

# Governance for Sustainable Social Enterprise Performance: Moving Beyond Control Mechanisms

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## ABSTRACT

One of the prominent challenges of social enterprises is the inability to sustain their performance. In recent years, there have been instances where social enterprises have faced issues related to mismanagement, and these incidents have been associated with lack of effective governance. Therefore, this qualitative study engaged semi-structured interviews with representatives of social enterprises in Malaysia in assessing and examining the ideal governance framework that would suit the needs of social enterprise to attain sustainable performance. At first glance, the findings suggest that governance is achieved through effective control mechanisms and accountability practices. However, the respondents had also shared some insights that would suggest a forward-looking approach to social enterprise governance that prioritises sustainability, innovation, and social impact, rather than just control and compliance. Additionally, another substance being highlighted by the respondents that is closely related with social enterprise governance is about building relationships and trust.

**Keywords:** governance, sustainability, control mechanisms, social enterprise, performance

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## **INTRODUCTION**

Social enterprise has emerged over the decades as an innovation to provide transformative societal change, offering promising and foreseeable social impact towards the society and environment. The rise of social enterprises also contributes considerably towards world economic growth and significantly affects the percentage of gross domestic product (GDP) per capita. In particular, the G8 Social Impact Investment Taskforce reported that “social sector organisations accounted for more than 5% of GDP in several countries, including Canada, Germany, the UK, and the US. In Malaysia alone, the social sector is economically significant, with assets valued at USD3.5 billion (Commonwealth of Australia, 2017). Undeniably, social enterprises, cooperatives and other social sector organisations are becoming vital sectors of the economy across the globe (Social Enterprise UK, 2013; Social Impact Investment Taskforce Report, 2014; Commonwealth of Australia, 2018; British Council Malaysia, 2018; Dwivedi & Weerawardena, 2018; Diaz-Sarachaga & Ariza-Montes, 2022; Hota, Babita & Qureshi, 2023).

Operated just like for-profit organisations, social enterprises aim for full cost recovery, or more even, as it concentrates on creating products or services that provide a social benefit (Johari, Mohd Sanusi & Shafie, 2020). As it is an approach that mixes the benefit of the private, public, and non-profit sector, the organisational performance of social enterprises have been progressively discussed in both non-financial and financial aspects. Although they are clearly accepted as a trend for social development, their survival and prosperity are highly contested (Gupta, Chauhan, Paul & Jaiswal, 2020). The critical problem of social enterprises is their performance and whether they are able to be sustainable for the benefit of society. In navigating the hybrid objectives of social enterprises, there is an urgent need for the social enterprises to have sound governance that can act as effective controlling mechanisms (Weerawardena, McDonalds & Sullivan, 2010).

Governance has been associated as one of the key mechanisms that aids social enterprises in avoiding mission drift—to ‘stay hybrid’, fulfilling multiple goals and attending to demands of various stakeholders (Mair et al., 2020). Although the concept of governance is significantly related to control mechanisms, relying on conventional methods may not be sufficient

for organisations such as social enterprise (Shafie et al., 2019). Nevertheless there is limited empirical evidence on how well social enterprise governance addresses their challenges. Moreover, there is scarce information and knowledge on the issue of governance in the context of social enterprises and the specific mechanisms that would effectively enable social enterprises to avoid drifting away from their social mission and being co-opted by internal or external pressures. Hence, the current study aimed to assess and examine the ideal governance framework that would suit the needs of social enterprise in attaining foreseeable and sustainable performance.

In light of the apparent importance of governance as a controlling mechanism, an in-depth understanding of the success factors of social enterprise governance can assist the young social enterprises to replicate the practices hence improving the performance and increase the chances for survivability of their business. The context of governance of social enterprises is worthy of attention because these organisations are expected to adopt a different approach to their funding sources and organisational strategies compared to their commercial counterparts (Macedo & Pinho, 2006; Johari et al., (2020). The current study employed a qualitative approach to gain better insights from the industry and practitioners' point view. The integration of theoretical and practical insights may fill the gap in the literature, while providing useful explanation regarding social enterprise governance specifically in relation to controlling mechanisms, accountability and organisations' sustainable performance effectively. This, in turn, may help scholars, practitioners and regulators understand the conditions necessary to respond to a constraint environment.

