A Conceptual Framework for Social Entrepreneurship in Malaysia

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Abstract

This paper aims to explore the factors that contribute to the formulation of an integrated framework for social entrepreneurship. Arguments are put forward on what constitutes a holistic social entrepreneurship framework, particularly, the precursors and outcome of the social entrepreneurship process. The proposed framework was derived from the People-Deals-Contexts-Opportunity (PDCO) system of Sahlman (1996), Social Value Proposition (SVP) of Austin (2006), and the model proposed by Jiao (2011). The principal contribution of this paper is the introduction of intrinsic antecedents, namely, benevolence and competence, as predictors of Cognitive Desirability and Feasibility of social entrepreneurs. In addition, we propose social inclusion as an important consequence of social entrepreneurship. This is in line with the Malaysian context, the proposed framework addresses an important consequence of the social entrepreneurship agenda, i.e., social inclusion, which is in line with the aspiration of the Malaysian New Economic Model (NEM). The NEM emphasizes on inclusiveness of all social segments in economic activities, including those underprivileged groups who are typically the beneficiaries of social entrepreneurship activities.

Keywords: Social entrepreneurship, desirability, feasibility, values-based antecedents, benevolence, competence

1.0 INTRODUCTION

Social entrepreneurship has created global interests over the past decades. It has attracted considerable interests among research community. However, social entrepreneurship has been interpreted differently by many people, creating much debate in the literature and practice (Zahra et al., 2008). The biggest challenge is to compile and consolidate all the arguments toward a more comprehensive understanding of social entrepreneurship.

This paper offers a holistic view of cause-and-effect relationships among various causes and effects of the social entrepreneurship process. The aims of this paper are to assess the theoretical underpinning of social entrepreneurship with the special focus on values-based antecedents and consequence of social entrepreneurship.

This paper is about providing a definitive response to the call for an establishment of an integrated Social Entrepreneurship framework. The specific objectives of the study are as follows:

(i) To identify the most relevant antecedents and consequence of the Social Entrepreneurship agenda.
To incorporate some interesting ideas from previous works on this emerging field, in particular those propositions and models as put forward by Sahlman (1996), Austin (2006), and Jiao (2011).

(iii) To add new variables as antecedents in the proposed Social Entrepreneurship framework as improvements to the existing models.

This paper is structured as follows; first, we review the previous works based on the literature and highlight the existing arguments on causal relationships in a social entrepreneurship framework. Second, we formulate the conceptual model, which offers a values-based framework for future research. Third, we address a set of propositions with regard to the roles of benevolence and competence as drivers of social entrepreneurship. It is hoped that the proposed framework can be further enhanced and tested by future empirical works.

2.0 LITERATURE REVIEW

2.1 Traditional versus Social Entrepreneurship

Much of the focus on social entrepreneurship centres on the question of boundaries of social and traditional entrepreneurship. While some researchers include the notion of shared value creation specifically in the definition of social entrepreneurship, other scholars emphasize that a maximization of social value creation represents a definitional difference of social and traditional entrepreneurship (Dacin et al., 2010). Meanwhile, many definitions of social entrepreneurship incorporate the notion of the primacy of social value creation over any kind of financial value creation (Pirson, 2012). Thompson and Doherty (2006) pointed out that social entrepreneurship is to be confined as a social value creation concept only and assume that organizational forms should reflect the non-profit domain. Foster and Bradach (2005) were against the notion of social entrepreneurship as profit-oriented initiative as it diverts managers from their social purpose. According to Boschee and McClurg (2003), what separates social entrepreneurship from traditional entrepreneurship is in its primary emphasis on social performance measures.

2.2 Entrepreneurial Intention via Cognitive Desirability and Feasibility of Entrepreneurs

It is natural to see that the social entrepreneurship process is triggered by the entrepreneurial intention of the individual social entrepreneur. Intention frameworks belong to the domain of social cognitive theory, as formulated and developed by Bandura (1986). The main premise of "social cognitive theory is that individuals can influence their own actions" (Ratten & Ratten, 2007: 92). Social cognitive theory recommends a framework for understanding, predicting and changing human behaviour (Davis, 2006). Within this premise, intention models lead to the area of predicting behaviour. A study carried out by Oosterbeek et al. (2010) re-emphasized the suggestion that the competencies of entrepreneurs are related to entrepreneurial intentions. Mair and Noboa (2003) examine the entrepreneurial intention process of the social entrepreneur. They found out that the entrepreneurial intention of the social entrepreneur is affected by self-cognitive desirability and feasibility. Cognitive desirability is the degree of intention to carry out social entrepreneurship initiatives. Cognitive feasibility is the subjective assessment of the social
entrepreneur’s capability to embark on social entrepreneurship efforts. Jiao (2011) asserted that ‘personal value’ and ‘competence’ influence the cognitive desirability and feasibility of social entrepreneurs, respectively (Thompson et al., 2000; Guclu et al., 2002; Simms & