



A Critical Review of Social Entrepreneurship among Profit Organization in Malaysia

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ABSTRACT

In Malaysia, social entrepreneurship is widely used to describe the effort of certain non-profit organizations or the government agencies to change the economical state of poor communities. However, this limited definition of social entrepreneurship has been argued and literatures have suggested that the definition of social entrepreneurship should be widened to include profit oriented organization as well. Though many large corporations are doing their part in terms of corporate social responsibility (CSR), how about SMEs that constitute 99.2% of establishments in Malaysia? There are many questions that are left unanswered about social entrepreneurship, particularly in Malaysia, due to the fact that social entrepreneurship field is considered very new in the country. Therefore this paper's objectives are to (1) discuss the situation of social entrepreneurship in Malaysia (2) the issue of profit organization's engagement with social entrepreneurship and (3) the benefits gained by venturing into social entrepreneurship by profit oriented organizations.

Keywords: Social entrepreneurship, profit organization, profit sector, Malaysia

1. INTRODUCTION

Social entrepreneurship is picking up its place in Malaysia. The acceptance and awareness is growing steadily in the country. In 2012, International Youth Social Business Summit was organized by MyHarapan, a Youth Trust Foundation. The main event was The Global Social Business Summit, which attracted social business leaders all over the world (Joffres, 2013). This shows the enthusiasm of Malaysia towards social entrepreneurship as this is the first time the event was held outside Europe. Prior to that, the first Research Conference on Social Business was held, boasting speakers such as Nobel Peace Prize laureate

Prof Muhammad Yunus, Hans Reitz, co-founder of The Grameen Creative Lab and Prime Minister of Malaysia, Datuk Seri Najib Tun Razak (The Star, 2013). At the closing of the event, the Prime Minister Najib Razak announced that a fund of RM20 million (USD 6 million) for social entrepreneurship is established. It was a surprisingly huge amount for a sector that is considered relatively small in Malaysia (Joffres, 2013), proving the government support towards social entrepreneurship in the country. In addition to that, a social enterprise award was introduced in 2013 by the British Council, in collaboration with the Arthur Guinness Fund. 32 social enterprises applied and six of them were selected.

In Malaysia, social entrepreneurship is widely used to describe the effort of certain non-profit organizations or the government agencies to change the economical state of poor communities (Zakaria, 2011). However, does social entrepreneurship really applies in non-profit organizations only? Do profit organizations only focus on making profit and do not venture into social entrepreneurship at all? Why should the profit organizations engage in social entrepreneurship? There are many questions that are left unanswered about social entrepreneurship, particularly in Malaysia, due to the fact that social entrepreneurship field is considered very new in the country. Therefore this paper's objectives are to (1) discuss the situation of social entrepreneurship in Malaysia (2) the issue of profit organization's engagement with social entrepreneurship and (3) the benefits of gained by venturing into social entrepreneurship by the profit sector.

2.SOCIAL ENTREPRENEURSHIP

Entrepreneurship is a well-accepted field, both practically and theoretically. But while entrepreneurship is a very developed and matured field, it's subcategory of social entrepreneurship is very much the opposite (Mohtar and Rahim, 2014). Social entrepreneurship is a very young concept and is very much sought off in the practical world, however it is still considered in its infancy stage in academic platform. (Johnson,2002; Roberts and Woods, 2005).

However, in recent times the field of social entrepreneurship research has gained much pace and attention due to the fact that numerous numbers of scholars are interested and have done research on the particular topic (Zahra et al., 2009).

The term social entrepreneurship was firstly introduced by William Drayton, a MacArthur Fellow (Barendsen and Gardner, 2004). It is emerging in the world "given the new strategic environment where the social half of society's operations is becoming as entrepreneurial, competitive, productive and powerful as business" (Ashoka, 2004). In terms of literature, social entrepreneurship is associated with few elements

such as innovation, pro-activeness and risk-taking (Helm, 2007) as well as leadership (Henton et al., 1997; Dees, 2009).

Social entrepreneurs have the unique abilities of recognizing the complex social problems and working through it in a new way that raises public awareness of the problem through their vision, work and activities. They seek fresh opportunities and produce positive impact by using leadership and management methods (Dees, 2009). The social entrepreneurs work towards getting profit while creating change by providing community value (Dees, 1998), towards building a sustainable community (Johnson, 2000).