## **LITERATURE REVIEW**

Social enterprises also are often falsely perceived as charities, volunteerism, social work and welfare, where in fact, social enterprises are profit-making businesses, but with a strong social and environmental purpose (Yunus, 2007; Rajah, Amran & Cheah, 2023). Yunus (2009) states that social enterprises are not a charity, and are a business in every sense. This type of organisations have to fully recover their operational costs and make sustainable profit while achieving its social objective. Social enterprises are designed and operated as a business entity, producing products, offering

services, to the market and customers, incurring expenses and generating revenues but emphasising on the maximising social benefit rather than profit maximisation (Shafie et al., 2019; Pinheiro, Daniel & Moreira, 2021). Instead of seeking to collect the highest possible level of financial benefit to be enjoyed by shareholders, social enterprises seek to achieve a social objective.

In Malaysia, social enterprises are defined as organisations that have a social cause as their main objective, such as poverty reduction, providing employment to underprivileged, preserving the environment or supplying financial assistance to the underprivileged to open up their own business, and they must adopt a private sector (profit organisation) business model to sustain themselves (Social Enterprise Malaysia, n.d.). These organisations play the role of the social change driver by identifying social problems and introducing solutions to them. Unlike traditional non-profit organisations or non-governmental organisations, social enterprises sustain themselves through business revenue and moving away from dependence on donations or government grants. However, there is yet a legal structure for social enterprises in Malaysia (Cheah, Amran & Yahya, 2019). Hence the benchmark for social enterprise governance that could reflect the double bottom line is considered still immature.

In layman terms, governance is a set of rules and regulations imposed on the management of the organisations to reduce conflict of interest and make responsible decision making. It is a framework devised by the management to protect the interest of shareholders and ensure the voice of wider stakeholders is heard, and information is distributed fairly. In other words, through good governance, organisations can ensure that they are honest about their state, including financial status and non-financial status. Governance framework will be regarded as one of the competitive advantages for the organisations that helps enhance performance and promote sustainability. Governance combines controls, policies and guidelines that urge the organisation towards fulfilling its objectives while at the same time satisfying stakeholders' needs based on three key elements, the process, structure and accountability (Hashim & Devi, 2007; Hussain, Rigoni & Orij, 2018; Pareek, Pandey & Sahu, 2019).

Functioning as control mechanisms, governance helps to guard the behaviour of the members within the organisation in fulfilling the demand and need by the stakeholders. It is expected that effective control mechanisms would prevent detrimental wrongdoings against the organisations (Merchant & Van der Stede, 2007). In the context of social enterprises, governance primarily focuses on the alignment of the organisation's mission and values with its actions and outcomes. Therefore, social enterprise governance is not simply about protecting shareholder rights but about safeguarding and balancing the interests of all stakeholders. Stakeholders for social enterprises include investors, customers/ beneficiaries, employees, government officials or relevant community members (e.g. people who reside in the neighbourhood of the social enterprise).

Due to the fact that the ventures of social enterprise involve balancing two incompatible extremes—delivering social mission to create social impact and creating financially sustainable ventures; having good governance structure is vital. Moreover the prospect of survival and sustainability of social enterprise are also questionable due to its dual inharmonious interests that crossed paths (Picciotti, 2017). Cheah et al. (2018) also asserted that social enterprises are vulnerable to survival problems because approximately half of the enterprises struggled to reach the breakeven point, especially those in the early stage of the venture. Meanwhile, Lane and Casile (2011), suggested that the sustainability of social enterprise performance must be regulated through profit motives, such as firm survival and social impact motives, i.e. social action and social change. Hence, an adequate implementation of effective governance such as structure and culture, control mechanisms and risk management are indispensable for social enterprise to be self-sustaining and to stay competitive (Gupta et al., 2020; Hota et al., 2020).

