Creating Wealth through Social Entrepreneurship: 
A Case Study from Malaysia

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ABSTRACT

Social entrepreneurship has become a common interest among the academicians and practitioners due to its enormous opportunities to challenge, question and rethink concepts and assumptions from different fields of management and business research. This study was carried out to understand the social entrepreneurship phenomenon in the context of developing nations such as Malaysia. The main purpose of this study was to explore a particular social phenomenon on how wealth can be created through social entrepreneurship. A qualitative case study approach was adopted since this facilitates in assessing and evaluating the particular phenomenon more intensely. Data had been collected through interviews which were conducted over a three-week period around Klang Valley, Malaysia. Convenient sampling method was adopted to identify the respondents for this study. This study has highlighted few of the important components of social entrepreneurship in Malaysia such as overall concept regarding social entrepreneurship, motivation for involvement and value creation. This study believes that lack of political commitments and absence of creation healthy environment required for social entrepreneurial growth are the limiting factors in the process of the adequate supply of reasonable number of social entrepreneurs. Firm commitments of the power cliques, aggressive efforts in creating entrepreneurial environment besides provision for all essential common support services and assistance may speed up the supply of social entrepreneurs in Malaysia.

KEYWORDS: Social entrepreneurship, social entrepreneurs, wealth, society, Malaysia.

INTRODUCTION

Initiatives and risks go with entrepreneurship hand in hand. One cannot think of entrepreneurship without initiatives and risks. The economic functional analysis of entrepreneurship focuses upon the economic role rather than the individual who performs such a role [1]. The emphasis upon economic role was the historical well-spring of interest. Another study [2] pointed out that social entrepreneurship and economic development are highly correlated. More recently, observers of the phenomenon of social entrepreneurship have suggested that social entrepreneurship involves creation of wealth through building new enterprises and that the social entrepreneur is the founder [3].

Social entrepreneurship is still in its early stages [4]. The subject social entrepreneur and social entrepreneurship are increasingly getting attention of the academicians in the recent decade. In the past, only few are seen to have them involved in deep rooted lengthy discussion [5, 6, 7, 8], while quite a good number are looking for some essential quarries only in short drive [9, 10, 11, 12, 13].

Moreover, research done so far to explain the social entrepreneurship in developing countries tried to judge the situation in the contest of some of the Western cultures’ standards rather than trying to find out what cultural factors or strength of the concerned societies could actually explain favorably the emergence of social entrepreneurship and economic development. Hence, realizing the current needs on understanding the social entrepreneurship phenomenon in the context of developing nations such as Malaysia, this study was aimed at minimizing the gap that exists to understand this emerging social entrepreneurship phenomenon.

LITERATURE REVIEW

Wealth Creation

“Wealth is a fundamental concept in economics indeed, perhaps the conceptual starting point for the discipline. Despite its centrality, however, the concept of wealth has never been a matter of general consensus” [14]. Enderle has proposed a wealth creation model (figure 1) [15]. According to him, wealth consists of physical, financial, human and social capital which encompasses both private and public wealth. The author further explained that the wealth creation possessing is sustainable as it involves an entire process starts from the contents to aspects [15]. The motivation behind this wealth creation includes self interest, joy of finding, entrepreneurial spirit to provide services to others.
In addition, the supply of adequate number of able and successful entrepreneurs is considered as one of the leading determinants of growth, development and maturity for any country, big or small [16]. Social entrepreneurship is a critical resource and shortage of it is found to be strategic bottleneck for development. Scholars in the field of social-psychology and anthropology have tried to explain the economic development by social, cultural and psychological variables via entrepreneurship. McClelland emphasized the relationship of achievement motivation or need for achievement (n Ach) to economic development via social entrepreneurial activities [17]. He wrote “the presumed mechanism by which an achievement level translates itself into economic growth is the entrepreneurial class. If the need for achievement level is high, there will presumably be more people who believe like entrepreneurs...” [17]. The author further worked to find out what explains n achievement. However, McClelland was influenced by Winterbottom’s works where she explained n Ach by using child rearing practices as examples [18]. McClelland came to the conclusion that moderate child rearing practices are optimal for production n Achievement which will in turn be translated into entrepreneurial activities to leading to economic development.

Social entrepreneurs are continuously perusing to serve the society to create and sustain social value through continuous innovation, adaptation and learning [19]. The author further stated that in this sense, they are working as the “change agents” for the society in creating social values and wealth as a whole.

