

A CONCEPT IN PROMOTING SOCIAL ENTREPRENEURSHIP THROUGH MALAYSIAN INNOVATION AND CREATIVITY CENTRE FOR SUSTAINABILITY ECONOMIC DEVELOPMENT IN MALAYSIA

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ABSTRACT

The principal contribution of this research would potentially provide viable ideas on how competitive firms may consider the best or most appropriate solution(s) to enhance their company performance and support the growth of sustainability economic development in Malaysia as a result in maximizing the Malaysian Global Innovation and Creativity Centre (MaGIC) support programmes, rooted by one of the government initiatives. This paper aims to examine how the strategy and policy influences social enterprise performance, or otherwise. It explores the financial and non-financial support such as awareness, legal recognition and supportive policy structure, quality talent, access to sizeable financial capital and bureaucracy of government agencies, provided by the said organization. Arguments put forward on what constitutes a holistic SE framework in Malaysia, particularly, the precursors and the outcomes. The proposed conceptual framework addresses an important consequence of SE agenda by the year 2018, i.e., social inclusion and for the Malaysian social enterprise sector to be self-sustaining, equitable, and people-centric in order to empower impact-driven entrepreneurs, which is in line with the aspiration of the Malaysian New Economic Model (NEM). It derived from the Open Innovation Theory of Chesbrough (2003) and Entrepreneurial Capital Theory by Firkin (2003). Data collected from thirteen respondents using a semi structured interview guide with open-ended questions and probes about people's experiences, opinions, perceptions, feelings and knowledge. The findings may benefit not only social enterprises, but also policy maker and its agencies, private sector and higher learning institutions for future research. The study also expected to suggest a proposal to the respective social enterprises that could assist in the future development.

Keywords: Social Entrepreneurship (SE), Social Enterprise Performance, Open Innovation and Entrepreneurial Capital Theory.

INTRODUCTION

Social entrepreneurship has created global interests over the past decades. It has attracted considerable interests among research community. In Malaysia, social enterprises have been existed for many decades, but they just came into formal identification in 2013. To respond to the worldwide trend of the social enterprise, the Malaysia government has settled this concept for solving Malaysia social problems and promoting beneficial activities in society by deploying the social enterprise approach. The effort for promoting social enterprises introduced by the cabinet in 2013. The Social Enterprises Master Plan 2015-2018 also approved and the Malaysian Global Innovation and Creativity Centre appointed as a mechanism to give the public, private and third sectors a new role. Furthermore, Mokhtar et al., (2014), have introduced the integrated SE framework in Malaysia.

This paper offers a holistic view of SE framework in Malaysia, particularly, the precursors and the outcomes. The aims of this paper are to examine how the strategy and policy influences social enterprise performance, or otherwise. It explores the financial and non-financial support such as awareness, legal recognition and supportive policy structure, quality talent, access to sizeable financial capital and bureaucracy of government agencies, provided by the said organization. This paper is about providing valuable findings, ideas and practical suggestions which can be implemented to improve social enterprise performance and support the growth of sustainable development i.e. legislatively to new start-up social enterprise, ultimately creating a self-sustaining, equitable and people centric social enterprise sector in Malaysia. The specific objectives include (1) To examine the growth of sustainability economic development in Malaysia by MaGIC support; (2) To identify the impacted of MaGIC to SE companies in starting their business; and (3) To identify successful SE companies - focus on development and their implemented mission.

LITERATURE REVIEW

Social Entrepreneurship (SE)

The term "social entrepreneurship" first appeared in a publication entitled *The Sociology of Social Movements* written in 1972 by J. A. Banks, who proposed the difference between traditional entrepreneurs and social entrepreneurs; however, he did not offer a formal definition (Jones, Warner, and Kiser, 2010: 45). Currently, SE been viewed as a new phenomenon that can solve organizational problems. SE is growing in significance because of a variety of forces and classified according to three groups of definition: (1) non-profit and not-for-profit organizations in adopting funding strategies and management schemes to generate social value; (2) commercial business behaviours; and (3) social entrepreneurship as a mechanism to solve social problems and catalyse social transformation. There are both different and similar points of the definition of SE. Ultimately, the strengths or weaknesses of the concept of SE depend upon the way in which we choose to view social enterprises (Roper and Cheney, 2005: 101). Four dimensions of SE measured:

- i. Innovation needed to analyse the work as social innovators through empirical research;
- ii. Performance related to the outcomes of how successful social entrepreneurs are, and how we should measure their performance as providers of public and private goods;
- iii. The leadership issue evaluates how can we render operational the specific nature of the leadership for empirical analysis; and
- iv. Identity measures of how we should conceptualize the emergence of SE as a new identity for social sector leaders.