With regard to sustainability, the role of governance is intended to develop a structure for organisations in ensuring the management's behaviour to behave ethically and make an informed decision that can benefit the stakeholders (Fauzi & Locke, 2012; Chang, Oh, Park & Jang, 2017; Rajesh, 2020). Specifically, under the recommendation of good governance, organisations are required to form an effective corporate structure that can be used to assist the organisations in making strategic decision-making and in creating specific objectives with the aim of satisfying the interest of the

stakeholders. It helps to reduce the problem of agency costs that can rise due to the conflicting interest between management and stakeholders. Indirectly, an effective governance also reflects accountability and transparency of the social enterprise on issues such as spending, performance, operational, and regulations matters that raise public concerns.

Social enterprises face the issue of poor governance, in which some entrepreneurs lack the knowledge and experience to manage organisations, including financial management and how to operate in accordance with proper regulation (British Council 2018; Ee, 2019). It is undeniably that profit is vital for sustainability, but management and governance is part of the framework as well. A pertinent issue limiting the ability of social enterprises to sustain and scale up is the lack of easy access to finance. Moreover, little information is known about how efficient social enterprises are in managing their resources. Thus, having a controlling mechanism in place is vital to promote well-ordered, efficient, effective and economical operations while at the same time safeguarding the organisational resources against loss due to abuse, error, mismanagement and fraud (Skaife, Collins, Kinney & Lafond, 2009; Saat, Mohamed, Zakaria & Omar, 2014; Li et al., 2018).

In the context of sustainable performance of social enterprises, controlling mechanisms are the management's responsibilities in designing procedures and policies that provide the social enterprises with control mechanisms on how to enhance the sustainable performance (Mahmoud & Yusif, 2012; Masrek et al., 2014; Robert, Brad & Jeffery, 2017). In order to enhance the sustainable performance and to outperform the other competitors, social enterprises need to have in place some controls to minimise the effects of the possibility for social enterprises' failure to properly handle the resources given. For instance, the management of social enterprises is required to verify the truthfulness of the beneficiary's case before the payment voucher can be issued. With this procedure, social enterprises are expected to control the risk of being manipulated and to ensure that the voucher given is for the eligible case only.

Prior studies such as Skaife et al., (2009), Stoel and Muhana, (2011) and Liu (2018) have explored the two most common objectives of controls. The first objective is to ensure the smoothness of the organisations' operation while the second objective is to control the behaviours of the human and

organisation to behave in a manner that is acceptable by the ethical standards and to link it to financial and non-financial performance of the organisations. Based on the findings of these studies, compliance with control mechanisms and good practice of governance positively influence the financial and non-financial performance outcome and vice versa. Investment in designing proper control mechanism is found to be positively associated with superior performance (Postan, 2010). Specifically, Postan (2010) and Li et al. (2018) described that the financial and non-financial performance of the organisations is translated through efficient control mechanism in which the controls can inhibit and eradicate dysfunction, enhance the organisations and management's decision-making process, foster good governance and eventually improve the overall effectiveness of the economic activity.

Largely, social enterprises attend unrelenting social crises via scalable, self-sustainable and innovative business models. Their financial obligations and social impact must be balanced, and the earlier cannot take precedent than later. On the other hand, it is their responsibility to coordinate the need of multiple stakeholder groups, including investors, employees, regulators, clients and beneficiaries properly (Achleitner et al., 2012). Hence, effective control mechanisms would assist the social enterprise in boosting its overall sustainable performance, while heeding with the overall objectives through continuous monitoring of the performance and activities. Sound control mechanisms would encourage management to work effectively and efficiently producing relevant and reliable information that would sanction a proper financial reporting (Lok & Crawford, 2004; Mahmoud & Yusif, 2012; Masrek et al., 2014).

