

**UNIVERSITI TEKNOLOGI MARA**

**THE INFLUENCE OF CONTROL  
MECHANISMS AND  
ACCOUNTABILITY ON  
SUSTAINABLE PERFORMANCE  
OF SOCIAL ENTERPRISE**

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Thesis submitted in fulfillment  
of the requirements for the degree of  
**Doctor of Philosophy**  
**(Accountancy)**

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## **AUTHOR'S DECLARATION**

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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## **ABSTRACT**

A survey by MaGIC in 2015 and British Council Malaysia (2018), revealed that one of the prominent challenges of social enterprises is the inability to sustain the performance of the organisations. Additionally, in recent years, various incidences of mismanagement involving the social enterprises have been occurring and became known to the public due to lack of governance. Therefore, it is with greater reason to pay more attention on the governance of social enterprises in term of its role as control mechanisms in safeguarding the social enterprises and the ability of social enterprises in sustaining their performance. However, despite the growing problems surrounding the social enterprises, there are limited studies that look at the role of governance through its function as control mechanisms in assisting or influencing the sustainable performance of the social enterprises. Based on the stakeholder theory, this research aims to address the above gap by examining the factors, which are grouped under control mechanisms [internal control system, corporate structure, risk management, corporate culture and accountability] that could influence the sustainable performance of social enterprises in Malaysia. The unit of analysis for this study is organisational, of which the respondents are either the managers, founder, board of trustees which represents their organisations. This study employed mixed-method approach and is divided into two phases, denoted as Phase I and Phase II. Drawing upon 122 cleaned responses for Phase I, the data were analysed using Partial Least Squares of Structural Equation Modelling. The findings for Phase I of the study demonstrate internal control systems, corporate structure, corporate culture, and accountability positively influences sustainable performance of social enterprise. In addition, the mediating analysis also found that accountability partially mediates the relationship between risk management, corporate structure and sustainable performance. As for Phase II of the study, which utilises semi-structured interviews, attempts to examine how and why the control mechanisms affected the sustainable performance of the social enterprises. The findings from the interview sessions corroborate and substantiate the findings in Phase I of the study. In addition, an in-depth understanding of social enterprises, governance, and accountability were also gathered in Phase II of the study. It was also found that social impact or social value is of paramount importance for the social enterprise even though their business model is incorporating both financial and non-financial goals. Scantly and limited studies in this research area, especially in Malaysia, have compounded the significance of Phase I and Phase II of the study. Regardless of the inherent limitations of this research, the contribution sets a new branch of knowledge in the context of sustainable performance that focuses on the control mechanisms role, looking specifically at the internal control systems, corporate structure, risk management and corporate culture. While previous research on performance particularly emphasises on financial performance, the current study enhances the measurement of performance by combining both financial and non-financial elements as a proxy for sustainable performance. The current findings could be of importance for the social enterprises and also for the other social organisations in shaping the future of the social enterprises' ecosystem. The research also provides additional insight for the regulators in shaping the proper governance practice.

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