

Paper#: K278

Interplay of Management Control Systems and Social Enterprises: A Case Study of a Social Enterprise in Vietnam

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ABSTRACT

This paper presents the results of a case study investigating the interplay between management control systems (MCS) and social capital in a Vietnamese social enterprise. We examine how bonding and bridging forms of social capital operated to resolve the tensions between the social and business goals of the social enterprise, and how this process was affected by the enterprise’s MCS. We show how an over-reliance on informal MCS and weak boundary systems contributed to financial mismanagement which threatened to simultaneously erode bonding capital, cultural capital and economic capital. This suggests that formal MCS, in particular strong boundary systems, may need to be enrolled earlier in a social enterprise’s development to prevent the risk of eroding well established bonding capital reinforced by strong belief systems. Unlike prior research in non-corporate contexts we found little evidence of belief systems deterring bridging capital. Moreover, in contrast to some prior research our findings suggest that belief systems should *not* necessarily add an efficiency focus to core social and cultural values when trying to resolve the tension between economic and cultural capital. Our case suggests that in some instances this focus should be integrated in diagnostic systems and interactive systems, with no need for the involvement of belief systems.

Keywords: Social Capital, Management Control Systems, Social Enterprises, Vietnam

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Introduction

This paper examines how management control systems (MCS) influence, and are influenced by, the bonding and bridging dimensions of social capital in the context of a Vietnamese social enterprise. Social enterprise is commonly defined as a business that seeks business solutions to social problems, or has double or triple bottom-line objectives (financial viability, improved quality of life of marginalized sector, and/or environmental sustainability). Social enterprise has the distinct challenge that it has to confront and manage a balance between these bottom-line demands.

Social enterprises often play a key role in the global south in providing local solutions to poverty and social deprivation while also functioning as quasi-governments in the context of providing welfare and employment. In the UK and the USA, they are widely promoted as having a core role to play in promoting welfare and environmental policy innovation as well as in helping to restore economic activity post the global recession (Nicholls, 2009).

In a social enterprise, social capital is one among several types of capital (economic capital, human capital, and cultural capital to name but three) (Bourdieu, 1986) that play an important role in assisting it to operate sustainably by balancing its economic and social goals.

Hence, this paper is aimed at not only contributing to the sparse literature on MCS in social enterprises, but also revisiting the research results of Chenhall et al. (2010) about the effects of MCS on social capital.

Vietnam is a developing country that has to tackle numerous social issues emerging along with economic development. In Vietnam, social enterprise is also a very new concept. This concept has been adopted during the past decade, but the growth of social enterprise has been expanding quickly. There is very little publicly available information from research about the

development of social enterprise in general and about management controls in social enterprise in particular. One public source that could be found is a preliminary report on social entrepreneurs in Vietnam conducted by the Centre for Social Initiatives Promotion (CSIP), a not-for-profit organization in Vietnam (official website: <http://www.doanhnhaxahoi.org>). Therefore, a case study focusing on a social enterprise that has operated over a period of time in Vietnam will hopefully be of theoretical and practical value to the field of social enterprise in general and in the particular context of Vietnam.

The paper is structured as follows: after this introduction, Section 2 is the literature review with theoretical background for the research, including the research framework. Section 3 will present the research methods and describe how the research was conducted in the case study company. Section 4 will follow to provide an overview of general information on the case study company and management control systems in the company. Section 5 will focus intensively on the research findings. Finally, section 6 discuss the findings and section 7 presents the research results, as well as their contribution to the literature.

The nature of social enterprise

A social enterprise is “a business with primary social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders.” (DTI, 2002, p. 13). Social enterprises tend to adopt “market-based approaches to address[ing] social issues.” (Kerlin 2006, p. 247) and “develop[] ... alternative business structures (and practices) that support socially rational objectives.” (Ridley-Duff, 2008, p. 305). They are distinguishable from private corporations and non-profit/non-governmental organizations (NGOs) by virtue of their hybrid organizational model combining a core concern for social problem-solving with wealth generation (Moizer and Tracey, 2010) using entrepreneurial flair (Chell, 2007) – see Table 1. As a business, a social enterprise has to compete with the private sector while still

sustaining its focus on social mission (Austin et al., 2006). Social enterprises do not have “unrestricted sources of capital” (Austin et al., 2006, p. 12) and many are “undercapitalised and struggl[e] to access external finance, particularly when starting up, growing or moving away from grant dependency” (DTI, 2002, p. 9). Sustainability is key to the survival of social enterprises many argue that it should be their “overriding objective” (Moizer and Tracey, 2010, p. 259).

Insert Table 1 about here

The Social Capital concept – Bonding and Bridging

In recent decades, the concept of social capital has attracted the attention of numerous economists, sociologists, political scientists, and management theorists (Adler and Kwon, 2002; for some reviews, see Portes, 1998; Burt, 2000; Woolcock & Narayan, 2000; Mouw, 2006). Bourdieu (1986, p. 51) defined social capital as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition”. Bourdieu’s definition divides social capital into two distinct elements: first, the social relationship that permits individuals to claim access to resources possessed by their ‘associates’ [the network], and second, the amount and quality of those resources [or assets] (Portes, 1998, pp. 3-4). Hence, it “comprises both the network and the assets or resources that may be mobilized through that network” (Nahapiet and Ghoshal, 1998, p. 243). Such resources can include access to information and opportunities, economic benefits, and social support. As with financial, physical and human capital, the possession of social capital enables action. However, it is distinguishable from these forms of capital in that it is embedded in relationships between individuals and how they interact with one another (Dekker and Uslaner, 2001), thereby reflecting the goodwill created through social relations (Adler and Kwon, 2002). Unlike

financial and physical capital, social capital is not tangible, and unlike human capital, it is not an individual trait or capability (Myers and Nelson, 2010; Coleman, 1988).

Social capital possesses both bonding and bridging dimensions. The bonding dimension highlights the internal relations (Adler and Kwon, 2002) occurring among homogenous populations (Casson and Giusta, 2007) – such as the bonding of individuals in close-knit and intensive relationships in an organization characterised by high levels of trust and solidarity (Myers and Nelson, 2010; Putnam, 2000; Leonard, 2004). It reflects the quality of social ties by considering the extent to which values are shared and the degree to which cooperation pervades within an organization (or other ‘collectivity’) (Chenhall et al., 2010). In particular, it reflects “those features that give a collectivity [such as an organization] cohesiveness ... thereby facilitat[ing] the pursuit of collective goals” (Adler and Kwon, 2002, p. 21). The bridging dimension of social capital focuses on external relations and views social capital as a resource that inheres in the social network tying a focal actor (such as an organization) to other actors within a diverse population of collective actors (Adler and Kwon, 2002). It considers the number of ties within a network and the structural features of the network.

Chenhall et al. (2010) view bonding as the relational dimension of social capital and bridging as the structural dimension of social capital. They argue that within an organization, social capital can be respected as a property because individuals and collective actors interacting in the networks will create benefits for the organization, either actual or potential¹. Putman (2000) contends that while bonding social capital is good for ‘getting by’, bridging

¹ Chenhall et al. (2010) summarize the potential positive outcomes and negative consequences of bridging and bonding forms of social capital. Positive outcomes include information benefits, that is, greater access to information through information sharing by bridging between networks (Burt, 1997). Such benefits create influence, power and control (Adler and Kwon, 2002) as well as strong solidarity via sharing norms and beliefs within a network or an organization (Adler and Kwon, 2002). These benefits, however, also have downsides: power in some cases can be a trade-off against an information benefit (Adler and Kwon, 2002). Strong solidarity may result in the exclusion of outsiders (Portes, 1998), which can eventually lead to parochialism and a lack of access to and exchange of new information. There is no assurance that optimal outcomes will be created from the use of social capital in competition among the networks (Adler and Kwon, 2002).

social capital is essential for ‘getting ahead’ given that the tight bonds of trust and solidarity inherent in bonding social capital may inhibit entrepreneurial ‘organisational’ members from reaching their full potential (Leonard, 2004).

Bourdieu (1986) included social capital among what he termed, the three fundamental forms of capital; the other two being economic capital and cultural capital. Economic capital is material in form and refers to “monetary and material wealth, commodities and physical resources (e.g., land)” (Everett, 2002, p. 62). Cultural capital is not necessarily material and can refer to intangibles such as knowledge, information, skill, taste, lifestyle and qualifications as well as to tangible cultural ‘goods’ like paintings, monuments, instruments, books, dictionaries and writing (Bourdieu, 1986; Everett, 2002; Neu, 2006). Chenhall et al. (2010) contend that cultural capital can be identified at the organizational level as the knowledge, practices and goods that are considered as rare and desirable by organisations and that influence their social reproduction (see also, Lamont and Lareau, 1988). Under certain conditions cultural and social capital are deemed convertible into economic capital (Bourdieu, 1986).

As it is a hybrid form of non-profit and for-profit business, a social enterprise must negotiate an inherent tension between its “social” and commercial commitments. On the one hand, it seeks to achieve social objectives, often embedded in its mission, and to maintain social credibility, while, on the other, it needs to develop and maintain its business model to be financially sustainable (Dees, 1994). Cultural capital, which, in this context, emanates from an attachment to core values, beliefs and traditions based on ideals of social change, is derived from and crucial to maintaining the social or not-for-profit aspect of a social enterprise. The inherent tension between the social and commercial objectives can be interpreted as a tension between cultural capital and economic capital, in that too much emphasis on pursuing economic capital may threaten cultural capital by prioritising economic

goals at the expense of social goals. As Chenhall et al. (2010) argue in the case of NGOs, social capital and economic capital can help to position the social enterprise in its societal context, with social capital being capable of building cultural capital and contributing to creating economic capital. As our central aim in this paper is to examine how MCS influence, and are influenced by, the bonding and bridging dimensions of social capital in a social enterprise, the next section discusses the potential relationship between different forms of management control systems (MCS) and the bridging and bonding dimensions of social capital.

Management control systems (MCS) and their impact on the bonding and bridging dimensions of social capital

Simons (1995, p.5) defined MCS as “formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities.” His Levers of Control (LOC) framework consists of four control systems: belief; boundary; diagnostic and interactive. Belief systems define and communicate the core values, the purpose, and the direction of an organization as guidance for employees to follow “in order to inspire and motivate [them] to search, explore, create and expend effort engaging in appropriate actions” (Widener, 2007, p. 759). They are created and presented through documents such as mission statements, vision statements, or credos. The core values are normally associated with the business strategy of the organization (Simons, 1995). Boundary systems set limits on the actions that should be undertaken based on defined business risks (Simons, 1995). They act in opposition to the beliefs system and constrain behaviour by formally stating the rules, limits, or prescriptions of what employees should avoid, often in the form of a code of conduct or operational guidelines. While they permit individual creativity, they do so within clearly defined limits of freedom.

Diagnostic systems are feedback systems designed to make sure that pre-set goals are achieved. An organisations critical success factors are embedded in these systems (Widener, 2007) and they focus on monitoring, measuring outcomes and correcting deviations from pre-set standards of performance. Employees are motivated to perform and align their behaviour with organisational objectives and are enabled to benchmark against standards (Widener, 2007). The evidence for diagnosis comes from the data in profit plans and budgets, project monitoring systems, or balanced scorecards (Simons, 1995).

