Social Entrepreneurship, Social Entrepreneur and Social Enterprise: A Review of Concepts, Definitions and Development in Malaysia

Mohd Ali Bahari Abdul Kadir\textsuperscript{a}, Suhaimi Mhd Sarif\textsuperscript{b}

\textsuperscript{a}Malaysian Academy of SME & Entrepreneurship Development (MASMED), UiTM Shah Alam, 40000 Shah Alam, Malaysia
\textsuperscript{b}Kulliyyah of Economic & Management Science (KENMS), IIUM, Gombak, 53100 Kuala Lumpur, Malaysia

Abstract

A decade ago the concept of social entrepreneurship was rarely discussed in Malaysia even though the practice of delivering social values to the population has been around for years. Efforts that combined the concept of entrepreneurship and social development were established years before the emergence of the term. Only in recent years the concept of social entrepreneurship is making a significant breakthrough and attaining more interest not only from social entrepreneurs but also academics and policy makers due to globalized economic system that in turn has resulted in the emergence of social entrepreneurship within a complex framework of political, economic and social changes occurring at the global, national and local levels. Nevertheless, the concept and definitions of social entrepreneurship, social entrepreneur and social enterprise need to be comprehended by those who are involved in the sector to further sustain the development of pertinent initiatives. Therefore, this paper reviews current literature pertaining the concepts and definitions of social entrepreneurship, social entrepreneur and social enterprise and recent development of the sector in Malaysia.

Keywords: Social enterprise; social entrepreneurship; social entrepreneur

1. The emergence of social entrepreneurship

As the field of entrepreneurship evolves to become a mature field of research, another area of academic inquiry that employ the word “entrepreneurship” emerged not only from the management (Bagnoli & Megali, 2009; Meyskens et al., 2010) and entrepreneurship (Chell et al., 2010; Corner & Ho, 2010) literature but also from a variety of disciplines (Ireland & Webb, 2007; Short et al., 2009) such as sociology (Hockerts et al., 2010), ethics (Cornelius et al., 2008), finance (Austin et al., 2006), politics and institutions (Hemerijck, 2002; Dey & Steyaert, 2010), and psychology and education (Chand & Misra, 2009). This new field of academic inquiry describes entrepreneurial activity as a source of social value creation (Christie & Honig, 2006). It applies the concept of entrepreneurship to the context of social problem solving (Emerson & Twersky, 1996; Thake & Zadek, 1997; Dees, 1998a; 1998b; Johnson, 2000; Alvord et al., 2002).

Social entrepreneurship, as it is labeled, is briefly entrepreneurial activity that mainly serves a social objective (Austin et al., 2006; Roberts & Woods, 2005; Peredo & McLean, 2006; Peredo & Chrisman, 2006). Its concept came into sight in the 1980s from the work of Bill Drayton at Ashoka Foundation

\textsuperscript{a}Mohd Ali Bahari Abdul Kadir. Tel: +603-55435652
Email: mohda419@salam.uitm.edu.my
which provides funding to social innovators around the world, and Ed Skloot of New Ventures that helps the nonprofits to explore new sources of income (Dees, 2001, 2007; Fulton & Dees, 2006; Noya, 2006; Sen, 2007; Schlee et al., 2008; Okpara & Halkias, 2011). In spite of the newness of the term and the concept, the practice that employ entrepreneurial capacities to ease social problems has existed for decades (Dees, 1998a; Alvord et al., 2002; Barendsen & Gardner, 2004; Okpara & Halkias, 2011). Some of the practices that specifically focused on the problems of poor and marginalized populations have succeeded in transforming the lives of thousands of people around the world (Alvord et al., 2002). Nonetheless, only recently social entrepreneurship became a widely discussed topic and increasingly mainstreamed among policy makers, civil society groups, businesses, financial institutions, and academics in the universities (Nicholls & Young, 2008).