## **RESEARCH METHODOLOGY**

A qualitative approach consists of an open, unstructured and flexible approach to the inquiry which aims to explore the variety and diversity of the data collected rather than to quantify the data (Kumar, 2014). By using the semi-structured interview, the interviewee can answer the questions freely and extensively as they wish (Flick, 2011). There are no lists of possible answers, and there are no right or wrong answers. The main strength of this method is, the interviewer is free to ask whatever information the study required in any format relevant during the interview

(Kumar, 2014). The interview mainly focused on: how internal controls system, risk management, corporate structure and corporate culture affects the sustainable performance of their organisations, which factors contribute the most to sustainable performance and how they perceived and discharged their accountability. Table 1 shows the questions provided to the respondents to describe the interview questions used with its underlying purpose.

**Table 1: Questions Provided to the Social Enterprises**

No	Interview's Question	Purpose of Question
1	Please briefly explain the nature and purpose of your organisation.	To gather information on the nature and purpose of respondents' organisation.
2	What do you think about the current movement towards the adoption of social entrepreneurship?	To understand the evolution and acceptance of social enterprises and social entrepreneurship.
3	How do you see the adoption of market-based approach impact on your organisation?	To understand the impact of the market-based approach on the organisation.
4	How do you perceive the practice of governance in your organisation?	To understand the perceived importance of governance in the organisation.
5	How the practice of governance influence your organisation?	To understand the impact of governance in their organisation
6	How you deal with the accountability issue within your organisation and outside your organisation?	To solicit opinions about accountability issue and practice in the organisation.
7	How do you see the overall impact of your organisation on society?	To understand the wider impact of social enterprises on society.

Information during this phase was gathered from eight (8) representatives from social enterprises. They were purposely selected based on their expertise on the subject being investigated and their willingness to participate in this study. The selection of the representatives was based on purposive sampling, but the fitting number will be guided by data saturation. The interview continued one by one until theoretical saturation is reached (Sekaran & Bougie, 2011). Theoretical saturation was achieved when the interview does not provide any more additional information about the factors affecting sustainable performance in repeated cases.

Initially, 12 representatives were contacted through phone and email to request for an interview. Out of 12, only six (6) responded and were willing to participate in this study. However, since data saturation was not

achieved during the interview with all six (6) respondents, another four (4) respondents were contacted. From that, two (2) agreed to participate in the study and data saturation were achieved after the interview with additional respondents. Prior to interviews, an interview protocol guide was prepared for the respondents. The protocols were prepared in advance to cover the interview topics of interest and to ensure all topics are covered. The protocols provide guidelines for the interviewers throughout the interview sessions and acquire reliable information from the interviewee in a structured manner. Prior literature and contextual analysis contributed to the design of interview protocols. The interview protocols composed of mainly open-ended questions. The questions asked were followed by extended follow-up questions, where necessary to obtain additional information.

All the face to face interviews were conducted at the office of the interviewees. Face to face interviews allow the researcher and interviewees to interact more freely and provide additional information to the researcher since the researcher can also read their body language and face expression during the interview session. Each interview session took around 45 to 120 minutes. The interview was recorded through audio-taped and when necessary field notes were taken during the interview. After the interview, the recorded interviews were then transcribed and cross-check process with other interviewees' answers were done internally. The answers also were matched with past literature in regards to control mechanisms, accountability and sustainable performance. The processes were done to overcome any potential bias answer and to obtain greater internal validity and reliability (Sekaran & Bougie, 2011).

For the reliability of this study, Lincoln and Guba (1985) suggested focusing on whether the results are consistent and complete records are kept of all phases involved in the research process, and it is accessible. By looking into the data collected and the result, researchers must ensure that the results make sense and are consistent and dependable. If the findings of a study are consistent with the data presented, the study can be considered dependable (Merriam, 2009). In ensuring the reliability of the research, this study had documented all research procedures and included all necessary documents such as face-to-face interview protocol. This was to ensure that future study will be able to replicate this study, and yield to the same results.

Additionally, to assess the validity of the data collected from the semi-structured interview, actual words of interviewees are useful to find out their perception and thought about the discussed topic. A few steps were taken to ensure that the results were fully reflected on the interviewee's thought and the quality of the information. These included observing the body movement of the interviewee, listen attentively to the interviewees, taking notes on important points, and seek further clarification if such need arises. As for the verification process, the transcribed answers was cross-checked with the answers from other interviewees internally and past literature on sustainable performance. This step was necessary as it can overcome any potential biased answer and achieve greater internal validity and reliability (Sekaran & Bougie, 2011).