**Social Entrepreneurship**

Social enterprises are different from conventional enterprises because social enterprises aim to optimize the value for social ends [20]. Conversely, the concept is still very unclear to many people as they understand it as ‘not-for-profit’ charitable organizations with the sole dependency on the findings from others [21]. However, social entrepreneurship is a voluntarily kind of organization that provides services to the society for free [22]. “Social entrepreneurship is an effective mechanism for generating value in societal, economic, and environmental forms” [23].

“The term social entrepreneurship is used to refer to the rapidly growing number of organizations that have created models for an efficiently catering to basic human needs that existing markets and institutions have failed to satisfy” [24]. Social entrepreneurship involves the promotion and building of enterprises or organizations that create wealth, with the intention of benefiting the society [25]. Yunus described social entrepreneurship as “a social business is a subset of the idea of social entrepreneur, basically an enterprise that uses free market principles to address a pressing social problem—such as poverty, homelessness, or the needs of under-privileged children. It must
be profitable and sustainable, but instead of profit going back into the pocket of the stockholder, it is reinvested into the business” [26].

However, social entrepreneurship is different from the traditional entrepreneurship in terms of their vision and objective [16]. While traditional entrepreneurship always looks for profit maximization; the social entrepreneurship works for the betterment of the society rather than engaging in generating profits [27]. Furthermore, corporations can be benefited in creating sustainable business strategies by understanding the social entrepreneurship value [28].

Social entrepreneurship extensively works on the societal development [29]. They further elaborated that by using limited resources and facilities, social entrepreneurs offer more productivity and efficiency to add more values. Social entrepreneurship involves in charitable activities for developing the society with an aim to help the deprived classes of the society [30]. According to Spear, “social entrepreneurship offers the quintessential example of how diverse motives can inspire individuals’ to conceive, build and operate organizations that address personally important issues” [31]. Cyert and March further added that “social entrepreneurs, like anyone else, have a host of personal motives, reflecting both economic and noneconomic goals” [32].

Currently, the global society is dominated by the capitalist system. The rights and needs of vulnerable classes are ignored in such system. Hence, there is a need for something new which will help in minimizing the gaps between classes in the society [33, 34]. In that sense, social entrepreneurship is that alternative, which will help in exploiting opportunities for social change and improvement, rather than traditional profit maximization [13].

**METHODOLOGY**

Case study comprehensively analytic a single phenomenon or social unit [35], which explores a “thick description” of the phenomenon under study [36]; thus, clarify the reader's understanding of that particular social phenomenon [37]. Case study specifically focuses on a particular phenomenon that provides an in-depth understanding of one particular event under study [38]. Case study helps to explore things more deeply that might not have been explored through other researches [39]. Many social researches have used case studies in the past mostly for small-scale research [40, 41, 42, 43, 44].

This study took place at Kuala Lumpur in Malaysia between November 2012 and December 2012. As this is solely a qualitative research and the main purpose of this study was to explore a particular social phenomenon which is how wealth can be created through social entrepreneurship in Malaysia in this case, we have taken the case study approach since this facilitates in assessing and evaluating the particular phenomenon more intensely [45].

For data collection, we have used a structured interview questionnaire. The units of analysis for this study were the board of directors, CEOs and managers involved in social entrepreneurship in Malaysia. Convenient sampling method was adopted to identify the respondents for this study. Interviews were conducted in person. Information about the study was clearly explained before the start of the interview. The participants were further assured that, the data would not be used for any other purposes other than the research and their particulars would not be disclosed in any circumstances. However, researchers might contract them in the future to recheck the interpretation after coding to avoid researcher’s biasness. Permission was taken for audio taping.

Data had been collected through interviews which were conducted over a three-week period around Klang Valley, Malaysia. Most interviews were lasted approximately 20 minutes. All the interviews were audio recorded which helped the researcher to record everything without missing any further evidence.

After collecting the data, all were transcribed into text and coded for further analysis. The recorded tape was played several times as not to miss any information recorded from the interviews. The process continued till the researcher feels that no more information is necessary for further analysis.

**RESULTS**

None of the interviewee approached declined to participate in the interview (though all interviewees declined to disclose their identity). We have extracted three themes from the analysis. As all the participants identified similar factors, thus, data were combined for the further analysis. The extracted three themes are; overall concept regarding social entrepreneurship, motivation for involvement and value creation.

**Overall Concept Regarding Social Entrepreneurship**

Question was asked about the participant’s opinion regarding social entrepreneurship. All the answers were more or less similar. From this, the researchers have found that, though social entrepreneurship is like voluntary types of thing, however, it is no way a form of charity work that they do for the society.