The emergence of social entrepreneurship is primarily associated to three reasons. Firstly, the growing interest to solve social issues has led to the continuous pursuit of effective, innovative and sustainable solutions to deal with the complexity of social problems (Johnson, 2000; Alvord et al., 2002; Santos, 2009) and a means to relieve modern societies from its illnesses (Thompson et al., 2000) such as unemployment, inequalities in the access to health care and social services (Catford, 1998), squalor, poverty, crime, privation or social exclusion (Blackburn & Ram, 2006). Secondly, the rising concern on the growing range of service areas not addressed by the public sector, but where conditions are not attractive enough to attract the private sector (Darby & Jenkins, 2006). Bach and Stark (2002) and Shleifer (1998) further emphasized that under this circumstance, neither the government nor the private sector has the proper incentive to produce or provide a service. Thus, alternative is needed to sub-contract public services or to improve these services without increasing the government’s intervention (Cornelius et al., 2007). Thirdly, a growing appreciation among business or commercial entrepreneurs and their involvement in social sector with the purpose to enhance social wealth globally (Zahra et al., 2008) and as a way of creating community wealth (Wallace, 1999). As a result, social enterprise activities exist in space where public, private and voluntary overlap (Perrini & Vurro, 2006).

The aforesaid reasons have contributed to the creation of gaps in a social sector that subsequently are being filled by non-profit organizations. Currently, though, non-profit organizations are facing two intensifying demands. Firstly, public discontentment with the management of charities, foundations and government administration of social services leads to a pressing need to improved effectiveness and employ sound business practice (Shleifer, 1998; Okpara & Halkias, 2011). Secondly, the need to sustain in the state of diminishing traditional funding resources and increased competition for these scarce resources (Johnson, 2000; Mort et al., 2003; Okpara & Halkias, 2011). As a result, the practice of social entrepreneurship with an emphasis on community or social goals (Harding, 2004) is deemed necessary and timely to not only address the critical social issues (Nicholls, 2006) but also to innovatively improve efficiency of non-profit organizations (Reis & Clohesy, 1999; Jiao, 2011).

It is not surprising to see social entrepreneurship nowadays becoming an international phenomenon. Nicholls (2006) describes social entrepreneurship has been positioned differently across geographic region. These differences according to Kerlin (2006) stem from contrasting forces shaping and reinforcing the domain in each region. In the USA, social entrepreneurship activities have been spearheaded by the non-profits including ‘venture’ philanthropy and emerging foundations (The Economist, 2004b). These non-profits started to include commercial activities to support their mission when they experienced cutbacks in government funding they had grown to rely on (Crimmins & Keil, 1983; Eikenberry & Kluver, 2004; Young, 2003b). In Africa, similar to the US, the emergence of social enterprise due in large part to the withdrawal of the state’s funding for non-profit related activities (Poon, 2011). Whereas in Europe and the United Kingdom, according to Defourny and Nyssens (2008), the concept of social enterprise emerged in 1990, at the very heart of the third sector and it was closely linked with the co-operative movement initiated to solve housing and poverty problems. Similarly, in the Latin America, the forefront actor of social entrepreneurship is also the co-operative social ventures that focus on civil society rather than on government or the private sector (Davis, 2002).
According to Poon (2011) the emergence and development of social entrepreneurship have taken different paths in different geographic regions in the world, but can however be broadly clustered according to two bases: the market-based form of social enterprise, and the hybrid-based form of social enterprise. The market-based form emerged in North America and Africa, whereas the hybrid-based form which blends economic and social value creation (Alter, 2003) emerged in Europe and Latin America (Poon, 2011). Nevertheless, in many emerging economies of Asian countries, the role of market is still largely unrealized by social ventures and the interface between civil society and state is more fertile location for socially entrepreneurial activity (Nicholls, 2006, p.5).

Therefore, it is clear that growing social needs and social problems in most parts of the world, accompanied by reduced government ability to provide the funding necessary to effectively combat these social problems, provide a platform for social enterprises to continue to grow both in number and importance (Dees, 1998b; Christie & Honig, 2006; Rangan et al., 2008). It is commonly agreed among scholars that understanding social entrepreneurship, social entrepreneurs and social enterprise is important (Dees, 1998a, Weerawardena & Sullivan-Mort, 2006) due to three main reasons; social entrepreneurship results in an organization achieving a sustainable competitive advantage, allowing it to achieve its social mission (Weerawardena & Sullivan-Mort, 2001), social entrepreneurs provide innovative or exceptional leadership in social enterprises (Dees, 1998b), and social enterprise as a significant economic actor; treats complex social problems (Johnson, 2000) thus creates community wealth (Wallace, 1999).