They believe that by inclusiveness and interdependence of the community (Henton et al., 1997), changes could be made that would bring the world forward (Henton et al., 1997) They connect sectors, stakeholders and diverse community networks (Henton et al., 1997) by building a strong, resilient and productive relationship between the private, public and civil sectors (Henton et al, 1997). The networking relationship between communities is being used to get even bigger community relationship by creating bridges in order to pool resources (Henton et al, 1997; Dees, 1998).

Social entrepreneurs are problem solvers with innovative solutions for unsolved community needs (Dees 1998) by mobilizing and using scarce resources in inventive ways (Dees, 1998; Henton et al., 1997). They are considered as leaders in enhancing the community and the world (Henton et al., 1997). They empower the others by expressing their passion in order to create a better world and creating positive changes. They are networkers and motivators, conveners and teachers, drivers and integrators, agitators and mentors (Henton et al., 1997).

“Social Entrepreneurs are the harbingers of change, devising new ways to provide support and development for those excluded from the opportunities of the new society” (Handy, 1997). It was also suggested that there is a pressing need to create a huge numbers of social entrepreneurs in the market (Yunus, 2008).

As the term social entrepreneurship is still in its infancy, there is still a huge debate on an agreed definition of it (Dorado, 2006). The most common definition of social entrepreneurship is that social entrepreneurs focuses primarily on its social missions while wealth creation is not a goal as it is deemed as a mean or tool to accomplish the social missions (Dees, 2007). The organization focuses on social value creation that differentiated social entrepreneurs from business entrepreneurs (Shane, 2003).

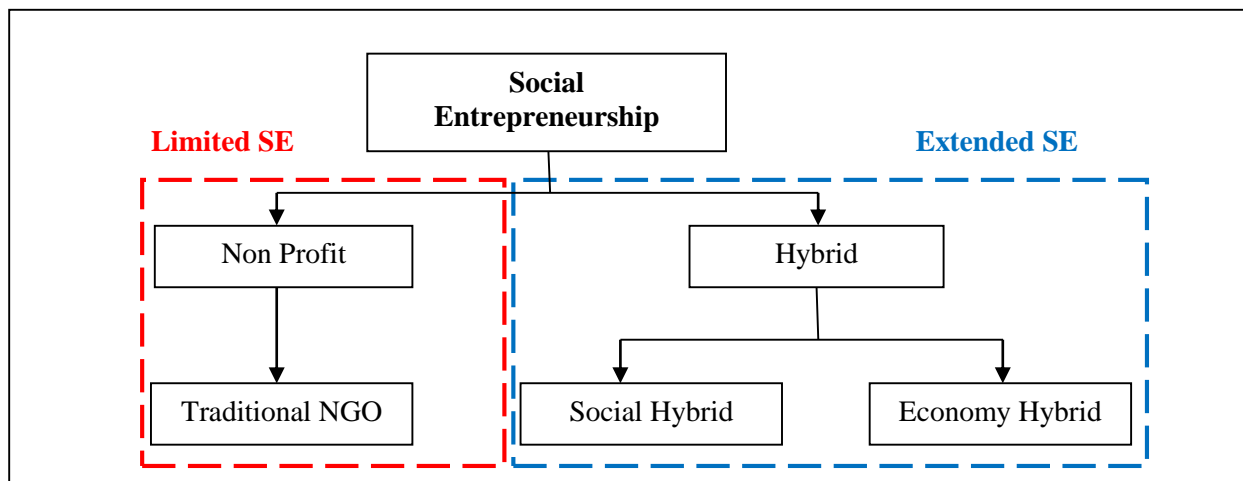
3.SOCIAL ENTREPRENEURSHIP IN PROFIT SECTOR

Theoretically, Rahim and Mohtar (2015) have come out with a model to better explain the social entrepreneurship within organization context (Figure 1). They suggested that social entrepreneurship is categorized into two primary structures, either a not-for-profit or for-profit entity. The profit entity, which is called the hybrid organization, has both social and financial goals.

The traditional NGO is categorized under non-profit. This is the type of organization that is neither a part of a government nor a conventional profit oriented business. It is usually being set up by ordinary citizens and may be funded by various sources including governments, foundations, businesses, or private individuals. Some has no funding altogether and operated primarily by volunteers.