Interactive systems involve the regular and personal participation and attention of managers in the decision activities of lower-level employees. While diagnostic systems manage results on an exception basis, interactive systems are forward looking and involve active and frequent dialogue among managers. They help track uncertainties within existing strategies and seek to provoke new initiatives aimed at allowing an organisation to strategically position itself in a dynamic environment (Simon, 1995; Widener, 2007). The four levers ideally work together to provide an effective control environment (Simons, 2000).

Chenhall et al. (2010) studied the impact of MCS on the bonding and bridging dimensions of social capital. They theorised a number of possible positive and negative effects of MCS on these dimensions, which are summarised in Table 2 below. In their study of an Australian welfare NGO, formal controls developed symbiotically with bonding capital. They encouraged open discussion and the development of trustworthy relationships which nurtured bonding capital. Belief systems also helped to maintain bonding capital but this strong bonding simultaneously led to an inward focus that inhibited openness to developing bridging capital with other organisations. The development of formal controls, however, was effective, in conjunction with existing belief systems, in allowing the NGO to enhance bridging capital by enabling it to demonstrate and legitimise its capabilities to other NGOs in its network.

This preserved the NGO's cultural capital and led to increased power and authority for the NGO within this wider network.

Insert Table 2 about here

Attempts to introduce formal controls such as budgets, even in an interactive manner, were, however, unsuccessful as they prioritised acquiring and managing economic capital and had damaging effects on bonding capital. For example, when these systems were introduced in a coercive manner they diminished bonding capital as their core focus on increasing economic capital threatened the deep well of existing cultural capital derived from employees' long held commitment to the NGO's humanitarian values. The strength of the existing bonding and cultural capital ultimately inhibited the efforts to place more focus on gaining economic capital through the introduction of formal controls. The 'push back' against the perceived imposition of the formal controls was due to the fact that the financial logic implicit in such controls was seen as threatening the NGO's core welfare ideals (embedded in cultural capital).

Given this resistance to what they saw as necessary formal controls Chenhall et al. (2010) argued that belief systems had a crucial role to play in NGOs in shaping values and attitudes towards other MCS elements. They contended that belief systems in NGOs needed to explicitly emphasise the importance of generating both cultural capital (welfare ideals) and economic capital (focused on financial efficiency). For them, this represented a critical but overlooked role for belief systems in shaping values and attitudes towards other forms of formal controls that employees might see as conflicting with core values. They further recommended that interactive systems could subsequently be used to develop a concern with financial efficiency issues in order to garner economic capital.

In this paper we draw on the MCS features outlined above and the social capital concept to answer the following research question:

How do MCS influence, and how are they are influenced by, the bonding and bridging dimensions of social capital in the specific context of a social enterprise?

The following section outlines the research methods we adopted in seeking to answer this question.

Research method

In order to answer the “how” research question in a specific social enterprise, a descriptive case study which provides “deep and rich understandings of social nature” of MCS practices is undertaken (Ryan et al., 2002, p.145). This type of case study provided a research method to understand the “nature and form” (Ryan et al., 2002, p.143) of the interplay between MCS and social capital. It enables to understand how MCS is effective in a specific real life context (Yin, 2009).

The social enterprise selected was KOTO® Company Limited in Vietnam, hereafter referred to as KOTO Vietnam or KOTO. KOTO has a head office in Hanoi city and a branch office in Ho Chi Minh city, Vietnam. According to the typology of Kim Alter, from the website on social enterprise research (<http://www.4lenses.org/setypology/classification>), KOTO is an integrated social enterprise. In this type of social enterprise, social programs overlap with business activities and they share costs and assets with one another. Business activities fund the non-profit operations and mission activities. Social programs and business activities are not separated but integrated, by leveraging tangible and intangible assets, such as expertise, program methodology, relationships, brand, and infrastructure, as the basis from which to create their businesses. The relationship between the business activities and the social programs is synergistic, each adding value, both financial and social, to the other. This

is an important characteristic that also results in complex intertwinement of social and business factors.

As Yin (2009) indicated, a case study relies on multiple sources of evidence with data that should converge when triangulated. Therefore, data was collected from multiple sources:

1. internal documentation including formal reports, statements, minutes of meetings, informal records (Ryan et al., 2002), formal documentation of the organisation about policy, strategy, publications, etc.;
2. observation of actions and meetings;
3. semi-structured interviews, which offered the flexibility to pursue new ideas or issues that might come up and to explore any potential emergent inquiries (Ryan et al., 2002).

In every step of preparation and implementation of the case study (research designing, data collection, data analysis) care was taken to ensure external validity, internal validity and reliability as these criteria determine the quality of the research (Yin, 2009). Before commencing the field study, to ensure that data would be collected fully and reliably to serve the research purpose, a case study protocol was prepared. A good protocol is the main way to enhance the reliability of the case study research and to guide the data collection (Yin, 2009, p.79). The protocol contains a specific plan for data collection and guidance on what tasks to do, how, when, and where. It also contains guiding questions for semi-structured interviews, structured in themes followed by guiding questions. The case study protocol could keep us on the right track and minimize the risk of missing opportunities to collect good data. The protocol was carefully prepared and the interviews were conducted by one of the authors with background in accounting and nine years' experience of working in an NGO.

The field work in Vietnam was conducted during April and May, 2011. The research trip was prepared by deeply searching and studying information about KOTO beforehand through

the publicized information (KOTO website, media) and internal important materials such as the entire profile of human resources policies provided by KOTO in advance.

Documents such as audit reports over the years 2008, 2009 and 2010, as well as all kinds of plans, reports and budgets were provided, together with the standard KOTO information pack given to potential donors, describing the project and its activities. These data supported the preparation of the visit, to learn about and visualize the operation of KOTO in order to figure out “what are they” and “how are they working” regarding their management control systems.

The researcher that conducted the interviews was present in KOTO every weekday, observing the operation of the organization, the activities of the staff and line managers (also called Heads of Department – HoD). Observation, including direct observation and participant observation (Yin, 2009), would help the researcher to get involved in and to understand the reality and context of the case (Yin, 2009) which would be especially important in this kind of research on social capital. Observation was key to deepen the understanding about the organisational culture of KOTO, the interactions among the actors of KOTO, to sense the spirit and “breath” of the bonding social capital in KOTO. Beside day-to-day direct observation, the researcher was involved as a participant observer in a weekly general meeting of KOTO and in the biggest event in the year for KOTO, the graduation ceremony.

Furthermore, the intention to understand about the real world phenomenon was achieved not only through formal methods as discussed but also via informal ways, by an extensive series of informal activities. The researcher had opportunities to talk and chat with KOTO staff during the lunch times. She made friends with a few KOTO trainees, both new and old, who represent the target group, the direct beneficiaries of the KOTO training program. She was able to visit the kitchen of the KOTO restaurant, attend training classes conducted by

KOTO, and visit the housing offered by KOTO to trainees. What could be observed and experienced from these informal activities has supported the efforts to corroborate the impressions and understanding about KOTO's values and practices with other sources of data (Yin, 2009).

Eleven face-to-face semi-structured interviews were conducted with all of the key people in the Management of KOTO, covering top management of KOTO, from the CEO to the Deputy General Management and most of the line managers. Two categories of interview guidelines were developed. The first category for the top management group focused on exploring opinions at macro levels, on the complexity of the organization as a whole. The second category went into details of the viewpoints of section and staff levels, concerning the complexity and influence as experienced by individuals within the section and the organization.

One important feature of qualitative research and the interview method is the nature of the relationship between interviewer and interviewee (Cassell and Symon, 2004). The researcher tried to make acquaintance with the interviewees on the starting days by talking, chatting with them in the lunch times, joining them in some activities that needed support from many people. The intention was to keep every interview as a conversation and let the interviewee tell the story without a predetermined order or pre-set questions. The themes were set by the interviewer but then followed to explore the interviewee's point of view. Interviews always started with easy questions, even the questions outside the topics, or with a simple exchange of ideas about life, about work. This approach was intended to avoid potential distress for the interviewees (Cassell and Symon, 2004) and to create an open, cordial atmosphere that would invite the interviewees to respond openly and honestly.

In addition, questions were either of the type 'open questions' or 'theory-driven questions', which are typical elements of the semi-standardized interview (Flick, 2006). Open

questions often start with “what?” or “why?”, to seek answers based on the knowledge that interviewees can give immediately, whilst theory-driven questions aim to orient the responses to the scientific literature about the research topics (Flick, 2006), in this case, about the concepts social capital or social enterprise.

Every interview was digitally recorded with permission beforehand by the interviewee and a commitment of confidentiality by the interviewer. Whenever requested to stop recording what might be sensitive information, the researcher would do so and just try to listen, remember and later on note down the information after the interview. However, this case happened only in one interview.

After every interview, notes were taken about new themes or additional documentation or evidence that would need to be sought. Any necessary adjustments of the interview guidelines for the subsequent interviews was also noted; any important information that needed to be confirmed would be highlighted for subsequent interviews to enable triangulation of the data (Yin, 2009).

Each interview took an average time of 77 minutes. The agenda was discussed with each interviewee and finalized with the Deputy General Manager before implementation. However, in reality, there was flexibility in the time and place arranged with each interviewee to achieve optimal comfort for both interviewer and interviewees. The list of interviews conducted is given in Table 3 below.

Insert Table 3 about here

The next step was to transcribe all of the interviews. There is not yet a standard method established for transcription work in research (Flick, 2006). All of the interviews were transcribed using the original words and meaning, integrating at a certain point the researcher’s notes and highlights that would be necessary for the later analysis.

Data analysis included identifying and categorizing the themes or issues coming out of the interviews using the theoretical framework as the benchmark (Yin, 2009). This approach is also in line with the “content analysis” method explained by Smith (2003); one of the generic approaches of content analysis is “subjective analysis which focuses on analysis of the underlying themes in the texts under investigation” (p.148). In parallel, archival data was used to understand better the issues coming out of the interviews.

Case context: The KOTO social enterprise

This section comprises two parts. The first part presents general information about the case study social enterprise, KOTO® Company Limited, Vietnam. The second part provides an overview of management control systems in KOTO Vietnam, summarized from internal documents and discussions with top management and Heads of Departments (HoD) of KOTO.

General information

KOTO was founded in September 2000 by an Australian Vietnamese, Mr. Jimmy Pham Viet Tuan and was officially registered as KOTO Company limited in April 2002. Its goal is to help street and disadvantaged youth who start off unskilled, insecure and with low self-esteem to become skilled, confident and employable.

According to the evaluation of the Centre for Social Initiatives Promotion (CSIP) in Vietnam, KOTO can be considered a successful model of a social enterprise (CSIP, 2008) and one of the ten prominent social enterprises in Vietnam in 2010 (CSIP, 2010). The Founder of KOTO was honoured as a Young Global Leader in 2010 by The World Economic Forum (WEF) in recognition of his work in lifting over 300 Vietnamese youth out of poverty (Source: KOTO website).

KOTO supports its trainees along their journey from the streets right through to their first placement in a real hospitality job. KOTO aims to produce graduates who are not only well skilled and highly employable, but also “well-rounded” individuals.

KOTO originally stood for *Know One, Teach One*. It has become a unique and pivotal philosophy for the operation and survival of KOTO. It reflects a belief that “if you are in a position where you can help someone less fortunate, then you should help them. The greatest thanks you can receive is to see one day that person in a position to do the same for someone else.” (KOTO official website)

KOTO is currently recognized as a social enterprise operating in the hospitality business sector as well as providing a vocational training program with an aim to execute their social mission of providing positive change to the lives of street and disadvantaged youth in Vietnam. KOTO receives part of its funding and technical support from its headquarters in Australia, KOTO International Limited.