2. Social entrepreneurship similarities to entrepreneurship

The concept of social entrepreneurship is comparatively similar to business entrepreneurship that it is increasingly being acknowledged as an important contributor not only to economic but also social well-being (Christie & Honig, 2006; Dees, 1998a; Harding, 2004). Bacq and Janssen (2008) highlighted that numerous authors agree that the emerging field of research in social entrepreneurship shows similarities with the entrepreneurial field in its early days. Swanson & Zhang (2010) in discussing this issue pointed out that a substantial number of research on social entrepreneurship focused on defining it in relationship to its similarities and differences with business entrepreneurship (Austin et al., 2006; Dees, 1998a; Mair et al., 2006; Massetti, 2008; Nicholls, 2006; Thompson, 2002; Weerawardena & Sullivan-Mort, 2006).

Commonly defined as “entrepreneurial activity with an embedded social purpose” (Austin et al., 2006, p.1), social entrepreneurship as a relatively new field of research is barely past its infancy and the development of its scholarly outputs resemble the early years of the study of business entrepreneurship (Light, 2008). Despite its growing number of literature in management and entrepreneurship (Christie and Honig, 2006) and continuous endeavours by the scholars in defining the social entrepreneurship, its concept remains ill-defined (Mair & Marti, 2006; Weerawardena & Sullivan-Mort, 2006). Defining social entrepreneurship and its conceptual boundaries is not an easy task due two main reasons; the intricacy of its concept (Johnson, 2000), and its development in a number of different domains, such as not-for-profits, for-profits, the public sector, and combinations of all three (Christie & Honig, 2006; Weerawardena & Sullivan-Mort, 2006). This situation leads to the blurring of sector boundaries between the public, private and non-profit sector, and emphasize hybrid models of for-profit and non-profit activities (Dees, 1998a; and Johnson, 2000). Austin et al. (2006) further added that the theoretical underpinnings of social entrepreneurship as an emerging area for academic inquiry have not been adequately explored, and the need for contributions to theory and practice are pressing.

The similar scenario happened during the early years of the study of business entrepreneurship. Low (2001) described the field as a “catchall” for scholars who could not agree on the basic definitions due to the broad range of subjects in the field of business entrepreneurship. Light (2008, p.3) described that “economists tend to define entrepreneurship as a change in the prevailing economic equilibrium; political scientists tend to view it as part of the agenda-setting process that determines who gets what, when, where, and how from government; psychologists tend to look for evidence of basic motivations for
achievement, autonomy, and affiliation; historians look for the seeds of broad social movements that have deep links to long standing social and political injustice; and anthropologists search for social customs that might explain cultural patterns of innovation”. This proved that entrepreneurship is defined differently across the academic discipline. Nonetheless, Low (2001) argued that the broad range of subjects is the strength of the field of entrepreneurship study and that the main criterion for becoming entrepreneurship researcher is passion for the subject, not adherence to a paradigm.

In addition to the abovementioned issue, Shane (2006) added that scholarly research in the field of entrepreneurship remains limited, though the number is increasing. The theoretical and empirical contributions of entrepreneurship research are considerably below the standards of other leading academic journals. Light (2008) argued if entrepreneurship desires to develop as a legitimate academic field, it is necessary for the field to be more disciplined. As a result of continuous pressing need to become a legitimate field of research, scholars striving to position entrepreneurship research that Wiklund et al. (2011) described has gained considerable prominence in leading disciplinary and mainstream management journals as well as becoming more theory driven that blended together around major issues, methodologies, and debates.

Obviously, social entrepreneurship as a very young field of academic research is battling through the same route as entrepreneurship. Light (2008) pointed out that it is not surprising to know that many scholars in the field might be confused about basic definitions of social entrepreneurship. Therefore, the next section will discuss the definitions of social entrepreneurship, social entrepreneur and social enterprise.

3. Defining social entrepreneurship, social entrepreneur and social enterprise

Dees (1998a) described that the concept of social entrepreneurship means different things to different people. For some, social entrepreneurship is exclusively concerning not-for-profit organizations starting for-profit venture for earned-income. Others may view it to describe anyone who starts a not-for-profit organization. And, some use it to refer to business owners who integrate social responsibility into their operations.