The second category is for the profit sector. It is further divided into social hybrid and economy hybrid. Both subcategories are organizations with double bottom line goals which have financial and social objectives. What differentiates these two is the primary objective, either social or economy oriented. For social hybrid organization, it focuses more on social missions, while income generation is treated as secondary objective. Usually the financial gains are being used for sustainability of the organization. Instead, economy hybrid organization’s central goal is profit. However, the organization is actively involved in social activities. In other words, socially-responsible business organizations are grouped in this category.

Figure 1
Social Entrepreneurship Model



Source: Rahim &Mohtar (2015)

There are arguments that the most popular assumption of social entrepreneurship would be the first approach however there are a number of scholars that expressed concerns on the limited view of social entrepreneurship that is believed to be exclusively for non-profit organizations only. There have been calls for critical reflections to open social entrepreneurship towards different perspectives have been made in order to provide some challenge to the dominant view on social entrepreneurship (Bull, 2008).

Categorization of social entrepreneurship as exclusively for non-profit organizations is considered as limited view while social entrepreneurship as a concept of organizations striving to enhance their sustainability by generating more revenue is considered as the extended view (Perrini, 2006; Rahim & Mohtar, 2015).

Nicholls (2005) argued that all organizations can exhibit social entrepreneurship. This is not a surprise as social entrepreneurship is a mixture of social and entrepreneurship concepts. This hybrid term combines the entrepreneurship characteristics that have the economic sustainability features of traditional profit oriented organizations with the social change objectives that characterize many non-profit organization, government agencies, and social service providers (Perrini, 2006; Mort et. al., 2003; Swanson & Zhang, 2010).

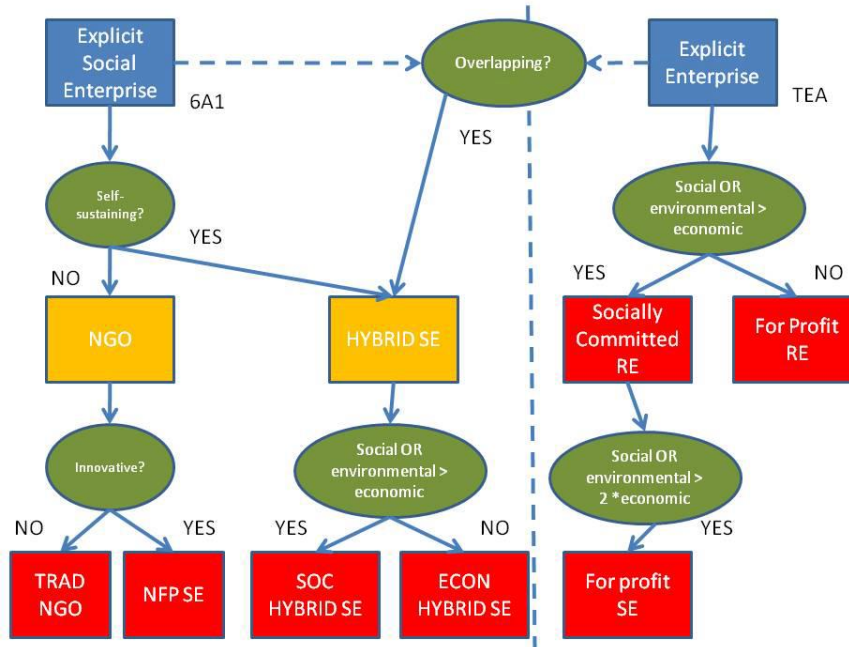
4.SOCIAL ENTREPRENEURSHIP IN MALAYSIA

Social entrepreneurship is emerging trend in Malaysia. The acceptance and awareness is rising steadily in the country. In the recent International Conference of Young Leaders in March 2015, the Prime Minister of Malaysia has stressed the importance of organization leaders to have the social entrepreneurship spirit to help the country achieving its mission to be a developed country (Razak, 2015) and the Minister of Youth and Sports concurred by stressing the need to build the DNA of social entrepreneurship among the leaders of organization (Jamaluddin, 2015).

Terjesen et al. (2011) with Global Entrepreneurship Monitor did a study on social entrepreneurship with 150,000 adults in 49 countries. Based on their study, it shows that Malaysia's social entrepreneurship activities is considered relatively new due to the fact that only 0.2% of the working population were engaged in social entrepreneurship, compared to the neighboring countries such as Hong Kong (1.0%), Korea (1.4%) and China (4.0%).