Specifically, the training program includes 24-months of vocational training in the hospitality industry (kitchen and front of house), English language training, and practical skills including life skills such as communication, healthy living, personal hygiene, anger management, personal financial budgeting, and sex education. The trainees are street or disadvantaged youths 16-22 years old, who come from extremely difficult life circumstances. They may have suffered from poverty or abandonment, may have been orphaned, abused, involved in exploitative employment; neglected or have had conflict with the law, parents with addictions, parents with mental health problems or come from a range of other troubled backgrounds. Trainees are selected under a well-planned recruitment process. Beside the free provision of training, KOTO provides trainees with shelter and modest financial support during the time they are with KOTO. KOTO’s hospitality training curriculum is provided by the Box Hill Institute of Victoria in Australia.

KOTO has extensive collaboration with wide range of organisations who are supporters of KOTO in fundraising events, internships for trainees, scholarships for advanced training abroad, providing job opportunities for graduates, and volunteer work. They may be educational organisations, corporations, chambers, embassies, or volunteer organisations of different types.

KOTO's operation depends on two funding sources: (1) donations, sponsorship, fundraising events; and (2) revenues generated from KOTO's restaurants, catering service, cooking classes and training courses offered to corporations and to the general public, also called KOTO Public Education Program (KPEP). KOTO uses these funds to run their training program free for the trainees and to cover general administration and operation costs of KOTO.

KOTO operates and locates their premises of the Restaurant and Training Program in the two biggest cities in Vietnam, namely Hanoi and Ho Chi Minh. Management and administration staff are mostly based in KOTO's premises in Hanoi.

There are currently approximately 70 staff working fulltime in the KOTO offices. They also receive a regular supply of volunteers, about 30 to 40 annually, mostly international, who support a variety of tasks in the training program.

Every year, KOTO takes care of 90-100 trainees divided in 4 classes at different intakes. One fourth of them will graduate by October in the same year and be replaced by new intakes.

Among the offices of KOTO, the Hanoi office has the most comprehensive organizational structure whereas the KOTO branch office in Ho Chi Minh city was newly established in January 2010 with a smaller structure. The organogram in Figure 1 provides a summary of how KOTO has structured its governance.

Insert Figure 1 about here

KOTO is a social enterprise that intertwines social programs and business activities within one organization. Besides operating its mainstream training program, KOTO is running a restaurant under the name of KOTO where trainees can practice what they have learned in class. Specifically, in the first year of the two-year training program, every week trainees spend three days studying vocation, life skills, and English in the class at KOTO's training premises and two days working in the KOTO restaurant. In the restaurant, trainees have the opportunity to be involved in real scenarios to interact with customers, to practice their English and to participate in teamwork to develop their hospitality skills and enhance their confidence. During their practice, trainees get guidance, support and supervision from the teachers in charge and staff at the restaurant. At the same time, the KOTO restaurant plays a very important role in generating income for KOTO, which will be invested back into the training program. As such, the tangible and intangible assets of KOTO are utilized for both social and business activities, which are closely interrelated in creating social value as well as economic value for KOTO².

Management control systems in KOTO

Belief systems

The core values of KOTO are defined in the Mission, Vision and Culture Statements. They were formulated in the very early days of KOTO's start-up. These values have been slightly redefined over time by KOTO's founder, but the core values remain similar as they

² KOTO also faces challenges because there is not a clear legal framework for coordinating operation of non-profit and civil social organizations in Vietnam. The Law on Associations has been in debate for more than 10 years but not completed yet. The complexity and incomplete regulations and laws have been a challenge for the legalization of social entrepreneurship initiatives launched in Vietnam (CSIP, 2008). Therefore, while waiting and hoping for a complete legal framework that would recognize and support social enterprises, such organizations are currently operating under the adjustment of the Enterprise Law. They have to comply with all legal requirements of a traditional business, especially tax liability. KOTO has to pay all tax liabilities levied on revenue generating activities without any preferential taxation even though the revenue is invested back into non-profit activities.

formed the motivation to set up KOTO and have fired the spirit of KOTO to survive. And now, these values are prevailing in every corner of KOTO more than ever before, being essential to motivate and induce pride in every member of the KOTO 'family' to do their work.

Especially, the philosophy of 'Know one, Teach one' that reflects a strong belief in empowerment has spreading throughout the whole KOTO.

Boundary systems

KOTO operates in the field of vocational training which definitely requires training discipline. This is even more necessary when KOTO is challenged with not only the normal problems arising in a normal training centre but a lot more in the complexity of working with target groups with difficult social problems and different backgrounds. The discipline for trainees is explicitly specified in the KOTO Trainee Handbook provided for every trainee on the first day they join KOTO. Trainees need to learn and to reflect about themselves with all kinds of regulations, including a code of dress and a code of conduct.

A similar document is also available for every staff of KOTO, namely the KOTO Staff handbook. On top of that, each department has its own administrative regulations to limit unwanted behaviours or actions that might damage KOTO's image and operation.

Interactive systems

These systems can be found in the program management of KOTO, which deals with program inputs and program outputs. The systems require a well-planned and implemented recruitment process to ensure that trainees are selected to fit KOTO's criteria. The quality of the program outputs depends heavily on how effectively the training program is managed and implemented. Therefore, an interactive system places more emphasis on the recruitment and training processes than on the other parts of the system.

The interactive systems involve weekly and bi-weekly lesson planning, scheduling, reporting, and evaluating by the trainers. In these systems, interactions between trainers and training manager and between supervisors in the restaurant and trainers are highly required to find relevant training methods, to identify lessons learned, to identify and solve problems arising in the theoretical and practical training. The interactions largely occur during weekly meetings or in irregular meetings in the Training Department where these meetings are held more often than in other departments.

At the organizational level, the interactive systems involve the HoD meetings where the HoD update and share their activities, process, achievements and difficulties. The majority of important issues, either at strategic or operational level, are discussed in these meetings to find solutions together. Especially, issues related to the recruitment process are discussed thoroughly in these meetings before final decisions are made. Top managers always attend these meetings.

In addition, the systems deal with annual budget plans, monthly action plans and monthly status reports from every department.

Diagnostic systems

These systems are effectuated by interim performance evaluations for all KOTO staff, conducted every 6 months, and a year-end performance appraisal. The procedure for performance development and appraisal has been available for several years and was recently updated, in the beginning of 2011.

The performance appraisal system requires giving and receiving of feedback between the staff members and their supervisors, discussing the past performance of the staff member, evaluating outcomes via ratings of the staff members' performance, and recording the

development needs of the staff member being appraised (KOTO Performance Development and Appraisal Policy 2011-draft).

In the training program, strict guidelines for performance assessment of trainees are followed, including assessment upon completion of each training module, plenary assessment every 6 months and a number of tests. The tests cover the combination of theory and practical skills, which involves feedback, reporting between both training department and restaurant where trainees' practice. These assessments are an integrated part of the training curriculum provided by the Box Hill Institute (Australia).

Formal and Informal MCS

Formal MCS in KOTO actually connotes the levers of control within Simons LOC framework as presented above, since they involve the formal routines and procedures applied in the entire management and operation systems of KOTO.

In contrast, the informal MCS in KOTO, consistent with the theory, relate with verbal meetings either face-to-face or via telephones among staff in each department and among departments. It can also come from counselling meetings or talking between trainers and trainees before any formal procedures are applied.

One of the most impressive activities, that can be categorized as an informal form of meeting, is the plenary meeting of the whole KOTO staff taking place every two weeks. In this meeting, all staff and trainees of KOTO, no matter who they are: teachers, trainees, managers, drivers, gather in a cordial atmosphere, sitting side by side, enjoying simple snacks, verbally sharing all kinds of information related to training, traineeship, scholarships, progresses, weaknesses, rewards, penalties, farewell with graduates, receiving new trainees. There is no distance among them, the CEO appears friendly and interacts with all trainees as a big brother, which creates a real feeling of a big family, the KOTO family.

Informal MCS were dominant in the first period of KOTO's operation, when direct reporting and transmission of information mostly occurred in verbal form between management and staff before decisions were made. Over the years, more formal MCS are increasingly applied in response to the growing scale of KOTO. However, some of the informal forms of MCS such as informal meetings of HoD, impromptu group meetings of the CEO with different departments, the bi-weekly plenary meetings and weekly meetings in each department remain important for KOTO. They continue as traditions of KOTO to build up and maintain the strong bonding for social capital as discussed in the next section.

Case study findings

The case findings will start with the inherent and emerging tensions between the forms of capital (Bourdieu, 1986) and other challenges that the social enterprise KOTO has to confront in its efforts towards achieving sustainability. We will then see what are the effects of social capital through the bonding and bridging dimensions on the development of KOTO. After discussing the financial mismanagement and the loss of economic capital, we will analyse how social capital solves the tensions and how KOTO builds up and maintains the social capital. Seeking the answers to these emerging questions will reveal the interplay of management control systems and social capital of KOTO.

Tension between cultural capital and economic capital

KOTO not only articulates its core values by listing them on the written mission, vision, culture statements, but also evidences them with success in implementing its social mission over the last ten years of operation in Vietnam. Many success stories of KOTO could be found easily on media websites or TV programs in and outside Vietnam (for example, www.tuotitre.vn, <http://vietnamnews.vnagency.com.vn>, www.articles.latimes.com, key word-KOTO).

KOTO seeks to “empower the young people in the program with the necessary life skills to make the right decisions, have confidence and invest positively in themselves and their community” (KOTO vision). KOTO designs itself to be “a family which cares about all others and where big smiles bring the promise of love, compassion, and security” and KOTO “believes that we can make a difference to the lives of the youth in our care” (KOTO culture statement).

KOTO promotes itself as “a family which cares about all others and where big smiles bring the promise of love, compassion, and security”. KOTO’s cultural capital has been built up time over time by through its belief system. Staff seemed to share its core values with KOTO and appeared proud of KOTO and their contribution to its mission:

“Definitely proud of working here in KOTO, because we know we are doing it for a good cause. None of the people here regards [him/herself] as a worker but as a member of a big family” (Executive Assistant to CEO).

“KOTO’s contribution to the community is so significant that I am extremely proud of it, not like other places [organizations]. Sometimes when being asked by someone ‘Oh, you are working for KOTO, aren’t you?’, I feel such pride. The salary here is not high at all but I get plenty of other returns instead, I love the job here” (International development manager).

The success and survival of KOTO has been heavily dependent on its cultural capital but it was widely recognised that the attention to cultural capital had to be balanced with the need to gain economic capital:

“We recognize this pressure, more or less. Although the KOTO restaurant provides a training environment, it also creates income to pay for the training program. We have to face it” (Restaurant Manager).

“If KOTO becomes too business driven, it might run a risk of losing its cultural values, which I would never ever want to see happen. But working without money is very troublesome. For instance, when one of my younger brothers [youth trainees] gets sick but I don’t have money to help him have an operation, my heart would break..., so that’s why we have to become commercially driven as well” (CEO).