In summary, SE seen with a holistic view, including the concepts of innovativeness, pro-activeness, and risk management within the constraints of the environment, sustainability, and the social mission.

Social Enterprises Performance in Malaysia

The Malaysian social enterprise sector is currently in its infancy. The sector been largely driven by isolated communities in a specific geographic region or a particular theme. However, there is a common recognition among key stakeholders that social enterprise has the potential to solve many social challenges by utilizing the best of for-profit and non-profit sectors. Recognizing this potential, Malaysia hosted the Global Social Business Summit in 2013, the very first time the summit held outside of Europe. At the summit, the Malaysian Prime Minister, YAB Dato' Sri Najib Razak committed RM 20 million to set up a Social Entrepreneurship Unit under the Malaysian Global Innovation and Creativity Centre. Even though there is an increasing number of supporting intermediary organizations for social enterprises, including the British Council, myHarapan, iM4U, Scope Group, Tandemic, and Social Enterprise Alliance, only 0.02% of Malaysians are working in social enterprises. In comparison, 1.5% of China's working population are working in social enterprises (Global Entrepreneurship Monitor 2013, 30). Although the intermediaries in this sector have actively generated awareness and supported the community, these initiatives alone are inadequate to realize fully the potential of this sector (Malaysia Social Enterprise Blueprint, 2013).

- i. The MaGIC also supports the initiative of creating innovation with effective and sustainable outcomes by supporting both new and existing social enterprises. Therefore, the institution has an important role in building a suitable environment to facilitate the social enterprise sector in Malaysia involved three core strategic areas as below.
- ii. Community & Outreach – Focusing on generating awareness and buy-in among the stakeholders, grassroots, and rural communities on the potential and opportunities related to social entrepreneurship;
- iii. Academy – Up skilling, knowledge, and capabilities for social entrepreneurs through a structured learning program to equip social enterprises to be investment-ready, and
- iv. Ventures – Investing in social entrepreneurs and enterprises through grant funding for both pilot and growth stage social enterprises in order to materialize their social or environmental impact.

Furthermore, the social enterprise is a business, which has a clear objective to develop a community by solving its social or environmental problems. It must have central revenue from procuring a service or product, which is parallel to its social objective and must not concentrate solely on maximizing profit for its partners or stakeholders. A model of the social enterprise might recognized as a new phenomenon in Malaysia but actually, a variety of social enterprises already exists in the form of co-operatives, public enterprises, or schools. These social enterprises both create economic gain and build hybrid cooperation between local and philanthropic organizations and the government sector. Furthermore, in times of economic crisis, social enterprises may attract talented young people to solve marketing problems, develop a creative society, and strengthen the country's economic basis for green and sustainable development (Malaysia Social Enterprise Blueprint, 2015). The social enterprise sector has the potential to play a pivotal role in the larger transformation journey of Malaysia, as outlined in the federal government's transformation program.

There are three National Key Results Areas (NKRA) within the Government Transformation Program (GTP) 2.0 fit for social entrepreneurs' involvement. NKRA supporting social enterprise growth:

1. Improving Students Outcomes (Ministry of Education). *Potential role of social enterprise* includes providing better access to education for remote and isolated communities through enabling technology and relevant curriculum, supplementing current national curriculum with relevant industry and vocational skills to increase post-education options and empowering students to be more invested in their own education through self-taught and peer-to-peer learning opportunities;
2. Raising Living Standards of Low-Income Households (Ministry of Women, Family and Community Development). *Potential role of social enterprise* includes providing skill-based programs and workshops for low-income individuals to be more employable and market ready, creating market access and opportunities for underserved or underemployed demographic to generate and increase income and designing and developing basic necessities/infrastructure for durability and affordability to create wealth in physical assets such as housing; and
3. Improving Rural Development (Ministry of Rural and Regional Development). *Potential role of social enterprise* include providing alternatives to necessities such as reliable electricity, sanitation and water supply, equipping youth with entrepreneurial and business skills needed to generate and increase household income and creating a self-sustaining infrastructure independent of existing grids for remote and rural areas.