In their report, they describes social activities in those countries manifest themselves in different ways, from pure non-profit model to hybrid companies that has dual objectives; profit and social motivations as shown on Figure 2.

Figure 2
Social Entrepreneurship Categorization



Source: Terjesenet. al (2011)

According to Terjesenet. al. (2011), Malaysia’s social entrepreneurship prevalence rates as the percentage of the population is traditional NGO (0.1%), not for profit social entrepreneurship organization (0.1%) and hybrid social entrepreneurship organization (0.2%) as shown in table 1.1.

Table 1.1
Social Entrepreneurship Prevalence Rates As the Percentage of the Population and Type

Country	Traditional NGO	Not for Profit SE	Hybrid SE
Malaysia	0.1	0.1	0.2

Source: Terjesenet. al (2011)

Therefore, the common believe that social entrepreneurship is exclusively for non-governmental organizations (NGO) and non-profit organizations arguable could be refuted based on this extensive research as it shows in Malaysia, the most popular type of social entrepreneurship is the hybrid social entrepreneurship organization that has both financial and social objectives.

5. ISSUES OF SOCIAL ENTREPRENEURSHIP IN PROFIT SECTOR

It is a well-known fact that most organization's main concern is to seek profit in order to maximize wealth, thus their organization's performance is being evaluated in financial perspectives. Nevertheless, in the midst of globalization that facilitates businesses without boundaries, poverty and inequality persist (Rahim et al, 2014). It is surprising to see that while a portion of the world is wealthy, there are still people in need and communities that are living in dire conditions as well as other social ills. This leads to the issue of unmet social needs that should be addressed. Consequently, it is important for the entrepreneurs to be socially responsible and giving back to the community to create a better and sustainable world.

It is surprising that many sections believe that social entrepreneurship is only for the welfare or social benefit organizations that commonly fall into the non-profit organizations. There are many social benefit organizations and NGOs that are fighting for the social welfare of the society. Does that mean that the profit sector does not have to share the responsibility in helping ease the social illness and problems? Is it sufficient to leave the responsibility to the social welfares and NGOs?

One would argue that many profit sectors do their part in terms of corporate social responsibility (CSR), which is deemed as a part of social entrepreneurship. However, CSR is commonly practiced by large corporations and multinational companies only (Chapple and Moon, 2005). This leaves a huge question mark on the role of SMEs in social entrepreneurship and in fact this type of business holds the largest percentage in countries all over the world. Malaysia has 99.2% of SMEs (SMEE Corp, 2012; Rahim et al., 2012), while 99.7% in United States (SBECouncil, 2014) and 99.7 % in Japan (Ministry of Economy Trade and Industry, 2016) just to name a few.

According to Terjesen et al. (2011), countries that has high pure commercial entrepreneurship activities, also exhibits high social entrepreneurship activities. In other words, the higher the level of pure commercial entrepreneurship activities, the higher possibility that social entrepreneurship and commercial entrepreneurship will overlap creating a social venture hybrid. This supports the notion that commercial entrepreneurial will create a more favourable setting for undertaking socially innovative initiatives, creating a diversification form the traditional social entrepreneurship consisting of NGOs and non-profit organizations.

The question is why would a profit seeking organization would do socially responsible activities and strive for social causes? Based on the rational choice theory, people would only perform activities that would bring them benefit. Therefore, it is not surprising that organizations would only deal with activities

that would bring benefit to the organizations, which is selecting the best actions that would bring desired outcome to the organization (Williams &Fedorowicz, 2012).

This matter has created an issue to be addressed. It is understandable that organization will seek profit in their business activities; therefore if one would expect the entrepreneurs as the leaders of the organization to contribute to the society, they should be convinced on the benefits of doing so.

6.WHY SOCIAL ENTREPRENEURSHIP AMONG PROFIT ORGANIZATIONS?

Saifan (2012) summarized that profit oriented entrepreneurs and social entrepreneurs have different set of unique characteristics. However, there are a set of common characteristics shared between profit oriented entrepreneurs with social entrepreneurs which are (1) innovator, (2) dedicated, (3) initiative taker, (4) leader, (5) alert on opportunities, (6) persistent and (7) committed. This shows that when blending social and profit-oriented activities, profit oriented entrepreneurs and social entrepreneurs share the same excellent characteristics that are previously unique to either type of entrepreneurs.