Certainly, this perplexity in the concept of social entrepreneurship leads to the difficulty in defining social entrepreneurship. Everyone has attempted to define, but not many of them are the same and the words used tend to depend on the perspective of the author (Sullivan-Mort et al., 2003). Apart from the intricacy of its concept, this new area of academic research with unsettled boundaries (Battle-Anderson & Dees, 2006) has a limited number of literature, that resulted in little consensus on its definitions (Johnson, 2000). This is due to the fact that the definitions of social entrepreneurship have been developed in various domains, such as not-for-profits, for-profits, the public sector, and combinations of all three (Short et al., 2009). The concept of social entrepreneurship is increasingly being used in a very broad sense (Defourny & Nyssens, 2008). It is also now refers to a wide spectrum of initiatives, ranging from voluntary activism to corporate social responsibility (Nicholls, 2006).

Numerous scholars have attempted to explain the definitions of social entrepreneurship in continuum. For examples, Austin et al. (2006) explain the definitions of social entrepreneurship range from broad to narrow. The broader definitions of social entrepreneurship refers to innovative activity with a social objective in either the for-profit sector, such as in social-purpose commercial ventures (e.g., Dees & Anderson, 2003; Emerson & Twersky, 1996) or in corporate social entrepreneurship (e.g., Austin, Leonard, Reficco, & Wei-Skillern, 2004); or in the non-profit sector, or across sectors, such as hybrid structural forms which mix for-profit and non-profit approaches (Dees, 1998). Whereas, the narrow definitions of social entrepreneurship typically refers to the phenomenon of applying business expertise and market-based skills in the non-profit sector such as when non-profit organizations develop innovative approaches to earn income (Reis & Clohesy, 1999; Thompson, 2002).

Perrini and Vurro (2006) take the same approach towards defining social entrepreneurship. His first ‘limited’ view considers social entrepreneurship as belonging to theories pertinent to non-profits, whereas
his second extended view considers social entrepreneurship as a totally new, inter-sectoral field of study. Similarly, Light (2008) who advocates inclusive definitions of social entrepreneurship, point out two categories of definitions of social entrepreneurship as inclusive and exclusive. ‘Those who use inclusive definitions invariably find more social entrepreneurship in more places than those who use exclusive definitions, thereby creating a deep inventory of examples, while those who use exclusive definitions find fewer entrepreneurs and less socially entrepreneurial activity than those who use inclusive definitions, thereby reducing the inventory of success stories’ (p. 11). He himself defines social entrepreneurship as ‘an effort by an individual, network, organization, or alliance of organizations to solve intractable social problems through pattern-breaking change’ (Light, 2008, p. 12).

Dees and Battle-Anderson (2006) in defining social entrepreneurship pointed out two ‘schools of thought’ associated to the development of social entrepreneurship as a subject of study. First is the social enterprise school that encompasses organizations that generate earned income to support their social missions. Second is the social innovation school that concerned with applying improvements to the ways in which social problems and needs are addressed. They proposed that social entrepreneurship ‘sits’ in between these two schools and all inquiries would be on the subject of enterprising social innovations and should be defined as ‘carrying out innovations that blend methods from the worlds of business and philanthropy to create social value that is sustainable and has the potential for large-scale impact (p. 40).

The continuum pertaining to the definitions of social entrepreneurship relates to the two most credited individuals, Edward Skloot of the New Ventures and Bill Drayton of Ashoka, who originated the concept of social entrepreneurship in the 1980s (Fulton & Dees, 2006; Dees, 2007; Light, 2008; Bacq & Janssen, 2008; Okpara & Halkias, 2011). The former used the term to underline the possibility of income generation by a non-profit venture (Light, 2005) which relatively similar to ‘narrow’ definition of Austin et al.(2006), ‘limited’ view of Perrini and Vurro (2006), ‘exclusive’ definition of Light (2008), and ‘social enterprise’ school of Dees and Battle-Anderson (2006). Whereas, the latter, looked beyond the non-profit organization and described social entrepreneurship as a process that involved identifying, addressing and solving societal problems (Ashoka, 2006) which comparatively similar to ‘broader’ definition of Austin et al.(2006), ‘extended’ view of Perrini and Vurro (2006), ‘inclusive’ definition of Light (2008), and ‘social innovation’ school of Dees and Battle-Anderson (2006).