Malaysia Global Innovation and Creativity Centre

The journey began as a start-up itself in April 2014. We share the same passion and experience of taking the leap of faith into the world of start-up. The institution serves as the platform to support entrepreneurs to grow and develop so they can compete regionally and, eventually, globally. As part of the ecosystem, they aim to drive and catalyse the entrepreneurial spirit in Malaysia. Most importantly, it strives to connect the pieces together. They are here to be the connecting bridge between you and

the next step of moving your start-up to a regional and global level. They make sure there are no missing links in the journey of an entrepreneur (Malaysia Social Enterprise Blueprint, 2014: 4).

The role of MaGIC SE include building cross-sector partnerships, tapping into the strengths and resources of each sector to drive this movement, will be key to the growth of SE in Malaysia. The Government recognizes the potential of SE in not only addressing our country's pressing issues but also redefining how business should work in order to achieve a people-centric economy. That is why in 2013, Prime Minister announced RM20m for the team to set up a SE unit to catalyse impact-driven enterprises (Malaysia Social Enterprise Blueprint, 2014:2). According to the Prime Minister (2014), they also coordinating the development of this sector by fostering collaboration between the public, private, and social sectors through a series of consultations and discussions to understand better what needed to develop the social enterprise sector in Malaysia. In addition, according to their Chairman (2014), this Malaysian Social Enterprise Blueprint is a document, encapsulation of the dreams and aspirations of Malaysians who wish to make this country a better place for all.

CONCEPTUAL FRAMEWORK

In this study, we combined the ideas and propositions from the established theories, namely Open Innovation and Entrepreneurial Capital Theory. Both theories found relevant to the study. The proposed framework offers valuable findings, able to influence the performance of other social enterprises in Malaysia through SE model and programme implemented by MaGIC. The present study intended to fill the gap in the body of literature concerning the impacted of financial and non-financial support by MaGIC towards social enterprise performance.

Open Innovation Theory by Chesbrough (2003)

The social enterprise in Malaysia still have problems and requires more additional support policy to strengthen social enterprise in society, for them to achieve their mission(s) and compete in the global market place. Theories of social enterprise should seek cooperation from an innovation perspective approach such as Innovation Process (IP) and Open Innovation (OI) approaches proposed by Chesbrough. These helps not only to strengthen, importantly to sustain the SE in Malaysia. Both approaches emphasized the role of external factors such as knowledge, expertise, university and networks, which are lacking in the traditional Resource-based Theory.

Entrepreneurial Capital Theory (Firkin, 2003)

The emergence of entrepreneurial capital over the years has to do with the increased acknowledgement that business ownership is built upon the availability of resources, and not only financial resources, but also non-financial resources (Morris, 1998; Firkin, 2003). This concept of entrepreneurial capital built on the resource-based perspective and suggests that the entrepreneurial process not only influenced by financial capital, but also in addition, affected by other types of capital owned or accessed by the entrepreneur. Types of non-financial capital that been identified within the entrepreneurship field include human capital, social capital, symbolic capital, physical capital, organizational capital, and technology capital.

METHODOLOGY

This study focuses on human experience and case study, the research strategy, to explore and investigate specific cases in an in-depth manner. Interview in two languages conducted in semi structured interview guide. Open ended questions and probes about people's experiences, opinions, perceptions, feelings and knowledge. Generally, methods of analysing the data used is thematic analysis. Targeted respondents include MaGIC, identified academician, and selected social enterprises as listed under MaGIC such as Biji-Biji and non-listed local social enterprises however, due to research limitations, researcher managed to secured inputs and feedbacks from thirteen respondents consists of six social enterprises and five participation representing from academic, government and corporate sector. Interview guide consists of 30 items used to collect data and to confirm concepts, feedbacks and best practices from participants.