Furthermore, in relation to the urges by the policymakers, interestingly few researchers have suggested that social entrepreneurship may contribute to organizational performance (Gandy, 2012; Mohtar& Rahim, 2014; Rahim et al., 2015). Rahim et al., (2015) did a study on 384 SMEs in Malaysia and it shows that social entrepreneurship behaviour positively affects the performance of the organization. It proves that by engaging in social entrepreneurship, the performance of the SMEs will increase relatively.

Figure 3
The beneficial cycle of social entrepreneurship

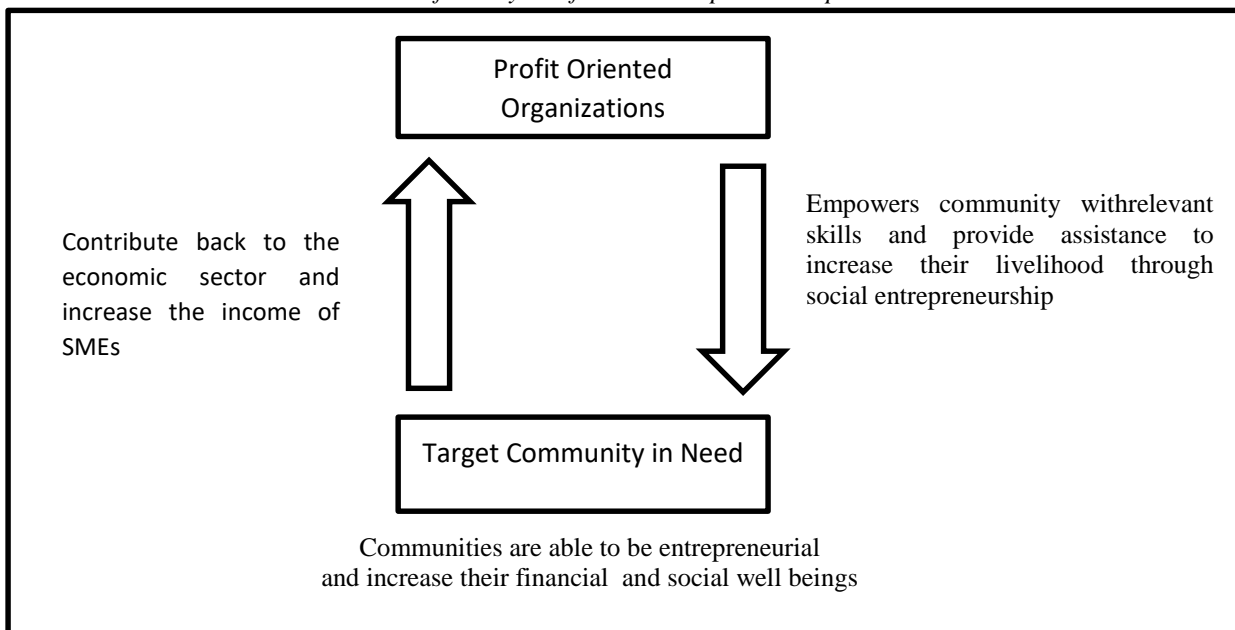


Figure 3 explains the beneficial cycle of profit sector engaging in social entrepreneurship. As profit organizations empowers the targeted community in need with relevant skills as well as providing assistance to increase their livelihood through social entrepreneurship, the community will benefit and able to be entrepreneurial and generate their own income. This will increase their financial and social well beings. Therefore, the community has higher buying power and possibly able to produce products that will increase the business activities in that area, hence creating more job and business opportunities. These social entrepreneurship impacts will subsequently benefit the economic sector and increase the income of the organizations.

7.CONCLUSION

This paper has reviewed the status of social entrepreneurship among profit organizations, its issues as well as benefit of them engaging in social entrepreneurship. Through the discussion, it can be argued that by engaging with social entrepreneurship such as helping and assisting the under privileged, the community will then contribute back to the organization, hence creating a circle of flow. Thus it is not surprising that many corporates are engaging in social entrepreneurship and many studies have proved that CSR do affect organizational performance positively. This study could lead to change of practice in organizations in seeking to improve their performance. Similar to an act of killing two birds with one stone, organizations could benefit by doing good and becoming socially responsible as well.

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