**How do you explain the term “social entrepreneurship” to a layman?**

I think social entrepreneurship is very simple. Any organization who’s further prime purpose is not to make profit but to benefit society using a business model. So, in that case simply seeking what I thing. It is anything else makes it a bit confusing I think.
Defining social entrepreneurship is tricky. However, to me, it’s a process whereby the creation of new business enterprise leads to social wealth enhancement so that both society and the entrepreneur benefit.

To me, social entrepreneurship is something like individual who come up with innovate solutions to society’s most pressing social problems.

**Motivation for Involvement**

In this study, the researcher has found that motivation plays an important role on the engagement in social entrepreneurship. When question was asked related to motivations, answers were almost similar which is benefiting the society as a whole.

**Do you consider yourself or your organization a social entrepreneur? Why?**

Yes, we do. Because we don’t want to depend on funding. So, we want to be self sustaining. So, we want to provide services where we charge an amount which is reasonable. We also seek funding whenever possible. But it’s not our soul dependency. So, we get funding we end up, we don’t take the funding as a profit, but we take the funding as something to subsidized our self sustained to the community.

Technically, yes. Technically, because we are the national non-governmental organization (NGO) and we depend on funding for our survival. However, this funding we are not using for ourselves. Rather, we seek funds to help the children. In that sense, we are actually spending the grants for developing the society. We are trying to combine the business activities with the society. However, the thing is that we have very little support, and most initiatives are not backed by established policies.

We are a non-profit venture and we offer free education to underprivileged youths with equal opportunities given to boys and girls. In that sense, yes, we are social enterprise.

**What made you or your organizations engage in social entrepreneurship?**

I think in the sense that a… a…m… probably want to be the… the clear thing in think more and more NGOs realize if we take the NGO model and they depend on external funders. Normally are they beholden to the funders, you know they have issues with their economy. So, by being an organization that what we call it that runs a business model, we have more independence, we can, we don’t have to depend on anybody. We can get more sustainable. The key word here is sustainable.

There are many NGOs dedicated to raising funds but the involvement with the communities is still minimal. Being an entrepreneur, social or otherwise, requires something more. It must be defined as doing things in ways that have not been done before. This enables us to dedicate ourselves, our ideals, skills and intelligence toward directly addressing some of the most urgent issues affecting our children.

We see ourselves as education activists. We believe in the power of education the fact that the current formal education system do not work for the common people because of the challenges they face. They are not trained to face the challenges of the real world. And they lack role models to help them attain the mindset to live the best possible lives.

Misinterpreting the meaning of social entrepreneurship sometimes may create confusions both for the society and the people working for it. Overcome this barrier is very important. Thus, proper policy needs to be implemented by the government as a guideline to minimize the misinterpretation regarding social entrepreneurship.

A…m. I think it’s an alternative. I think it is another alternative model. We have to be clear that there must be a clear explanation of what is social entrepreneurship is. Because it’s not fair for someone who accept profit margin and describes himself as a social entrepreneur.

However, the concept of social entrepreneurship is still new in Malaysia, and needs a bit of a push to become widespread.

**Value Creation**

Another very important issue is how social entrepreneurship can create value for the society. As most of the social enterprises are small scaled establishment to provide services to its own community, thus, they have limitations in terms of financial and manpower. During the interview, participants also identified these limitations.

**Could you please suggest a few ways social entrepreneurship can create and sustain wealth for your organization?**

Again, very simply. There’s always a demand for certain services and certain goods that regardless whether you are a non-profit, a charity, a dominant agency, or a public you know a private company, you all need services. Why should those services only be provided by the private organization? But there is a social entrepreneurship provides those services, all those goods depending on what it is. You know so; it’s a matter of choosing that right marriage between how you develop society and how you make money. For example, I know in Bangladesh, in Malaysia, in the Philippines, they use recycle plastic to make into bags. The bags that have made, if you can market,
you can do the right things to generate money. In the Philippines, they use leftover tiers to make slippers. That it could be rubbish otherwise. So, these are all any day they become a good that is bought by someone as a commercial buying. So, that’s nothing wrong with it actually.

There is no reason why entrepreneurs can’t enhance social wealth and also generate fortunes for themselves. Social entrepreneurship is an alternative to governments undertaking the task of solving societal problems.

It is particularly good to have a team that believes in your goals and mission. We needed to build the base to do the work we wanted to see done. We cannot do it as individuals. We also want to leave a legacy to continue our work. So, I would say people are the key to building the social enterprises. In this sense, we are creating a knowledgeable workforce which indirectly creating and sustaining wealth for the society.

In what way could social entrepreneurship create and sustain wealth for the country as a whole?