Theoretically, a sample of six interviews is an ideal sample size in qualitative research and sufficient to enable development of meaningful themes and useful interpretations (Guest, Bunce and Johnson, 2006). Other researchers such as Romney, Weller, and Batchelder (1986) suggested that a sample size as small as 'four' can be adequate to present reliable results. Therefore, considering all these factors, the researcher set out to interview as many relevant participants available to gathered data and eventually abled to reach the point of saturation, thank you for the time and generous assistance of the interviewees with providing as much information as possible.

RESULT ANALYSIS

The research conducted using qualitative method. In summary, researcher found that financial support provided by the federal government should be continue over the coming years. The social enterprises take longer time to stabilize themselves, as most enterprises are star ups. They are very much depending on the collaborative partners who are government agencies and NGOs, and found very much difficult to engage with most of Small and Medium Enterprises (SMEs). Their willingness to co-operate very much depending on benefits for themselves. Existing policies or government business support system for the SMEs should consider the inclusiveness of social entrepreneurship activities as part of the programme. Here, it is crucial to involve the SMEs as in Malaysia, 97% of business establishments are the SMEs. Besides, social enterprises found difficult to secure the right talent and enlarge the pool. Fresh graduates preferred to start their career in a more conducive environment with better income and benefits especially in the urban area due to financial commitment right after graduate especially study loan payment. SE seen to be unstable business and most young talent not willing to take such risk.

CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH

The paper deals with the formulation of a conceptual research on promoting SE for sustainability economic development in Malaysia. The performance of social enterprise takes into accounts all the possible strategies and policies implemented by government. The most challenging part faced by the respondents mainly on financial matters due to lack of adequate funding where the development highly depends, mostly on, government grants and personal money. The non-financial support found very limited too. There were lacking in awareness, legal recognition, policy structure, quality talent, access to sizeable financial capital and bureaucracy of government agencies (Kadir et al., 2016). In order to help strengthen the social enterprises in Malaysia, theory of social enterprise should open up for cooperation from an innovation perspective approach for sustainability country's economic development.

The researcher proposed five possibilities for continuous promotion initiatives in social entrepreneurship. First, the introduction of tax reliefs for registered private limited company that carry out businesses as a social enterprise. As there is no legally recognized structure for Social Enterprise in Malaysia, the company has to state publically their social objective. However, this proposition reduces tax revenues. Yet, it noted that by stimulating entrepreneurship, a cash flow between the government and the population increases, which becomes apparent as a rise in purchasing power.

Secondly, the provision of better availability of finances for social entrepreneurs. It is necessary to establish social investment funds and promote the availability of micro-loans, as social enterprises are mainly start-ups, micro and small enterprises. Interest-free loans would be the most recommendable solution. Subsequently, the third proposition researcher would like to include is the introduction of study courses and programmes on social entrepreneurship at educational institutions. More and more graduates from educational institutions choose to engage in social entrepreneurship, however, it is still undervalued. The same matter highlighted in Europe's educational systems (European Social Entrepreneurship Initiative, 2011). Therefore, it is urgent to introduce study courses on social entrepreneurship at higher educational institutions, gradually moving towards introducing study programmes on social entrepreneurship. The Next, fourth proposition is the engagement of business incubators in providing mentoring and consultations to social entrepreneurs. Currently, significant prerequisite for developing social entrepreneurship in Malaysia where services and supports are made available by MaGIC. The centre provides practical knowledge, mentoring and consultation. Therefore, many assistances that are more practical are required as it is necessary to raise the competence of national and regional administrative institutions regarding social entrepreneurship, so that these institutions are able to provide informative support to social entrepreneurs. Finally, the researcher proposed the development of instruments for better familiarised with and popularising social entrepreneurship. Insignificant popularity is specific to social entrepreneurship, besides, the lack of mutual links among various regions and stakeholders from various countries hinder the spread of best practices, the establishment of partnerships, and the identification of new opportunities. It is relevant to establish an electronic multilingual site in which social enterprises, incubators, clusters of companies, and social investors can exchange information.

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