However, staff were keen to claim that cultural capital had dominated for much of KOTO’s existence:

“We never ever allow anything that derogates KOTO’s values. I can give you one example, that we used to be in a situation that a restaurant in Hanoi offered jobs for

KOTO graduates. But the restaurant owner ‘traded’ on trainees’ unhappiness or sad memories like telling customers that he was helping these guys with unhappy life such as mother’s death, father’s addictions, and so on. That did derogate KOTO’s values we seek to empower the youth, restore their self-confidence and optimism in the future. KOTO immediately withdrew these trainees from that restaurant.” (Executive Assistant to CEO)

Far behind sustainability and out of balance

According to the KOTO CEO, the sustainability that KOTO is working towards consists of three forms: financial sustainability, equity sustainability and livelihood sustainability. Financial sustainability refers to the situation when KOTO can be financially independent and self-supported. Incomes balance expenditures to sustain the operation in the long run. Equity sustainability is when KOTO can afford to own land and buildings for training and accommodation for trainees. This is actually associated closely with financial sustainability. Livelihood sustainability refers to an ambition of KOTO to set up a network of KOTO graduates to maintain an on-going support for them to “become the best person, the future employer, future manager.” (KOTO CEO) In return, these graduates will support new trainees of KOTO.

So far, KOTO has not been able to afford a land use right or its own working and training buildings. All of their operation premises are rented. Inflation and increasing living costs in Vietnam over the last three years tripled the house renting prices, that led to moving to less expensive rented premises. This is a major concern of KOTO, as the rental costs are a big part of KOTO’s expenditures, about one third of annual spending. The ideal solution would be that KOTO could acquire its own land use and buildings. However, in combination with the financial difficulties presented below, the unfavourable market price limits the accumulation of economic capital for the acquisition. KOTO is still looking for ways to be become sustainable in this aspect.

Regarding livelihood sustainability, the initiative is still in the infancy but is considered an important policy of KOTO.

With respect to financial sustainability, as mentioned before, KOTO's funding sources come from donations, trainee sponsorship, fundraising events; and revenues generated from KOTO's restaurants, catering service, and KOTO Public Education Program (KPEP).

Considering the funding structures of KOTO over the last 3 years (2008-2010), funding from donations has been quite high, at an average of 47% of total income. That means KOTO has been substantially reliant on philanthropic support whilst income from operations should be the main source of income to ensure that KOTO is self-supporting and thus financially sustainable.

Indeed, KOTO has recognized this challenge to sustainability. KOTO's funding policy has set a target for the coming years to increase the proportion of income from operations up to 70% against 30% income from philanthropy in order to become a sustainable social enterprise model (KOTO Information Pack 2010).

Even though the target has been set for the long run, it is one of the biggest concerns and challenges for KOTO, which has been suffering losses consecutively over the period from 2008 to 2010. The accumulated loss in 2010 was about VND 2.5 billion (equivalent to approximately Euro 83,000) which is approximately 9% of total annual income (KOTO final draft audit report 2010).

In agreement with the argument of Moizer and Tracey (2010) that social enterprise should rely principally upon enterprise rather than philanthropy and other subsidies to achieve its social goals, we may argue that it is a long way ahead for KOTO to strive towards this level of sustainability. The concerns with sustainability are summarised by the Deputy General Manager, "KOTO is not yet sustainable, not yet balanced, highly risky and too reliant on donors. A lot of work needs to be done."

The bonding and bridging dimensions of social capital in KOTO

Bonding

Anyone who joins KOTO as a trainee, a staff or just a visitor is confronted with a family-oriented culture. KOTO endlessly endeavours to become a real home where disadvantaged children are provided with shelter, food, education and care.

“Welcome to the KOTO family. You have started a journey where the first thing you need to know is that I believe in you. You are beautiful, inside and out, and your spirit is fresh, alive and ready to be open to new experiences. With time, you will understand that love is what holds KOTO together. You will have big brothers and sisters and younger brothers and sisters, and you will be students and sometimes even teachers and you will always know that KOTO believes in you”(KOTO Trainee Handbook, 2010).

“We are family which cares about all others and where big smiles bring the promise of love, compassion, and security...” (KOTO culture statement).

From this introductory text, it is obvious that the family culture itself already contains strong intrinsic bonding value. The bonding in KOTO is reflected in the interpersonal relations among staff, among trainees and between staff and trainees. It apparently creates strong solidarity and a sharing culture. Staff claimed that they played roles of brothers, sisters to guide, support and care for the trainees who then care for others in their turn. Communications among staff and staff with trainees seemed full of friendliness and warmth. Teachers and trainees called one another brothers and sisters.

“This is like my second home, everybody is so kind to each other. My life has changed so much” (one of KOTO trainees whose mother left her alone under the care of her grandmother after her addicted father died due to drug shock).

“The working environment here makes us feel welcomed as in a family, everyone respects one another, trainees always pay us smiles and thank-yous.” (Restaurant Manager).

“Family-oriented culture here is so helpful because the staff here is not merely employees but they stand side by side with the trainees as brothers, sisters in a real family to share, to support” (Marketing Manager).

The Marketing Manager stated that “KOTO family cultures create favourable conditions for sharing, interaction within staff. People with more capability are willing to support and guide the others of less ability to develop together”. This unique value could be clearly observed by new staff when compared with other organizations they used to work with.

“It is not like in the university where I worked, the atmosphere there was very ‘cold’, there was hardly a relationship between teachers and students, but here it’s totally

different. Teachers are brothers and sisters who open their hearts to share the sadness and sorrows of the trainees...” (International Development Manager).

Bridging

Besides possessing the rich bonding social capital that is closely associated with strong inward-focused interactions, KOTO has constructed a diversified network with individuals and organisations outside KOTO in social and commercial activities, reflecting an outward-focused KOTO. KOTO has placed significant focus on fundraising activities by developing and maintaining its network with individuals and organisations that support KOTO’s training program and trainees.

The network includes educational organisations and trainee sponsors who are regarded as salient stakeholders of KOTO. Educational organisations such as Box Hill Institute (Australia) provide training curriculum and endorsement of training certificates, and Le Cordon Bleu school (Australia) offers a Hospitality Tuition Scholarship every year. Trainee sponsors donate money to support training and living costs of trainees, which makes up 50 percent of KOTO’s annual income. Without this essential support, KOTO cannot afford the costs for trainees and would consequently fail to execute its social mission.

In addition, volunteer organisations have also been a significant actor in KOTO’s network, as they introduce a variety of practical knowledge of English or life skills to trainees. Involvement of volunteers in training activities has provided trainees with chances to practice and enabled trainees to become more confident and outward-oriented by active interactions with various volunteers with diversified backgrounds and nationalities. For example, KOTO has established links with AVI (Australian Volunteers International), ABV (Australian Business Volunteers), VSO (Voluntary Service Overseas), VIDA (Volunteers For Intercultural and Definitive Adventures), and Embassies of Australia and other countries.

The network also consists of corporate entities in the hospitality industry which offer internship or job opportunities for KOTO graduate trainees. Other businesses have supported

KOTO with financing or other forms of support for fund raising events of KOTO and other activities such as free medical check-up, free use of sport service facilities for trainees.

In selecting trainees from the field, KOTO collaborates with local organisations such as orphanages, open houses, warm shelters and local NGOs throughout Vietnam to collect and check information on those with extremely difficult situations when recruiting. Many KOTO trainees have been referred by these organisations. These organisations act as a bridge between the evident youth need and KOTO. The collaboration between KOTO and these organisations has enabled the continuation of support for the orphans or street kids who have been cared in warm shelters or orphanages.

The bridging dimension manifesting the network of KOTO with outside organisations can be illustrated in the Figure 2 as follows:

Insert Figure 2 about here

Financial mismanagement and a loss of economic capital – threats to KOTO’s sustainability

In the late 2000s, KOTO’s sustainability became highly fragile due to problems with its emergent management control systems and internal controls, especially its financial management. The problems prevailed for at least two years before being revealed. They involved management systems with “non-transparency in financial management, loose control, inefficiency, lack of oversight, lack of integrity of management staff, earnings management, ... financial cheating, and so on.” (KOTO staff). The control problems led to consecutive losses over the period from 2008 to 2010 with the accumulated loss in 2010 coming to VND 2.5 billion (equivalent to approximately Euro 83,000), approximately 9% of total annual income (KOTO final draft audit report 2010). This led to significant organizational instability in KOTO and the “dynamics within KOTO ... changed.” (CEO)

“...When I returned to KOTO and took KOTO over from the ex-General Manager, I started by reinvestigating all suppliers. A lot of problems were revealed, for instance a gas company had to pay ‘commission’ to some individuals to become a gas supplier for KOTO restaurant” “Can you imagine that the ex-Deputy GM filled in all of the accounting jobs in KOTO with her family members? It would be such a big trouble, and against Vietnam’s accounting laws.” (CEO)

Although significant losses were reported in the financial reports of 2008 and 2009, they were alleged “to be in fact even higher but hidden [in order] to hide bad performance” (a new KOTO staff).

KOTO was originally a small sandwich shop opened in 1999 and run by the KOTO founder to provide jobs for a small group of street kids. In 2000, it was expanded into a restaurant and the vocational training centre was opened. KOTO has been growing bigger and bigger since then. Informal controls predominated in KOTO even when it had grown rapidly from a small training centre with about 10 staff and 30 trainees to a company with 70 staff and 100 trainees today. The lack of proper and formal controls, the organizational operation and performance, good or bad, was largely reliant on the integrity of the management and trust among staff.

“We started with a small grassroots organization and it keeps growing so dramatically that I have a feeling that we’re running after it rather than it’s running after us. We feel overwhelmed all the time.”(CEO)

“...there was hardly a system to record funds and trace back the money and thus the completeness of income could not be evidenced. There was no segregation of duties, no checking for flows of goods in purchasing...everything was based on personal judgment, on trust.” (Deputy General Manager)

“The system relied too much on individuals. It relied on people doing the right things. It relied on whether you work with ethical sense or not.”(CEO)

In the third quarter of 2010, KOTO undertook a major restructuring in response to the discovery of financial mismanagement. One third of KOTO employees were replaced. The new recruitment procedures paid close attention to the social commitments of candidates to ensure that they shared and respected KOTO’s values. By the end of 2010, all of the key employees in top management and human resource management as well as the entire

accounting staff had been replaced. All newly-recruited key staff such as the Deputy general manager and all accounting staff came from business environments³.

“My main task is to make KOTO more profitable, sustainable; internal control system must be more transparent, effective and efficient” (Deputy general manager).

“Profitable” and “efficient” became the key terms explicitly articulated in KOTO in order to draw greater attention to the need to gain economic capital. This terminology was largely absent in KOTO’s management documentation prior to the restructuring. KOTO also decentralized more authority to line managers (HoD) and they were made more responsible for the performance of their staff and their departments.

“We feel more empowered, we have more decision authority as we are not a normal staff but we are managing the whole department, we have to make our own decisions and we have to manage to do that...”(Training manager).

The functioning of KOTO is divided into two parts: service function and operation function. Management authority will be divided to both General manager and Deputy general manager and subsequently decentralized to HOD (see Figure 3).

Insert Figure 3 about here

The new organizational structures allows more decentralization. It aims at “more localization of staff, more promotion opportunities for local staff and more capacity building”(Executive assistant to CEO).

KOTO reinforced its MCS by strengthening internal control systems. Tighter controls at the purchasing process were adopted. More attention was paid to searching competitive quotations, reviewing quality of suppliers, improving purchase procedures to ensure transparency and efficiency and KOTO has considered the employment of an ERP system (Enterprise Resource Planning). The existing performance measurement system (PMS) was not perceived to have little link with incentives and indicators were often vague.