## **Data Analysis**

Data analysis was undertaken after the interview sessions were completed. It was analysed by each interview session without waiting for the next interview with other interviewees. This continuous process only ends until the last interview handled. The data of the study were then analysed using thematic analysis. Indirect interpretation was conducted based on the researcher's personal reflection towards the findings. This study goes beyond a structuring of the manifest meanings of what is said to deeper and more critical interpretations of the text. Personal reflections were also supported by the literature which provided an alternative of the findings (Lambert & Loiselle, 2008; Castleberry & Nolen, 2018). Indirectly, it helped this study to make sense and support the findings identified in the current study.

## **FINDINGS AND CONCLUSIONS**

### **Demographic Characteristics of Respondents**

Table 2 below presents a summary of the background of the respondents who participated in the interview. All eight respondents represent social enterprises located in Klang Valley. Three social enterprises focussed their operation on humanitarian aid (R1-R3), three in education and training (R4-R6), one in political and social issues (R7) and one in disabled person (R8). The ages of the respondents were above 30 to 60 years. In terms of gender, six (6) females (R2, R3, R4, R5, R6 and R8) and

two (2) males (R1 and R7) participated in this study. All of the participants were the top person in their respective social enterprises such as founder, coordinator and manager. Information gathered from the top person in the organisation enabled the researcher to get in-depth information on the control mechanisms, accountability, and sustainable performance of their social enterprise since they are the one that is involved in the strategic decision making. In terms of working experience, all the respondents had more than three (3) years working experience in their social enterprises with the longest experience of more than ten years.

**Table 2: Demographic Information on Respondents from Social Enterprises**

Participant	Industry	Age	Gender	Position	Educational Background	Years of working experience	Initial
R1	Humanitarian Aid	Above 50	M	Founder	ACCA	more than 10 years	TA
R2	Humanitarian Aid	Above 30	F	Manager	Degree	more than 5 years	AS
R3	Humanitarian Aid	Above 50	F	Founder	Degree	more than 5 years	NA
R4	Humanitarian Aid	Above 30	F	Manager	Degree	more than 5 years	CD
R5	Education and Training	Above 40	F	Manager	Master	more than 3 years	SK
R6	Education and Training	Above 30	F	Manager	Degree	more than 3 years	DAM
R7	Political and Social Issue	Above 30	M	Founder	Degree	more than 5 years	FS
R8	Disabled Person	Above 30	F	Coordinator	Degree	more than 5 years	SS

## The Evolution of Social Enterprise

As the global market is moving towards incorporating the citizen-centric approach in their business model, social enterprises appear to be the right choice of business with its blended business and social mission approach. Moreover, the government has started to encourage a new kind of business to complement the role of traditional profit organisations, government, and traditional non-profit organisations to fulfil the increasing needs of public for services and products affordable by them. One of the respondents said:

*“Previously, we are only non-profit organisation focusing on disaster relief and community outreach with no business-minded operation. However, at one point, our resources are depleted, which then cause us to stop some of our projects. So, we take a brave approach to incorporate commercial business thinking in our business model, not to maximise profit for our own benefit, but to be self-sufficient and wider the outreach.” (R1)*

Social enterprises are applying the market-based approach by having commercial/trading activities while staying true of their social mission to provide stable revenue as a means of responding to increasing uncertainty of financial resources from traditional funding resources. The leaders of social enterprises see the new business model as a process and a mindset that can drive the organisations towards a sustainable organisation, thus able to continue fulfilling the needs of a wider public.

