
| H2-1       | Risk taking              | .024  | .021| .408 | .683    | 1.223| Reject         |
| H2-2       | Empathy                  | .248  | .218| 3.712| .000    | 1.546| Not reject     |
| H2-3       | Social Value Orientation | .351  | .459| 8.048| .000    | 1.463| Not reject     |
| H2-4       | Innovative               | .094  | .100| 1.896| .059    | 1.256| Not reject     |
| R²=.653, Adjusted R²=.418, F=116.204(p = <.001), Durbin-Watson=1.674, Dependent variable: Government Support Policy |

| Hypothesis | Constructs                | B     | β   | t    | p-value | VIF  | Results        |
|------------|--------------------------|-------|-----|------|---------|------|----------------|
| (Constant) | .807                     | 5.136 | .000|      |         |      |                |
| H3         | Government Support Policy| .784  | .751| 18.399| .000   |      | Not reject     |
| R²=.751, Adjusted R²=.565, F=338.510(p = <.001), Durbin-Watson=2.189, Dependent variable: Sustainability of social SMEs |

3.1.5 Mediated Effect Analysis

In order to analyze the effect of Social SME Entrepreneurship on Sustainability of social SMEs, we performed a multiple regression analysis for the analysis of mediating effects using Baron & Kenny (1986). Social SME Entrepreneurship was found to have a positive effect on the Sustainability of social SMEs in the first stage Hypothesis H1-1,2,3,4 were adopted. Hypothesis H2-2, 3, 4 was adopted, but H2-1 risk-taking (p = .683) was not adopted. In the third stage, risk-taking, Innovative partial mediation, Social Value Orientation and Empathy complete mediation were shown in the relationship between Social SME Entrepreneurship and Sustainability of social SMEs. The following [Figure 2] shows the result of the impact analysis of the relationship between Social SME Entrepreneurship and Korea Government Support Policy (Langa and Govender, 2019); (Le and Nguyen, 2019).
Figure 2. Analysis of the effect of government support policy on the relationship between social SME entrepreneurship and sustainability of social SMEs.

Table 5 summarizes the effect of the relationship between Social SME Entrepreneurship and Government Support Policy on Sustainability of social SMEs.

Table 5. Summary of effect relationship analysis government support policy between effect on sustainability of social SMEs

| Model                          | Step1 | Step2 | Step3 | Results | mediating effect |
|-------------------------------|-------|-------|-------|---------|------------------|
| (Constant)                    | .624  | 1.111 | -.058 |         |                  |
| Risk taking                   | .105  | .090  | .024  | .021    | .090             | .078             | partial mediating |
| Empathy                       | .234  | .197  | .248  | .218    | .082             | .069             | full mediating    |
| Social Value Orientation      | .275  | .345  | .351  | .459    | .060             | .075             | full mediating    |
| Innovative                    | .232  | .237  | .094  | .100    | .175             | .178             | partial mediating |
| Government Support Policy     | .614  | .589  |       |         |                  |
| $R^2$ (Adjusted $R^2$)        | **0.425(0.416)** | **0.653(0.418)** | **0.751(0.565)** |         |                  |
| F-value                       | 90.685*** | 47.586*** | 338.510*** |         |                  |
| Durbin-Watson                 | 1.511 | 1.674 | 2.189 |         |                  |
| p-value: *P< .05  **p< .01  ***p< .001 |       |       |      |         |                  |
4. Conclusion

During the Fourth Industrial Revolution, many social problems were created behind the benefits of rapid technological development. Social small and medium-sized start-up companies have been established to try to solve social problems through the social economy, and many success stories are being drawn up. This study demonstrated that the optimal combination of social entrepreneurship and government-backed policies has a significant impact on the sustainability of social small and medium-sized enterprises. We hope that this will increase the chances of survival for more social small and medium-sized enterprises and expand sustainable companies to help solve social problems. If more follow-up studies are to create educational programs and government-supported projects for social entrepreneurship, the results will be more widely used. Finally, the limitations of this study will be necessary to apply them widely by expanding research from the regional center to the industry as a whole, as the survey subjects are concentrated in the Korean metropolitan area.

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