³ For example, The Deputy general manager had worked as a senior audit manager in an audit firm, KPMG Vietnam, for 10 years. The General accountant and others used to work for private business companies for many years before joining KOTO.

Sales targets were introduced for restaurant staff, to “encourage rather than force to achievement because if we achieve the sales target, we will get some bonus and, if not, our salary is still not affected.” (Restaurant manager). KOTO step by step applied a more business-like approach supported by formal control systems. Cost efficiency became highly important to reduce the loss burden⁴. In addition, more specific financial indicators related to cost consciousness were embedded in performance requirements at department level. (Deputy general manager).

Social capital – solving tensions and rescuing KOTO

The focus on economic capital above potentially threatened KOTO’s cultural capital. The bonding social capital grounded in the intentionally-articulated family values and enriched by the social philosophy of KOTO - “Know one, teach one” – was, however, invaluable in helping resolve any potential tensions and allowing greater focus on the survival of KOTO in the restructuring phase. “Being rescued” and “being stronger” were the key words uttered in the annual graduation speech by the KOTO CEO. They reflected the hardship KOTO had experienced and how KOTO was now being “rescued”, not by a direct bailout from certain salient stakeholders or investors but by the social capital that KOTO has invested and reaped over years. This was most evident in the huge level support that came from its alumni network – the graduate trainees – in response to its financial difficulties.

Facing these financial difficulties in 2010, KOTO released a letter appealing for help to the graduate trainees throughout Vietnam for the first time ever to inform them of the “sickness of KOTO” (KOTO CEO) and call for help. Specifically, KOTO asked for low-interest loans from individuals based on trust rather than on collateral to solve the severe shortfall of liquid funds to cover the operational expenses of KOTO and the opening of a

⁴ According to the Deputy general manager, the ratio of cost of goods sold (COGS)/revenue in KOTO was too high, at 52%, while a normal ratio in a restaurant business is merely 30% to ensure profitability. The target for the coming years is to improve this ratio to reach around 30% by cutting costs and tightening purchase control to avoid inflated prices or secret commission.

KOTO restaurant in its branch in another city, Ho Chi Minh. KOTO was overwhelmed by the support in various forms from the alumni.

“Expecting a few individuals to come forward, what we got was not so much of large monetary donations but ideas for fundraisings. Words of encouragements and above all else a lot of love” (Graduation speech 2011 by KOTO CEO).

The strong solidarity of the KOTO alumni was dramatically revealed and helped ensure KOTO’s survival⁵. Some rushed to KOTO to share their savings, some went back to KOTO to work full time or gave support in whatever job they could do for a certain period, without any expectation of remuneration.

“After I sent the Appeal letter for help to former KOTO trainees which informs that KOTO is now ‘seriously sick’, they immediately ‘blamed’ me for being so selfish not sharing with them earlier. One of them came to me and say ‘Hey brother, I could only save 3 million VND [local currency, about 100 euro] over years, now I want to give it all to you to support KOTO”[silent with tears in his eyes] (CEO).

On top of the ample support from the alumni, KOTO has also received support from volunteers providing free of charge services such as renting venues and other organisation costs in the fundraising events of KOTO taking place every year. For example, the Deputy General Manager committed to work for KOTO with delayed salary payment for about 6 months.

Interplay of management control systems and social capital of KOTO in the context of a financial mismanagement crisis

Effects of informal and formal MCS on social capital

Informal MCS have always prevailed in KOTO in the form of impromptu meetings, verbal communications and information sharing. These informal forms of communication are

⁵ Due to the important role of the alumni, one of KOTO’s strategies in the near future is to enter into one alliance with KOTO Alumni and another alliance with the Box Hill Institute (Australia) – see figure 2. These alliances will form a kind of social joint ventures where KOTO contributes its reputation, its brand and 10-year experience in training and restaurant operation. These elements will be combined with expertise resources of KOTO Alumni to start up a high class restaurant named “Pots and Pans” (KOTO CEO). With the international accreditation and investment capital of Box Hill they will set up the first international vocational training centre in Vietnam. KOTO will join and lead the alliances with the aim of gaining social returns, achieving sustainable development of KOTO, and spreading KOTO’s social values. If launched and operated successfully, these models will be replicated up to 10, 20 or 30 units all around Vietnam (KOTO CEO).

used most frequently by training department and prove to be so useful for them. The informal meetings of the entire department or among teachers are the most effective way for peer feedback and peer review on curriculums, for exchanging experience and lessons learnt after training sessions. More importantly, verbal meetings are used to share any problems that teachers have such as workload, stress when teaching difficult trainees, etcetera. Consequently, the bonding among teachers is intensified.

“Exchange and sharing in training department are done more informally than formal, for example without setting agenda, a teacher feels improvised to talk to the teacher of English if he thinks his curriculum today might be delighted to that of English course, to see if they both can support each other, so even informal exchange but very effective and supportive. Verbal is more effective and I suggest to apply it whenever possible. Of course it has to do with carefulness to transmit exact messages otherwise it is such a danger. But verbal is so much effective for exchange of training experience, training curriculums and problems.”(Training Manager).

Informal information sharing and meeting are also more dominant than formal forms in KOTO restaurant because this form is useful in transmitting information, suitable for a small-scale restaurant. It has been especially helpful in the restructuring period of the restaurant when the CEO himself frequently involved informally in discussion with separate department to listen, to identify problems and short-term solutions. More importantly, this kind of informal activity has reinforced the bonding among staff, which has been at risk of damage in the difficult time of KOTO recently.

“Brother Jimmy [KOTO CEO] is very practical to sit with each department to figure out problems, not just waiting for survey’s results or any papers [reports] and thus problems could be quickly solved, at the same time he could deal with problems of weakened bonding among staff that he could feel more or less.” (Restaurant Manager).

However, evidence shows that informal MCS can have negative effects if overused especially when formal MCS should be in place instead. The relations among staff might be damaged.

“If informal is too much used, we cannot force anyone to do the job. Formal communication needs everything to be in writing, on paper so as to make sure that staff is involved in processes which can be kept track of. Because KOTO is an outward-oriented organisation, formal procedures and process should play the main role; the mixing-up between business and emotional relations should be limited.” (Marketing Manager)

“It’s true that informal forms can influence relations between colleagues. When a conflict happens resulting in a quarrel for example, it’s of no use to try to justify which guy to blame [laughing], because of no evidence. That’s also a problem.” (Marketing Manager)

Apparently, informal MCS strengthen the bonding through social capital. Strong bonding poses a risk of mixing up between the emotional and business aspects in work interactions. The strong bonding, in turn, inhibits the application of formal MCS and further encourages the prevalence of informal MCS to the extent that potentially damages the bonding itself.

“...For example when a job involves cross-section collaboration, people often forget and miss deadlines because they think their colleagues, with inherent close relation, will easily forgive that. People tend to think we are in a family, know one another so well so there’s no need to be serious and to improve it next time ... There have been complaints about this but some don’t perceive this information with positive attitude...” (Welfare Manager)

“...Our working environment involves a lot of emotion, so if we don’t feel good to one another, we cannot collaborate in the long run or collaborate with little enthusiasm.” (Welfare Manager)

It could be argued that because KOTO is a social enterprise, the working environment is shaped by a combination of being driven by culture of a real business and by a family-oriented culture. This distinct feature of a social enterprise like KOTO itself implies a conflict that might create a mix between emotional relations and business like requirements. Family-oriented culture facilitates informal forms of controls while business manner demands application of formal controls, which is now an urgent priority of KOTO in its restructuring. Hence, informal and formal controls exist in parallel and have an interplay with social capital as discussed above.

One of the research findings of Chenhall et al. (2010) in their study on an NGO is that application of formal controls had the unexpected effects of inhibiting bonding and cultural capital. However, in KOTO, our evidence reveals that formal controls, in particular strong boundary systems, were identified to be a solution to the danger of damaging the bonding and needed to be dominant over the informal controls.

“The good relations tend to enable people to be tolerant to one another. But it would be annoying to others who respect disciplines and don’t want any delay in the job due to a

delay of any individual. It should not happen, because business is business, the job needs to be done.” (Welfare Manager)

“As a manager, I want everything to be officially processed because the official way of working will help keep track of processes, and when any conflict happens, there is formal written forms to show what has been done and still expect to be done.” (Marketing Manager)

“What we think important or necessary to record, we should not deal with that in verbal forms but use written forms; it will be more effective.” (Training Manager)

In social enterprise where the tension between economic and cultural is arguably harder than in an NGO setting, the informal controls are important but turn out to be problematic for maintaining social capital. Hence, formal controls should be in place as a long-term solution for maintaining the bonding among people, because once everybody complies with formal procedures and processes, transparency and professionalism will be boosted and that will positively affect the relations among people.

Application of formal controls was identified to be urgent to restore the trust among staff and trainees. In the difficult time when KOTO was faced with problematic management, informal controls were too dominant and internal controls were too weak. Formal controls were used but just in a ceremonial way. It hurt KOTO staff, especially those who were not in the same boat with a group of influential people, who were dismissed when the restructuring started.

“Yes, it did [hurt the staff], as I mentioned in the Graduation Speech, which is alleged to ‘wash one’s dirty linen in public’ but a social enterprise is a social entity; like a ‘student’, I am a student, I make mistakes, but look at us now that we become stronger...” (CEO)

“Before I was not working here in the restaurant but in the Catering department, I felt so tired and discouraged. Then I returned to work here because of many changes [that discouraged him]. Financial management was not transparent and too loose. In the restaurant, turnover was very high and a main income source for KOTO, but we still felt the business going down and felt very discouraged and that things were unfair. There were survey, feedbacks; and an evaluation board was set up but all were just symbolic. Therefore, problems either were not raised or solved fully.” (Restaurant Manager)

As a consequences, “many staff felt disappointed and left KOTO” (Deputy General Manager). When the restructuring had taken place, MCS were reinforced and formalised. KOTO staff have now been encouraged to work, as their trust in KOTO has been restored.

“A new face of KOTO is brought about, it makes me feel satisfied.” (International Development Manager)

“Since the restructuring started, the working spirit of staff and trainees has improved a lot. We became more enthusiastic and more goal-oriented.” (Restaurant Manager)

With respect to the bridging dimension, formal controls were found to be necessary to restore the trust of sponsors in KOTO’s values and operations, and to reinforce the bridging with sponsors and with partners in the alliances to be set up in the near future.

“If KOTO is too family-oriented, it’s risks losing structure. Lack of structure will influence the sponsorship, because KOTO needs to realise that no matter how you want, they [sponsors] need evaluation, need verification. Without showing them these, forget about asking for their ongoing support.” (CEO)

As mentioned in previous sections, in this turbulent time, KOTO needs to attract much more economic capital to overcome financial difficulties. KOTO is faced with such a big challenge to restructure the whole KOTO to become more professionalised, formalised, standardised to show that KOTO could identify the weaknesses, could improve them and show its capacity.

“Restructuring is all about transparency, auditing, human resource management, capacity building, etc. If you have only a one-faceted focus, you can never have balance and your organisation is not healthy. It changes with time, so you cannot work with the old practices, it’s very old fashioned. We cannot always just show our great values but have to prove that we have capacity.” (CEO)

Formal controls therefore have an important role in legitimizing, restoring trust, strengthening the determination to respond to a changing situation and environment.