*“The new concept of incorporating commercial business model without neglecting our social mission help our organisation to secure a stable flow of resources which in turn assist us to stay in the field. Some of our counterparts were forced to close their organisation because they did not have enough resources to continue their operation. We do not want that to happen, because we still have so much to do. But to do that, we need financial resources. So, by this new concept, we feel more at ease, and we believe that we can be more successful.” (R2)*

For some, social enterprises might look a lot like commercial organisations. It generates revenue, but it was done for a different reason compared to traditional profit organisations. While traditional profit organisations aim for profit maximisation, social enterprises aim for maximisation of social outcome through the generation of revenue by their commercial activities. However, the double bottom line of social enterprises often creates tension among the stakeholders as some have a tendency to perceive that profit and social mission cannot be blend together as it can often create mission drift. While at some point mission drift could happen, but if the managers of social enterprises are able to balance the needs for the fulfilment of both missions, the spill over of successfulness from the interplay of both missions outweigh the possibility of mission drift.

*“At first, when we started to commercialise our product, we received some backlash from the public. They think that we are being deviated from our initial mission. So, we assure them, we did so to generate revenue to make sure that current and future activities can be funded. Furthermore, since our own beneficiaries create the product that we sold, it provides additional income for them. We produce an annual report, so our donors and funders know that we properly handled the fund given and to show that we are accountable in what we are doing”. (R8)*

In order to ensure that the possibility of mission drift is minimised to a certain extent, leaders of social enterprises believed that good governance through its effective control and good practice accountability could assist that.

*“When you blend two missions in your business, you cannot avoid the possibility of neglecting one mission over the other mission. However, to avoid that, in our organisation, we put in place proper controls both formally and informally to ensure that our organisation is properly guided”. (R2)*

Proper control provides the organisations with the necessary guidance to ensure that they manage the fund given effectively, thus reducing the possibility of public distrust. Currently, public scrutiny over the operation of social enterprises is increasing due to the increase of financial scandal involving social enterprises such as YaPEIM, Badan Amal SM Amin, ANGKASA, and so on. The mistrust of the public causes the organisations the decrease in the future inflow of financial resources. One of the respondents mentioned that:

*“We, as an organisation that serve the needs of the public, must ensure that we handle the money properly. All the stakeholders must be assured that all the funds given and the money generated from the commercial activities are meant for the fulfilment of the community’s need and not for our own benefit. As hard as we can, we must avoid any scandal since when people started to distrust our organisation, then we are doomed.” (R1)*

Nonetheless, as hard as it can be to manage the social enterprises, all the leaders of social enterprises interviewed in this study believed that this new kind of business model would assist them in moving forward. They see social enterprises as a process and a mindset that has taken hold in the current development of the global market, particularly with the movement towards incorporating the citizen-centric in their business model.

## **Governance for Social Enterprise Sustainability**

In any social enterprise, it is important to put in place an effective governance system to facilitate effective control and monitoring of its social enterprise to ensure that they meet their objective, reduce possible mission drift and minimise the risk of corruption and malpractices. Strong and effective controls mechanisms strengthen governance of an enterprise, suit and allow the objective prescribed by the management and eventually mitigate the risk of fraud. One of the respondents described the importance of effective control mechanism in the organisation.

*“In order to ensure that our social enterprise can operate with less risk of corruption and malpractices, we firmly believe that there must be check and balance in the organisation.” (R1)*

Most of the informants noted the importance of sound internal controls system in order to mitigate the occurrence of fraud and to ensure the survivability of the organisations. Prior scandals involving social enterprise and charity organizations such as Deposit Cooperative, ANGKASA, YAPIEM, shows that lack of sound internal controls systems provide loopholes in the system hence create an opportunity for either the employees or founder to misuse the fund or asset of the organisations. The respondent (R5) supports the notion whereby he stated that,

*“Segregation of duties, particularly for approval of payment, is important because if the same person handles different tasks, whenever there is pressure or opportunity, the employees might be instigated to misuse the trust given.”*

The statement was supported by the other respondent (R3)

*“Without proper check and balance, it is easier for the corruption and malpractices to exist basically due to the nature of social enterprise itself.”*

Social enterprises deal a lot with the people’s money; hence they are in a position where trust of the public is important as if there is an increase of scrutiny by the public, it can jeopardize the accountability of the social enterprise itself. The statements above, stressed on the importance of sound internal controls system through segregation of duties to instil proper check and balance. Proper check and balance will ensure that the employees are always on the right track, thus putting a good image for the social enterprises in the eyes of the public.