Social entrepreneurship also has that extra added value to be able to attract people who want to make a difference. Technically speaking, “Bodyshop” is not a social entrepreneurship, but there model is very close to be being one. Because, you know, they are community based, right? So, if you look at that model, people are willing to pay the extra price for “Bodyshop” because they feel that they are benefitting society in some way. So, similarly, there must be more alternative because they cannot convince society that keep using and using and services keep being provide with the sole purpose of having profit. So, that it’s a sustainable model.

Very simple. A network of social entrepreneurs should be created to support these activities. By having such a network, there would be more people to push for such worthy causes. This way, the effect can be amplified and its reach goes far and wide into different communities with different needs.

How do you practice social entrepreneurship in your organization?

Oh, it’s very simple. I think that, our whole purpose is to benefit society in particular children, anyone below 18. So, the issue the old model is nobody makes a profit. Everybody gets pay, a fair wage you know, for the services they offer. So, they don’t depend on charity, they don’t depend on the good will of someone, we don’t depend on volunteers. Because, we respect, whoever does the work, if you do good work, you should be paid for your time. Otherwise, what will happen is society will only benefit from rich people because they are only one who works for free. Everybody else will have to look for work. So, they giving everyone an opportunity to contribute to the society I think.

By creating enterprises that are able to sustain themselves financially, and at the same time help the society and the environment as a whole. We refer to businesses that have a triple bottom line of ‘people, planet and profit’ instead of the traditional single bottom line.

We are different from other social entrepreneurs in a way that, we take donations which we use for educating the underprivileged youths. This way, we make qualified workforce which is our strength in helping the society in the value creation.

What does your organization do to remain competitive, i.e. to be better than your competitors?

Well, that what we are doing now. We are rebranding ourselves, we are changing the logo, and making ourselves more current, we identifying gaps in our services, we are identifying what services that we have, all the details you know. So, we increase the quality of the services that people come back to us on those issues.

We organize free monthly talks by reputable chief executive officers (CEO), who share information on their personal life and corporate experiences. This way we develop from within.

We offer two years education program for free which include boarding to develop the basic knowledge such as English, mathematics and vocational skills such as computing.

What forms of contribution has your organization made so far for the well-being of the society?

Well, we do many things. For example, we are writing that report about the status of the children for UN. Indicate funding from different agencies. We are doing the capacity building for not profit. So, we help develop NGO management skills. We help in transparencies, accountability; we help to build accounting skills. So, we offer a service. We also provide to educate people on how to educate children. So, these are kinds of things we do.

We have recruited volunteers to make a planned and cooperative business. There are a lot of difficulties, mostly about finance. But we are walking on the road. We are going to start a small cooperative enterprise where we will engage the poor people and their collective efforts will be facilitated for their individual change.

We offer free education for underprivileged youths to develop the basic knowledge such as English, mathematics and vocational skills such as computing.
How have members of your organization contributed towards your organization's social entrepreneurship initiatives?

It’s very small. Almost all our members are including our board of governance offers their skills at cost for free. However, we don’t want to encourage for free. Because, it’s not a charity, you get social entrepreneurship, you should need to pay everyone for the work they do. So, we are trying to get more diverse people onboard to offer something for the society with a very reasonable price.

Most of our members are volunteers. As such, they provide their best in accomplishing our goals.

Which aspects of your organization’s contribution can we link to the concept of social entrepreneurship?

Well, I think everything. All the services we offer are the betterment for the society. There is no profit margin at all. And the only if we talk about profit margin, is more to cover the costs of our office. This office is going to be a resource center. The books here people want to come and study on how to manage children, etc. It’s all for free.

We are serving the society for free……

We believe that our graduate are qualified enough to secure a job. 95% of our graduates already have jobs. In that sense, as we are educating the under privileged children of the society for free, which leads us as social enterprise.

DISCUSSION

In this study, qualitative research method has been used to measure the practice of social entrepreneurship in Malaysia. During the analysis, the researchers have identified three important points related to social entrepreneurship which are overall concept regarding social entrepreneurship, motivation for involvement and value creation. This case study was conducted on the private social enterprises working in Malaysia for developing the society. A structured questionnaire was prepared basing on the literature review. The population of this study was the board of directors, CEOs and managers involved in social entrepreneurship in Malaysia. For this small scale study, the sample size of three was considered sufficient keeping in mind the cost and time associated with it [39, 41, 42, 43]. For the data collection, only private social enterprises were considered. The results emerged from the interviewees are quite identical. However, the similarities in most cases might be for the shared societal value.