Obviously, the various definitions of social entrepreneurship spread across the continuum. Some are inclined towards one end which is all about not-for-profit initiatives in search of alternative funding strategies (e.g. Alter, 2003; Boschee, 1995; Boschee & McClurg, 2003), while some are leaning towards opposite direction which view social entrepreneurship as a means to alleviate social problems and catalyze social transformation (e.g. Alvord et al., 2004; Ashoka, 2006). But there are others who concur between both extreme (e.g. Dees & Battle Anderson, 2006; Austin et al., 2006).

Certo and Miller (2008) contended that the definitional issue of social entrepreneurship pointed out two important points worth considering. First, the definition unequivocally highlights the role of innovation. Social entrepreneurship apparently involves applying innovative or new approaches in an effort to create social value, thus it appears to be consistent with the Schumpeterian view of entrepreneurship which emphasizes the role of innovation in entrepreneurship. Second, the definition underlines the diverse contexts in which social entrepreneurship may occur. Social entrepreneurship might involve individual entrepreneurs, new or existing organizations (both non-profit or for profit), or governments.

Notwithstanding the aforesaid discussion, there are two important points worth noted. Firstly, common across all definitions of social entrepreneurship is the fact that the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth (Thake & Zadek, 1997), and that the activity is characterized by innovation, or the creation of something new rather than simply the replication of existing enterprises or practices (Austin et al., 2006). Drucker (1985) emphasizes that understanding social entrepreneurship is as important as economic entrepreneurship as we do not want to live in a healthy economy but a very sick society. So perhaps social entrepreneurship is
what we need the most -- in health care, education, city government, and so on. Secondly, as suggested by Nicholls (2006), “social entrepreneurship is best understood as a multi-dimensional and dynamic constructs moving across various intersection points between the public, private and social sectors. The organizational mechanisms employed are largely irrelevant: social entrepreneurs work in the public, private, and social sectors alike, employing for profit, not-for-profit, and hybrid organizational forms (or a mix of all three) to deliver social value and bring about change. Such ventures can variously incorporated as: charities, co-operatives, companies limited by shares or guarantee, community businesses, development trusts, as well as more conventional private limited companies” (p.12).

The discussion in this section clearly illustrates social entrepreneurship as described by Nicholls and Cho (2006) that as a ‘young, still-evolving, and largely under-theorized area of practice and research, social entrepreneurship is still in the process of self-definition’ (p. 99). Nonetheless, an agreed upon definition is important to bring meanings, draws boundaries and clarifies distinctions (Roberts & Wood, 2005). Most scholars in the field suggest that there is not yet a clear definition, and several have tried to clarify the concept to facilitate research and to establish its legitimacy and acceptance in academia (Certo & Miller 2008; Mair & Marti 2006; Martin & Osberg 2007; Weerawardena & Sullivan-Mort 2006).

3.1 Definitions of Social Entrepreneur

Despite the varying definitions and lacking of unified meaning of social entrepreneurship, it is commonly agreed among scholars that the ‘problem-solving nature’ of social entrepreneurship is prominent (Johnson, 2000). This ‘problem solving’ initiatives is insignificant unless instigated by idealistic, forward-looking people who are innovative, opportunity-oriented, resourceful, and value-creating change agents (Dees et al., 2002).

The preceding definitions of social entrepreneurs suggest a range of descriptions for ‘actors’ that have initiated ‘problem solving’ social activities. For examples, Young (1986) defines social entrepreneurs as non-profit entrepreneurs who innovate and found new organizations, develop and implement new programs and methods, organize and expand new services, and redirect the activities of faltering organizations (p. 162). Waddock and Post (1991) states that social entrepreneurs are private sector leaders who play critical roles in bringing about ‘catalytic changes’ in the public sector agenda and the perception of certain social issues (p. 393).

Boschee (1995) refers social entrepreneurs as non-profit executives who pay increased attention to market forces without losing sight of their underlying mission, to somehow balance moral imperatives and the profit motives – and that balancing act is the heart and soul of the movement (p. 1). Catford (1998) suggests that social entrepreneurs are opportunists that combine street activism with professional skills, visionary insights with pragmatism, and ethical fiber with tactical trust. They see opportunities where others only see empty buildings, unemployable people and unvalued resources (p. 96). Prabhu (1998) in discussing about social entrepreneurs pointed out that social entrepreneurs are indeed innovative and they are exceptional leaders in social enterprises.