Effects of belief systems and boundary systems on social capital

As previewed belief systems in KOTO are thoughtfully developed and thoroughly articulated all over KOTO. The first image when entering KOTO office is two framed posters

presenting KOTO's statements of mission, vision, and culture, one in Vietnamese language and the other one in English.

KOTO's belief systems focus on the social mission of KOTO, on the outputs and cultures. KOTO's mission, vision and cultural statements themselves convey meaningful social message that has always been a strong motivation to the people who share these values with KOTO. Evidence shows that belief systems are the most important MCS that really enhance the working commitment at KOTO:

“Everybody here is really working from their heart, not for personal interest or for making money.... We work here to do good deeds to reap good results for our children generation, as taught in the Buddhist philosophy” (Human Resource Manager)

“Motivation of working and creativity here is to bring change to the life of the trainees. I think many staff join KOTO with different purposes but most of them work with kind hearts. The same for marketing, marketing here is not for profit. When working with outsiders, suppliers or so we work from the bottom of our heart purely for the benefit of the trainees.” (Marketing Manager)

Belief systems have proven to be powerful in bonding people, keeping them on board with KOTO during the ups and downs of development.

“I used to get lost at the crossroads, felt unstable and thus started to think about looking for another job. But I made decision not to leave and after the difficult time has passed, I think my decision was right. I have such a strong belief in KOTO, I feel that I can never leave behind the trainees here with so special ties with them” (International Development Manager)

Deeply appreciating the strong staff commitment, the KOTO founder showed his great gratitude to the staff in his speech at the graduation ceremony 2011, saying that:

“...it would be easy to think the grass is greener on the other side and to leave KOTO in search for greater personal material benefit. It gives me so much joy to see that none of you here have done that as your desire to work for the good of the trainees has outweighed all else, and that we are able to go back to basic, values and family; for that I'm eternally grateful” (KOTO CEO)

This reveals the effect belief systems can have on bonding social capital. Belief systems in KOTO have been successfully self-reinforced over time with the KOTO social philosophy “Know One, Teach One.” It is also about a belief in the power of peer-to-peer sharing and supporting, one who has been supported will support another. Once this philosophy is passed

on among a wider community in terms of perception and implementation, it is very powerful, creating a wider and wider network of people living for the sake of others.

Enormous support from KOTO Alumni network, as presented earlier, is one of the lively examples of strong social capital that KOTO could have been built up and maintained on the basis of many factors including the key success in transmitting, implementing the belief systems of KOTO.

Moreover, evidence from the study shows the positive effects of the beliefs system in solving the tension between personal and organisational benefits in social enterprise. This finding is consistent with Chenhall et al. (2010), who reported that tensions arose in an NGO when staff had to deal with target groups that often contain social complications such as anti-social attitudes. In social enterprise, the tension appears to be similar, as a social enterprise works for the ultimate objective of achieving its social mission. In KOTO, all staff are directly or indirectly working with the marginalised group of street kids, extremely under-privilege and socially excluded teenagers. Their efforts must be double those in a normal scenario and their motivation must be strong to overcome the tension.

“If talking about conflicts, we have to go back to the trainees. No matter how hard the conflicts would be, we understand that we are working in an environment where we are caring for one another as in a family, and we never leave KOTO, that’s for sure. The strongest motivation here is the trainees, we feel happy to see them developing.” (Restaurant Manager)

“Sometimes it’s very disappointing. We must deeply understand the dark corners of their family situation, why and how hard their sufferings are, to pay sympathy to them.” (International Development Manager, used to be a teacher)

“Luckily, the teachers here have high sharing emotion with trainees and commitment to their job besides their profession, experience. It’s very important because the trainees here are very ‘don’t care’. One teacher used to leave the class and burst into tears, due to repression without knowing how to deal with it.....So we often pay much attention to social and emotional aspect of candidates in recruiting teachers.” (Training Manager)

Belief systems articulate family values which support sharing and exchanging activities and in this way, the conflict is shared and reacted to by the team’s solution.

Chenhall et al. (2010) found that belief systems on the one hand enhance bonding but on the other hand inhibit the bridging aspect of social capital, because the bonding encourages inward focus and thus potentially impede partnership with outsider. In KOTO, our data show little evidence to support this interpretation. KOTO has put a lot of effort to structure a diversified network with partners and sponsors. Maintaining a good network is vital to KOTO and the staff is well aware of that, taking it for granted, and proud of an outward-looking KOTO. Their belief system facilitates the social connections with actors outside KOTO.

“I myself fit very well with KOTO’s working environment where I can make use of knowledge I learned from education abroad. I find it very suitable for me because KOTO is not purely business, and the system is outward oriented, having contacts with variety of foreign organisations and individuals.” (Marketing Manager)

“We always base on KOTO’s mission, vision and culture to work with outsiders and we will be always what we are, never change that approach.” (Marketing Manager)

“You know, everybody here is always open because KOTO can only take care of about 100 youth trainees per year, which is a very small amount compared with the many still left behind in society. We really want to share our story, our experience with any organisations that share the same mission. We always want to replicate our model widely in the community. A lot of organisations have paid study visits to KOTO. We shared all of our experience with them regarding organisational structure, fundraising activities and so on, even job descriptions!. We don’t hide anything. We hope that they can learn our experience to build up their own values, and to avoid unnecessary fee [costs] in the start-up phase.” (Executive Assistant to CEO)

Hence, despite being strongly bound by the family values, KOTO staff tend to be and are ready to be open to external partnership. External relations are important and involved in their daily work. For instance, the training department work closely with restaurants and hotels in Hanoi to arrange field visits for trainees to observe practices. This is an important part of the training curriculum because the practice of trainees mostly take place in the KOTO restaurant, which is limited in restaurant-related knowledge. The training curriculum covers a range of hospitality knowledge related to professions in hotels, bars, cafe, and other facilities. Field visits to these places will fill the gap of practice skills that KOTO restaurant cannot offer. KOTO staff are “equipped” with a strong belief in the social mission and

reputation of KOTO in searching connections with outside resources and convince them to support KOTO's trainees.

“Firstly, the hotels and restaurants always welcome hospitality training, especially KOTO's training which is very professional; they even want a long-term cooperation with KOTO. Secondly, we are proud that KOTO can help such disadvantaged children to become professionals in hospitality.” (Training Manager)

KOTO and KOTO staff have to be outward-oriented because KOTO's training program and operation are largely dependent not only on foreign sponsorship, but also other external resources. Another remarkable argument that can substantiate the strong bridging dimension of KOTO is its typical intrinsic characteristics of an enterprise working in hospitality industry.

It could be concluded that the belief system enhances bonding and bridging equally in KOTO. Strong bonding has not inhibited bridging but they both exist in parallel in KOTO, in every staff of KOTO. An outward KOTO grounded on strong inward interaction shapes what KOTO is nowadays.

Boundary systems in KOTO articulate regulations and disciplines that prevent violations. As a business working in training, discipline is significantly important and has been developed thoroughly in KOTO.

The current literature including the report by Chenhall et al. (2010) revealed that boundary systems have little effect on social capital because belief systems have strong influence on bonding and bridging, making boundary systems unnecessary, even damaging the bonding as they might be perceived as a mistrust. However, the study in KOTO provides evidence that goes against these conclusions. In a training environment like KOTO, it is very necessary to apply boundary systems. The interactive use of boundary systems with belief systems will result in symbiotic effects, because the boundary systems will support the employment of formal controls in KOTO, and that was identified to be essential and to have effects on social capital.

“I think disciplines must be in place. Disciplines help empower procedures. You cannot run a school without rules and regulations. Using emotional relations to rule trainees is necessary but just to a limited extent. Overusing emotional rules will cause unwanted effects because the systems need to be transparent and open. The family values in KOTO make it more challenging than a normal setting because our target groups are just teenagers, with a complex place in society. When gathered in a house, they are very troublesome, you can never believe it.” (CEO)

“Any family still need to have disciplines to use in the case that informal controls repeatedly fail to solve problems that go beyond the limit. “ (International Development Manager)

“Surely discipline is necessary. We can just discuss together in the first time to draw the lessons, but if you still do not learn the lessons then there is no better way than applying disciplines, because this is a collaborative entity. We cannot have the situation that in the chain, a certain link has a problem but is not repaired. It will badly influence the whole chain. It should not be allowed to happen that one individual’s mistake affects the whole team. That is also because KOTO today is not KOTO of 2001. KOTO has been dramatically growing up. Growing in scale does not allow us to be easy-going to ourselves anymore. And once becoming a ‘grand’ KOTO family, we need equivalent standardised and formalised systems to manage future satellite KOTO families.” (Executive Assistant to CEO)

Arguably, the combined use of belief systems and boundary systems are necessary to maintain transparent management systems and a healthy environment which will strengthen the bonding.

Besides, using the boundary systems reinforces the belief systems, because boundary systems tighten the controls, which in turn increases the cooperation and trust among people (Coletti et al., 2005). KOTO’s boundary systems strongly support this point of view and emphasises it in the trainee handbook.

“The KOTO handbook is about regulations related to trust. You need to understand the rules that our family has to live by, to help each other, to take care of each other, and to respect each other. When we can be consistent, predictable, share with each other, then we begin to trust each other. We can find ways to let each other into our lives, to teach understanding, mutual respect and caring, and to not cheat and hide from each other. We need to make sure our words match the message of what we say and say what we mean.” (KOTO Trainee Handbook, 2010)

Under the restructuring in KOTO, new themes and focuses related to the method have been figured out and conducted such as cost efficiency, formalisation, standardisation, professionalization. In the meantime, belief systems of KOTO were revisited by intensively reviewing the mission, vision and cultural statements. The review and revision was done with

participatory involvement of key KOTO staff. However, it was not perceived to be important to incorporate the new themes and focuses in the revised mission and vision of KOTO.

“I just want to base the mission, vision on outputs and cultures, on general belief of where we are, where we go. If there is a new focus, the whole management systems should implement it rather than only orienting it in mission, vision which should merely concentrate on the core values” (CEO).

“The mission and vision have not been changed much over the years. The change was just to improve the wording. I think once the mission has been wholly agreed on by the staff, it should not be changed.” (International Development Manager)

And the change, if needed, would be largely influenced by cultures that might vary in different scales, areas and times.

“In the early days, there were only 25 to 35 trainees and about 10 staff; the values were just [more simple] like that. But now, with 200 trainees and KOTO also located in another city, the cultures are different as well. In the future, if KOTO is expanded to Cambodia, the cultures will be not only Vietnamese relevant but also Asian relevant.” (KOTO CEO)

This evidence does not support the argument of Chenhall et al. (2010) that belief systems, with influential power, should incorporate a new focus that would be developed later by interactive and diagnostic control systems. In KOTO, cost efficiency was identified by the new top management as one of the most important focuses at the moment, because KOTO must overcome its losses whilst costs have been increasing due to the restructuring and scaling up of the organization. As mentioned earlier, KOTO is trying to reduce costs and boost revenue to reduce the COGS/revenue ratio from 52% to 30%, to become profitable. According to the deputy general manager, this new target will be presented and followed up in the strategic meetings of the management, in internal memos.