While most of the respondents interviewed in this study were talking about compliance when they are talking about controls, it was also noted that when it comes for internal controls, it was also closely associated with trust-building. For social enterprises, when internal controls are not properly implemented, improved, and integrated, one of the effects is, they failed the donors, investors and the people they help. For example, in 2011, Angkatan Koperasi Malaysia (ANGKASA), the so-called umbrella for the Malaysian cooperative fraternity involved in a scandal involving their top of management.

*“They have reached a stalemate, and a level of incompetence, with a tinge of greed and power. A 25-point mismanagement statement has been floating in the media. It is also a fact that a 10-point bullet legal statement had been forwarded, requesting eight (8) named officials to vacate their positions. These officials have been slighted for criminal breach of trust, mismanagement and misappropriation, abuse of power, and sighted for misleading statements to the media”*

(Malaysia Today, 2011).

When bad things happened at an organisation, which was supposed to oversee and fulfil the needs of society, the trust of the donors, investors and the people that they served breaks down. Even though it happened only in a certain organisation, the spill over of negative effect goes beyond that organisation only. It can affect almost the whole ecosystem of social

organisations. The stakeholders would see that their good intentions have become irrelevant, and morale of employees and volunteers break down. Once trust is breached, the cost of building back the trust among all the stakeholders, including the donors, investors, employee, and the community at large would not be cheap. Too often, the path of destructions starts with missing proper control.

## **CONCLUSIONS**

The growth and movement of social enterprises and the adoption of social entrepreneurship represent the backbone of this study. In Malaysia, social enterprises have been recognised as a new concept that can complement the role of both the government and profit organisations. Though social enterprises are closely related to non-profit organisations due to their social objectives, the distinction is, social enterprises also adopt market-driven initiatives similar to profit organisations. However, it is not to say that social enterprises are more commercial rather than philanthropic, but they are both. In other words, they are balanced in both objectives; social and profit/financial.

In social enterprises, the potential trade-off between social and financial objective requires the organisations to have proper governance in place to minimise any potential threat and risk, hence promise greater performance. Effective controlling mechanisms could help to balance the demands of their social and financial objectives since for the social enterprises to be considered as a success, both objectives must be met. The existence of controlling mechanism itself is to keep performance or state of affairs within what is projected, expected, allowed or accepted. The absence of proper governance policy in the early stage of the social establishment (less than three years) or at the later growth stage implies that they might have a problem to survive in the long run.

The findings synthesised that the all the respondents were in agreement that, to remain successful and to strive for high performance, a good governance structure should be upheld as a controlling mechanism. Effective controlling mechanism ensures accountability and transparency which then breeds sustainability. Based on the result of the study, it can

be concluded that control mechanisms effectively control any associated risk, safeguards the legitimate right and interest of stakeholders, and thus promotes the fulfilment of their strategic goals. While an effective control mechanism enhances the performance of social enterprises, it was also at the same time, improve their accountability as confirmed by the findings from the current study. Any strategic decision taken by the management of social enterprises, guided by effective control would show they do care about the benefit of wider stakeholder and the resources are given is handled with the utmost accountability responsibility in mind.

As the current study gathered responses only from the side of the management of social enterprises, hence certain information particularly related to the wider impact of social enterprises, cannot be gathered. Thus, future studies are encouraged to obtain responses from the regulators and the end stakeholders of social enterprises. Comparative responses from both social enterprises and their stakeholders could deliver valuable input from a different perspective to enhance greater understanding on the research context. The beneficiaries or clients or customers or employees of social enterprises will provide a more holistic view on the impact of social enterprises on society. Theoretically and practically, the findings derived from this current study could contribute towards fostering future research as well as improving the current practice of governance as controlling mechanism in social enterprises. Additionally, the outcomes of the study may fill the gap in understanding the control mechanisms and sustainable performance measurement for social enterprises in Malaysia.

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