Consequently, the range of description of social entrepreneurs stated above has led scholars to produce a conclusive definition that seems to converge all of the aforesaid descriptions. Thus, Dees (1998a) proposed that social entrepreneurs are change agents that possess five distinct criteria: 1) adopting a mission to create and sustain social value; 2) recognizing and relentlessly pursuing new opportunities to serve that mission; 3) engaging in a process of continuous innovation, adaptation and learning; 4) acting boldly without being limited by resources currently in hand; and 5) exhibiting a heightened sense of accountability to the constituencies served and to the outcomes created (p.4). This definition of social entrepreneur was further refined by Dees et al. (2002) as idealistic, forward-looking people who are innovative, opportunity-oriented, resourceful, and value-creating change agents. This description of social entrepreneur, according to Jones et al. (2010) has become one of the most cited descriptions of social entrepreneurs in the literature.
Obviously, defining social entrepreneurs means describing the characters of the actor who commences social initiatives. Martin and Osberg (2007) in unfolding the character of social entrepreneur highlighted that inspiration, creativity and courage followed by the ability to identify new opportunities and follow through with commitment and drive in the face of potential failure is essential for social entrepreneur to succeed. In addition to those characteristics, social entrepreneur must be capable to comprehend social needs and has the ability to fulfill those needs through creative business principles (Certo & Miller, 2008).

Inevitably, discussion pertaining to definitions of social entrepreneurs in the literature relates to the distinct characteristics of the individuals responsible for the socially driven initiatives. Bacq and Janssen (2008) in discussing social entrepreneurs’ characteristics thematically summarizes it as “visionary and innovative, characterized by a strong ethical fiber, ability to detect opportunities, play a key role as society's change agents, without being limited by resources currently at hand” (p. 10). These characteristics however are not specific to social entrepreneurs. As a matter of fact, many of these characteristics are shared with “commercial”/”traditional” entrepreneurs; they have the same focus on vision and opportunity and the same ability to convince and empower others to help them turn their ideas into reality (Catford, 1998). This is also parallel to Dees (1998a) who contends that ‘social entrepreneurs are one species in the genus entrepreneur and they are entrepreneurs with a social mission’ (p. 2).

Notwithstanding the above facts, Thalhuber (1998) argues that social entrepreneurs, if compared to traditional for-profit entrepreneurs, differentiate themselves on four criteria: their strength, their focus, their mission and how they consider profit. Social entrepreneurs draw their strengths from collective wisdom and experience rather than from personal competences and knowledge; they focus on long-term capacity rather than short-term financial gains; their ideas are limited by their mission; they see profit as a means in people's service rather than an end that has to be reinvested in future profit. These differences, undoubtedly, have made social entrepreneurs important (Cooperrider & Pasmore, 1991; Dees, 1998a) and that their acts always be linked to an objective of social value creation (Sharir & Lerner, 2006; Sullivan-Mort et al., 2002; Dees, 1998a).

Certo and Miller (2008) assert that social entrepreneurship might involve individual entrepreneurs regardless of the form of organization; new or existing organizations (both non-profit or for profit), or governments. In other words, there is no single type of social entrepreneur. All the characteristics pertaining to social entrepreneurs are not tied to a particular discipline and can describe innovators in any field. Casson (2005) emphasizes that social entrepreneurs may be viewed as social innovators. This is supported by Dees (1998a) who suggests that social entrepreneurs “play the role of change agents in the social sector by…engaging in a process of continuous innovation, adaptation, and learning” (p. 4). Hence, it is remarkable that social entrepreneurs are more concerned with creating social value through social innovation. Emerson and Twersky (1996) argue that, irrefutably, commercial entrepreneurs may produce social value in the process of creating private gains. Whereas, social entrepreneurs may produce private gains in the process of creating social value. Conclusively, these two types of organizations are definitely driven by two very different missions.

3.2 Definitions of Social Enterprise

Nicholls (2006) posits that social enterprise is formed as a result of a mismatch between resource supply and demand that forced social entrepreneurs to move into ‘commercial market’ to gain income needed to finance social activities. This is done either through their existing not-for-profit venture or via newly set up for-profit subsidiary ventures and cross sector partnerships with commercial corporations. However, Brouard and Larivet (2011) argue that, similar to social entrepreneurship, the concept of social enterprise is not new and it has been applied to various phenomena, for examples, social enterprise as earned income strategies employed by non-profit organizations (Dees, 1998); an enterprise with social purpose (Wallace, 1999); profit orientated businesses operating in public welfare fields (Kanter & Purrington, 1998); social enterprise as a generic term encompassing many very different sorts of
organizations where people have to be businesslike, but are not in it for the money (Paton, 2003); democratically controlled organisations with an explicit aim to benefit the community where profit distribution to external investors is limited (Defourny & Nyssens, 2008); community enterprises founded by local people working to combat a shared problem (Williams, 2007); voluntary organisations contracted to deliver public services (Di Domenico et al., 2009); and organizations that have a social conscience (Harding, 2010).