In this study, the researchers have found that understand the overall concept of social entrepreneurship is very important element. Moreover, the academic era still lacks in apparent idea and concrete definition of social entrepreneurship. Even though, few studies have proposed social entrepreneurship definitions [46, 47, 48], however, the evidence is not adequate. However, the findings from this study confirms that social entrepreneurship involves in the societal development by making minimum amount of profit as this is not the prime object for social enterprises. This also confirms the similarities with the past findings (e.g. 49, 50, 51, 52, 53).

Regarding the motivation for involvement, result that motivation plays an important role on the engagement in social entrepreneurship. Different opinion exists between the participants regarding the financial sources. Some have denied depending on the funding as a major source for the financial survival. Others agreed on the donation as to support their existence. However, none of these social enterprises accept this donation as their soul dependency. They all want to be self sustaining. This has emerged as one of the most important factors in evaluating the motivation behind their engagement in social entrepreneurial. However, as this is not the prime source for their business operations, they are more independent. Similar results were found in previous studies. External funding such as donation is very important in the survival for small enterprises [54]. Though this external funding is important for the survival of such SMSs, however, this should not be the only source for self-sustain [55].

In terms of value creation, social entrepreneurialships can make a difference. As social entrepreneurship is different from other forms of entrepreneuships, this helps the society in creating values in a creative way. The demand for certain services and certain goods are always there. However, sometimes these demands cannot be fulfilled only by the private organizations. Hence, social enterprises are there to provide such services (e.g. free education). It is like linking between how they develop society and at the same making money. Furthermore, creating value does not always mean making money. It can be done in many alternative ways (e.g. providing education for underprivileged youths). This helps in educating them which intern become an asset for the society rather than liability. This result is similar to what Gartner and Leadbeater have found [56, 57]. According to them, social entrepreneurship is benefitting the society in some way. The sole purpose is not profit maximization. Thus, delivering services to the society becomes mandatory in the further development and sustainability [8, 58, 59].

This study also explored an essential communication gap which is related to social entrepreneurship policy. From the data analysis, it has been observed that, all of the participants agreed that majority of the people living in Malaysia are not aware of the social entrepreneurship and how to benefit from it. Thus, there is a need for understanding this social entrepreneurship phenomenon.
Conclusion

This study was conducted to understand the current scenario regarding social entrepreneurship in Malaysia. Basing on the findings, it can be said that, social enterprises have a valuable role to play in creating and sustaining civil society, the benefits of which are consumed by the whole of society. It is in society’s interest therefore to ensure that their contribution in this respect is protected.

This study has highlighted few of the important components of social entrepreneurship in Malaysia. There is an urgent need for social entrepreneurship to buildup the society in the long run. Social entrepreneurship has been an overlooked area in the past. However, acknowledging this might create confidence with regard to choice and usage of the available facilities among the social entrepreneurs.

Moreover, social entrepreneurship in Malaysia is in its very early stage. Thus, a proper policy needs to be implemented in Malaysia. Government should clearly define the status, requirements and other necessary things to promote social entrepreneurship in Malaysia. Conversely, with this policy, social entrepreneurs can help building the Malaysian society which are not available at free of costs. Involved authorities should clearly define about this new trend of social entrepreneurship. Thus, this will avoid the further misunderstands regarding the social entrepreneurship. Furthermore, this will encourage more entrepreneurs to work for the society’s benefit. This will enhance the people’s living as well as create wealth for the society.

We think that lack of political commitments and absence of creation healthy environment required for social entrepreneurial growth are the limiting factors in the process of the adequate supply of reasonable number of social entrepreneurs. Firm commitments of the power cliques, aggressive efforts in creating entrepreneurial environment besides provision for all essential common support services and assistance may speed up the supply of social entrepreneurs in Malaysia.

Thus, this study will bring valuable benefits for the Malaysian government in enriching their knowledge and idea regarding social entrepreneurship. Moreover, this study will help to identify and understand the barriers and requirements for the sustainability of social entrepreneurship in Malaysia. It will help to develop new policies to attract more social entrepreneurs, which in turn, will provide better services for the Malaysian society. This study will also help different industries to create sustainable and competitive strategies for their future survival. In addition, it can help the social entrepreneurs in recognizing the proper strategies as well as formulating special techniques on how to create wealth as well as increase the societal value.

Finally, no study is perfect. This study is also not beyond limitations. The main limitation of our study is that, it has been conducted with a very small sample size due to limited access. Another limitation of this study is the generalization issue. Findings of this study are hard to generalize as the main findings of this study may not be relevant to other cultural setting. Thus, future studies need to be conducted in different places to compare the results.

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