That means that the interactive systems have to take the lead in articulating the new target and updating the implementation. As the deputy general manager explained, they will also be incorporated in the PMS by elaborating the target into sub-targets and clarifying specific actions to achieve these sub-targets for every department. The sub-targets can be ceiling budget of expenditures, or floor budget of revenue in the restaurant. They will be embedded

in the quarterly planning and budgeting of each department. Expenditure reports will be the basis to compare with plans and budget. The PMS will evaluate the performance of each department with regard to their implementation of cost efficiency and the achievement of present sub-targets on a quarterly basis.

Restructuring in KOTO required an intensive improvement of management systems including MCS. Given that belief systems and boundary systems were well developed and effectuated, a significant focus of the restructuring is placed on diagnostic systems and interactive systems. For instance, the PMS are claimed to be not specific enough and missing links between goals and incentives. Besides, the application of PMS has not been conducted seriously enough. The reason is that KOTO still has a long list of more urgent issues to deal with to overcome the recent distress. Recently, PMS has caught the attention from the top management, especially when new focuses need to be embedded in the PMS. The improvement of interactive and diagnostic systems should be done at the right time to prevent potential damage to social capital, because that might dampen the staff's motivation to work.

“The management could not allocate proper time for appraisal. Many appraisals are now still pending. That is not good because the appraisal should be done promptly so that the appraisees know whether they are promoted or not.” (Marketing Manager)

“Work plans have not yet been linked with performance appraisal. Staff here work under little pressure because goals are not attached to their work.” (Welfare Manager)

However, the improvement of diagnostic and interactive systems is not considered as the most pivotal to the survival of KOTO, which belief systems are.

“In the end, everybody would look at the values and outputs of KOTO rather than looking at how strong the organisational structure is; it is not the most important thing. KOTO has a lot of sponsors who have supported KOTO for a very long time; they absolutely trust KOTO.” (Executive Assistant to KOTO)

This could arguably explain the fact that might surprise many people when KOTO, despite being distress-stricken, can successfully take the lead in launching the alliances with the Box Hill Institute and the alumni. This can be referred to as the leading role in bridging structural holes (Burt, 1997) thanks to the excellent function of the network's manager (Burt,

2002), the KOTO CEO, and again, the great role of belief systems. The CEO is the one who played a heroic role in bonding KOTO and bridging KOTO with outside partners. In setting up the alliances, KOTO CEO “is standing in the joint points to connect them with KOTO.” (CEO) He has proved to be a great example of a leader with high sense of ‘tone at the top’. This is one of the keys to the success of KOTO in sustaining the social capital.

“The most important factor to ensure the fairness is the leadership. The leader has a great heart that touches people. He does what he says. He works from the bottom of his heart, gives support to anyone meeting difficulties. Such a working spirit has transmitted among the people..... I admire him a lot.” (Human Resource Manager)

“JM [KOTO CEO] is the soul of KOTO. He has brought about a new face for KOTO in the turbulent time”..... “He never minds cleaning glasses in the bar of the restaurant together with staff. He refreshes the working spirit of staff, gives support and shares with us here.” (Restaurant Manager)

“The most important thing is the leader who has created the family culture of KOTO. He has to become a good example in the family and thus influences staff and trainees. JM is very close to the trainees. He is strict but very friendly.” (International Development Manager)

In short, belief systems and boundary systems have manifested their dominant effect on the bonding and bridging social capital whilst diagnostic systems and interactive systems also have a certain influence. However, they are not determinant factors in bridging KOTO with the outside networks.

Conclusion

The paper uses the concept of social capital, which is a new approach in the field of management control systems (Chenhall et al., 2010), to investigate management control systems in reciprocal relations with social capital in social enterprises. It includes the literature on social capital in connection with other two forms of cultural capital and economic capital developed by Bourdieu (1986); formal and informal controls by Chenhall and Moris (1995); and the levers of controls by Simons (1995).

By approaching the bonding and bridging dimensions of social capital, we sought to understand how MCS influence the internal and external relations among actors inside and

outside the social enterprise in their reaction to the tensions and challenges. Once the tensions are solved, sustainability will hopefully be achieved.

The study shows the distinct but inherent tension of the social enterprise between cultural capital and economic capital. The tension implies the efforts to keep the balance between attracting economic values while preserving cultural values. To do so, it is inevitable to be equally socially driven and commercially driven in terms of process, method, outputs and outcomes. Any unbalance will threaten the sustainability of social enterprise. Evidence has demonstrated this threat, when the case social enterprise faced an alarming lack of sustainability due to being too socially driven, lacking serious planning and implementation of business methods, which would have required formal MCS to be employed.

The abundance of evidence in the case study revealed the role of social capital, especially the bonding dimension, in solving the tension between cultural and economic capital, in tackling challenges in a turbulent time for the case company. It not only reaffirms the literature on the essential effects of social capital in a general business setting but also contributes to the literature about the role and value of social capital in social enterprises.

The study provides insights about the reciprocal effects between MCS and social capital in general and in a social enterprise context, to contribute to our limited literature in this topic. It has investigated the effects of both informal and formal MCS on bonding and bridging. Moreover, the study has examined the effects of formal MCS in Simon's LOC framework on social, with the main emphasis on belief systems and boundary systems.

First, the evidence shows that informal controls strengthen the bonding as they smoothed the information sharing and reinforced the solidarity among people in the case social enterprise. The strong bonding in turn inhibited the employment of formal MCS, and that situation potentially threatened the bonding itself, because informal MCS fail to solve, or even create, a complexity that formal MCS would do much better. While investigating this

further, the study highlights a finding in contradiction with a research result reported by Chenhall et al. (2010), which suggested that the application of formal MCS could inhibit bonding and cultural capital. However, our evidence reveals that in the case social enterprise, a formal MCS should be in place at the right time to prevent the risk of eroding the bonding due to over-application of informal MCS. We would support this finding based on the argument that the tension in social enterprise is so distinct and severe, because social enterprises have to play well two roles at the same time, being a good business to make profit and being successful at their social mission. They do need to adopt business methods as a normal business to make profit. Formal MCS facilitate them to succeed as a business and that supports sustainability so that they can fulfil their social mission.

Second, the findings demonstrated the powerful influence of belief systems on social capital, not only bonding but also bridging. Belief systems conveyed the shared social and cultural values that helped create a strong motivation to work, boosted information sharing and solidarity, and solved personal and organisational conflicts. Evidence from the case study demonstrated that belief systems can enhance bonding, which is inward focus, but not impede outward partnership. This finding again is in conflict with the results reported by Chenhall et al. (2010), who proposed that belief systems potentially inhibit the bridging social capital.

When examining the role of boundary systems on social capital, it has been evident that the combined use of boundary systems with belief systems will create resonant effects on the bonding of social capital, because boundary systems really support the adoption of formal MCS and maintain a transparent, disciplined working environment, which will reinforce the bonding. Weak or absent boundary systems would do more harm than good. Again, this finding does not lend support to the conclusion by Chenhall et al. (2010), that boundary systems were perceived to be unnecessary in developing the bonding.

This study took place at a time when the case social enterprise was launching a comprehensive restructuring mainly in organisational and management systems. New themes and focuses related to methods and processes have been worked out and implemented, such as cost efficiency, formalisation, standardisation, professionalization. Belief systems were also revisited and revised. However, the new themes and focuses were not yet incorporated in the revised mission and vision of the case social enterprise. The evidence shows that belief systems do not necessarily incorporate new focuses related to methods that are perceived to be functioning well in other control systems such as interactive system and diagnostic system. The belief system should be revisited at thresholds of changes, but should stick to conveying core social values which are proven to be essential to the survival and success of the social enterprise. Constructing or reconstructing the mission and vision by a participatory approach that involves teamwork will enhance commitment of staff to the shared values of the organisation. This important finding is also contradictory to the argument of Chenhall et al. (2010) that belief systems, with influential power, should convey a new focus that would develop later by interactive and diagnostic control systems.

There is little evidence on the effect of such formal controls as interactive and diagnostic systems over the power dimension of bridging social capital. The case company leads the partnership with the stakeholders in the two new alliances thanks to its strong social values, its qualified outputs, its reputation and experience in delivering the social work rather than how well the organisation is governed. This was somewhat surprising, considering that the case company had fallen on turbulent times due to its weak management and internal control systems. But it could successfully call on the partnership of stakeholders to set up alliances in which the case company is the leader. This can be referred to as the leading role in bridging structural holes (Burt, 1997) and was possible thanks to the excellent function of the network's manager (Burt, 2002), the KOTO CEO, and the great role of belief systems.

The results of this study may have been affected by several limitations. Firstly, the study was conducted at the time when the case social enterprise happened to be launching a major restructuring. Despite the advantages of having the opportunity to examine the effects that may in fact be reflected more sharply during change, and the advantages of a fresh look by new actors, the disadvantage is that the restructuring replaced a significant number of staff who knew the historical background of the case enterprise. The new staff could provide less historical information. That limited a comprehensive observation and perspective of half of the interviewees on the organisation over a period of more than two years.

Secondly, the case study was conducted in a short period of time. Although, the field work was prepared in advance with the documents provided by the case social enterprise, the observation in the field was restricted to eight weeks. In addition, due to limited documentation of the case company, data was largely based on the interviews and notes taken in the discussions, talks with the management. Confidentiality reasons also restricted the access to several internal documents.

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Table 1: Different features of social enterprises, non-profits/NGOs and corporate enterprises

Dimensions	Social enterprises	Non-profits/NGOs	Corporate enterprises
Motive	To bring about positive social change and mitigate social problems	To mitigate social problems	To increase personal and stakeholder wealth
Primary goal	To identify and address long-standing unsolved social problems	To identify and address social problems that may or may not be long standing and unsolved. For instance, emergency disaster relief programmes are not necessarily longstanding social problems	To identify and address unfulfilled <i>market</i> needs/wants
Antecedent conditions	Government and market failure to address longstanding unsolved social problems	Existing or unmet market need and/or social problem	Growing market or potential market growth
Value creation	Social/Use value	Social/Use value	Economic value
Outcomes	Mitigated social problem Sustainable positive social change	Mitigated social problem	Wealth creation

Source: Adapted from Trivedi and Stokols (2011, pp.21-24)