Obviously, the meaning of social enterprise covers everything from not-for-profit organizations, through charities and foundations to cooperative and mutual societies (Harding, 2004, p.40). In addition, Alter (2007) emphasizes that social enterprise transcends traditional non-profit sectors and applies as equally to health, environment, education and social welfare as it does to economic development or job creation programs. It could also be associated with a range of organisations, often characterised by radical innovation (Emerson & Twersky, 1996), valued results and outcomes (Abrahamson, 1996), a strategic approach to address pro-social missions (Dees et al., 2002).

Despite those wide ranging definitions of social enterprise, Peattie and Morley (2008) suggest that there are two characteristics central to each of these definitions; the primacy of social aims and the centrality of trading. These two characteristics of ‘social’ and ‘trading’ has made the notions of social enterprise and social entrepreneurship being used interchangeably (Peredo & McLean, 2006) and mean different thing to different people across different contexts and at different points in time (Teasdale, 2010) but still relatively being comprehended along the same line (Defourny & Nyssens, 2008).

In discussing the differences in the meaning of social enterprises, Defourny and Nyssens (2008) pointed out slight dissimilarities between the US and the Europe. The Americans stressed that social entrepreneurship has blurred the traditional boundaries between the public, private and non-profit sector. This so called “hybrid” model of for-profit and non-profit activities (Dees, 1998a; Johnson, 2000; Wallace, 1999) is guided by strategies of double value creation namely social and economic (Alter, 2003). Thus, the Americans tend to define a social enterprise as a non-profit organization which is more oriented towards the market and developing “earned income strategies” as a response to decreasing public subsidies and to the limits of private grants from foundations (Dees & Battle-Anderson, 2006). Dees (1998a) argued that social enterprises can or should be purely philanthropic or purely commercial, though most should combine commercial and philanthropic elements in a productive balance.

In Europe, social entrepreneurship most often takes place within the “third sector” (i.e. the private, not-for-profit sector) thus positioned the social enterprises in between the market, public policies and civil society (Nyssens, 2006). It underlines the ‘hybridization’ of resources of social enterprises that comprise combination of income from sales or fees from users with public subsidies linked to their social mission and private donations and/or volunteering. Kerlin (2006) extensively compares and contrasts American and European conceptions of social enterprise and concluded that many of the areas where the United States has difficulty with social enterprise, Europe shows strengths, and vice versa, making it possible for the two to learn a number of valuable lessons from one another.

In summary, social enterprises have developed over the years in response to social needs. It has been identified as vital to the development and delivery of innovative approaches to social problems that persist, despite the efforts of traditional public, voluntary or community mechanisms (Shaw & Carter, 2007). As an emerging field of research, much of the early work in social entrepreneurship and social enterprise focused on definitions and explanations of the concept. Obviously, this situation has led the scholars and practitioners to recognize the wealth of definitions and conceptual diversity of social entrepreneurship and social enterprise (e.g. Alter, 2007; Defourny & Nyssens, 2008; Mair & Martí, 2004; Nicholls, 2006; Ridley-Duff 2007). Social enterprise has become a generic term for a non-profit enterprise, social-purpose business or revenue-generating venture founded to support or create economic opportunities for poor and disadvantaged populations while simultaneously operating with reference to the financial bottom line (Alter, 2003). It sometimes viewed as a compromise between the market, the State and civil society (Babos, Clarence & Noya, 2007; Nicholls 2006). Thus, the discussion leads to a
disagreement and debate of whether social ventures really have to move into the market to earn independent streams of revenue – simply known as earned income (i.e. from the selling of products and services) or depend on the philanthropic donations, grants and government subsidies and assistance in order to survive and continue to serve its constituency i.e. to achieve sustainability (Weerawardena et al., 2010).

4. Social Enterprise in Malaysia

A decade ago, the concept of social enterprise was rarely discussed in Malaysia even though the practice of delivering social values to the population has been around for years. Only in recent years the concept of social enterprise is making a significant development and getting more interest not only from social entrepreneurs but also academics and policy makers. For examples, the Amanah Ikhtiar Malaysia (AIM), Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) (Abdullah, 2012) and fee-for-service private Islamic schools were among the efforts that combined the concept of entrepreneurship and social development, were established years before the emergence of the term social entrepreneurship in Malaysia (Abdul Kadir & Sarif, 2015).

In the recently launched Malaysian Social Enterprise Blueprint 2015, a three-year roadmap that describes the strategic thrusts needed to accelerate the development of the sector, it is estimated that there are 100 social enterprises operating in the country, mostly in the areas of education, poverty, rural development, environmental sustainability, employment for the marginalised and at-risk youth. The blueprint highlighted that social enterprise domain in Malaysia has been largely driven by isolated communities in a specific geographic region or a particular theme. Nevertheless, there is a common recognition among key stakeholders that social enterprise has the potential to solve many social challenges by utilizing the best of for-profit and non-profit sectors, which also underlines the “hybrid” approach currently being practiced in the country.

The Malaysian Government via a newly set-up Malaysian Global Innovation and Creativity Centre (MaGIC) allocated RM 20 million to set up a Social Entrepreneurship Unit to spearhead the development of social enterprise sector in the country. There is an increasing number of supporting intermediaries such as myHarapan, iM4U, Impact Hub, Tandemic, Social Enterprise Alliance and local universities are actively creating awareness on social enterprise and supporting the community with various social entrepreneurship activities. Nevertheless, only 0.02% of Malaysians are working in social enterprises in comparison to 1.5% of China’s working population is working in social enterprises (Global Entrepreneurship Monitor 2013). Therefore, integrated efforts from various agencies are needed to educate the public and the community on the importance and potential of social enterprise sector in promoting national sustainable socio-economic development.

5. The Challenges of Social Enterprise in Malaysia

The Malaysia Social Enterprise Blueprint pointed out one of the biggest challenge facing the government and market regulatory agencies in Malaysia is the lack of legal recognition as to what constitutes a social enterprise in Malaysia. The lack of a unifying entity to coordinate and champion social entrepreneurship in Malaysia creates further complexity. Local social enterprises have been facing a predicament of choosing the right legal structure to register and operate their respective entities. The deficiency in legal definition and recognition of social enterprise as a distinct form of entity in Malaysia resulted in variety of legal forms under which social enterprises are operating governed by different acts and regulations. Another predicament facing local social entrepreneurs in choosing the right entity is related to the “hybrid” nature of social enterprise. Sole proprietorship and partnership registration are considered as the cheapest and most convenient way to start a social enterprise but it does not warrant the same tax benefits and government incentives that non-profits or charitable entities are receiving. Contrarily, social enterprises that operate as a society, charitable or non-profit entities are facing substantial risk of legal non-compliance if they engage in commercial activities to earn some income in order to sustain their operations and increase their impact. Obviously, the deficiency in legal entity
structure limits many social enterprises in Malaysia from properly operating thus could inhibit development of the sector.

6. Conclusion

In spite of its infancy, it is obvious that social enterprise sector is increasingly being recognized as a significant contributor to the nation’s economy. The introduction of the Malaysia Social Enterprise Blueprint proved that the government via several agencies and universities are supporting the sector and are actively promoting various social entrepreneurship initiatives. The concepts and definitions of social entrepreneurship, social enterprise and social entrepreneur reviewed in this paper not only present the schools of thoughts of the scholars in the domain and provide the direction to other researchers, but most importantly to help in comprehending the concepts and issues surrounding social enterprise domain.

Future studies should take into consideration the critical issue highlighted in the Malaysia Social Enterprise Blueprint pertaining social enterprise legitimacy and legislation that governs how social enterprise could be registered in Malaysia. Existing legislation merely caters to entities that are either for-profit or non-profit and does not accommodate hybrid entities such as social enterprises, which may have non-profit motives but are engaged in for-profit commercial activities. As a result, social enterprises in Malaysia are limited by the acts under which they are registered, which either prevents them from engaging in larger commercial activities or receiving tax and financial benefits available for non-profits.

References