Table 2: Effects of MCS on bonding and bridging social capital

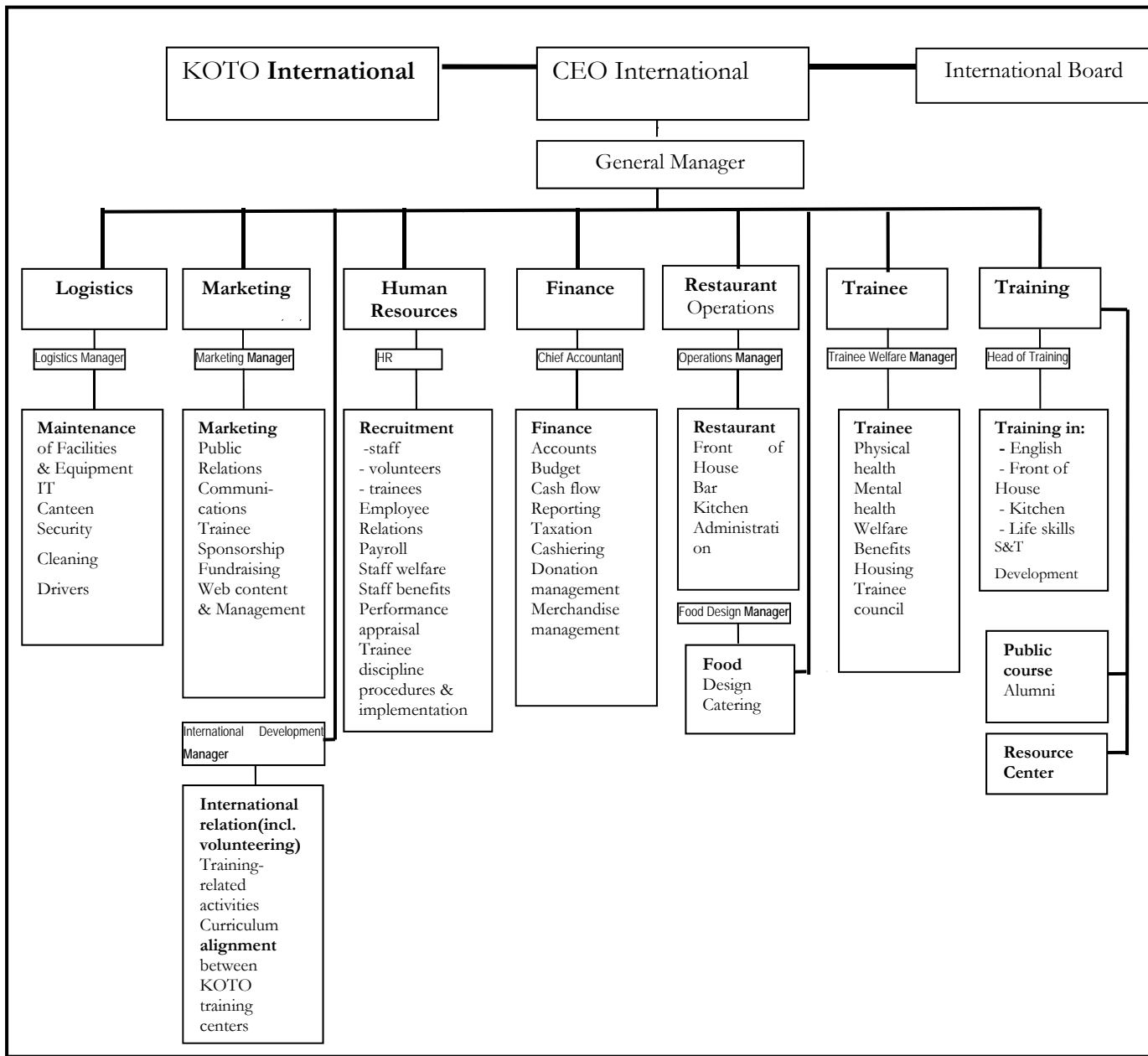
MCS	Possible positive effects on bonding and bridging social capital	Possible negative effects
Chenhall and Moris (1995)		
Formal MCS	Enhancing bridging by demonstrating capabilities and reputation to stakeholder groups, clients and partners. This can be a legitimacy effort resulting from formal MCS application.	May be unfavourable for bonding in the condition that informal MCS are largely used; as people get used to informal MCS they may tend to resist formal MCS.
Informal MCS	Enhances bonding thanks to easy communication and information sharing, which create close interactions based on interpersonal connections.	
Simons (1995)		
Belief system	<p>Enhances bonding by communicating core values, goals, directions and by inspiring the commitment from employees to organizational objectives, trust of employees toward social ideals of organization; empowers individuals.</p> <p>Enhances bridging by communicating organizational core values and strategies with other parties and stakeholders in the network.</p>	Strong belief systems may be considered sufficient; as a result, boundary systems may be perceived by mistrusting employees, which will harm the bonding.
Boundary system	Enhance bonding by defining the acceptable domain of individual actions, because it can mitigate risks of deviations that might cause conflicts.	
Diagnostic system	<p>Enhance bonding by clarifying goals and showing expectations all over the organization.</p> <p>Enhances bridging by demonstrating capability to engage in network activities which may develop into relational signalling and goodwill trust.</p> <p>Enhances bridging by identifying areas of joint interest thereby reinforcing parts of the network.</p>	<p>Diagnostic controls provide information to manage in a more business-like way.</p> <p>This may be incompatible with customary informal controls and may damage bonding.</p> <p>While formal diagnostic-type controls may damage bonding they can enhance bridging by demonstrating the organizational competence to stakeholder groups alliance partners.</p>
Interactive system	<p>Enhances bonding by encouraging debate on values and future directions of the organization.</p> <p>Enhances bridging by helping managers to identify strategic uncertainties that may provide the impetus to create alliances and other cooperative arrangements thus extending networks.</p>	The formality of the interactive processes may be inconsistent with customary organic controls, which may inhibit bonding.

Source: Adapted from Chenhall et al. (2010, p.743)

Table 3: List of interviews conducted

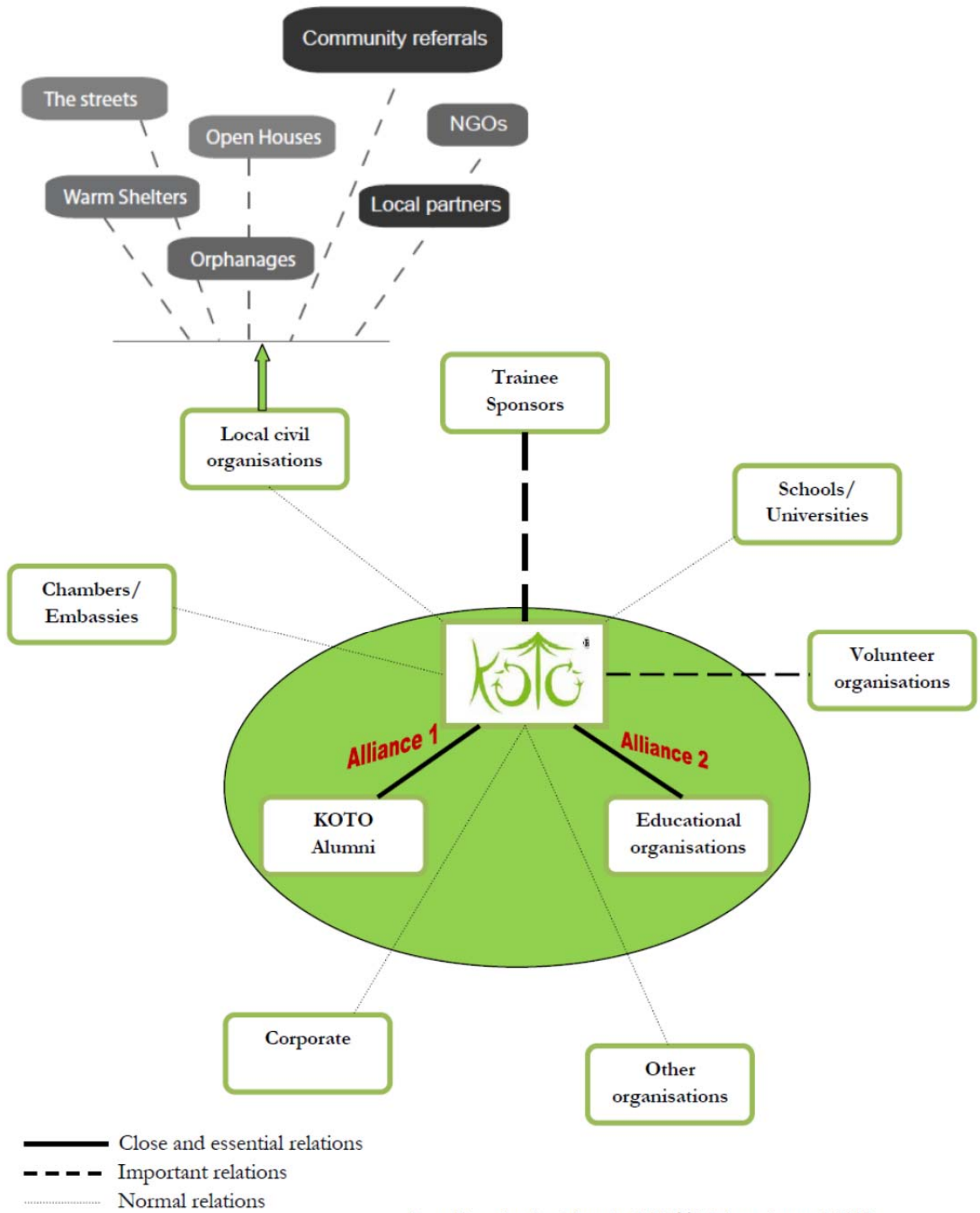
Interview number	Interviewee	Duration (minutes)	Place	Language
1	KOTO International CEO & Founder	89	KOTO office	Vietnamese and English
2	Deputy General Manager	120	KOTO office	Vietnamese
3	Executive Assistant to KOTO International CEO	66	KOTO office	Vietnamese
4	Human Resources Manager	100	KOTO office	Vietnamese
5	Restaurant Manager	55	KOTO restaurant	Vietnamese
6	International Development Manager	46	KOTO office	Vietnamese
7	General Accountant	38	KOTO office	Vietnamese
8	Training Manager	76	KOTO office	Vietnamese
9	Welfare Manager	60	KOTO office	Vietnamese
10	Marketing Manager	51	KOTO office	Vietnamese
11	Catering Manager	26	KOTO office	Vietnamese

Figure 1: Organogram of KOTO in 2010



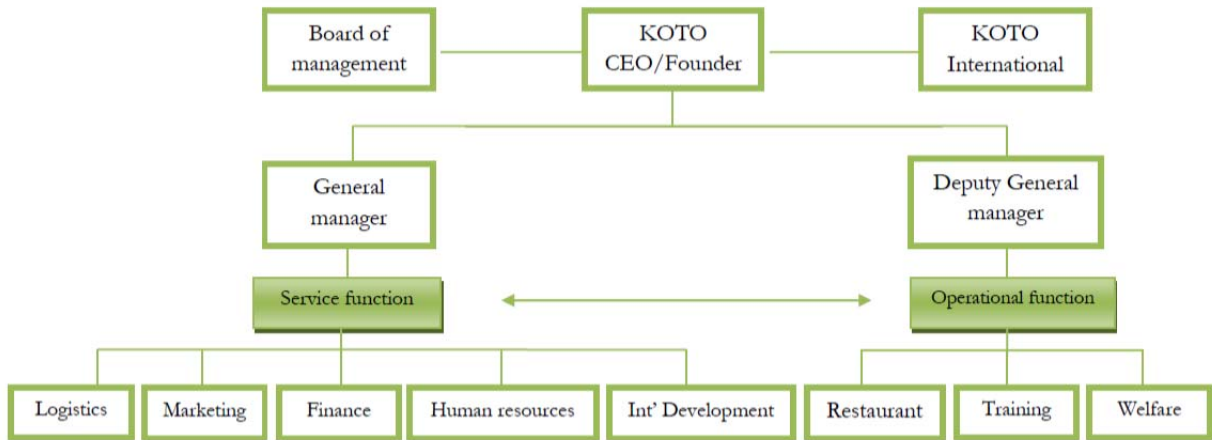
Source: Staff handbook of KOTO, 2010, with agreed addition of *International Development department* and its functions.

Figure 2: Bridging networks of KOTO



Source: Drawn based on information in KOTO information pack 2010

Figure 3: Organogram of KOTO in 2011



Source: Draft KOTO organogram 2011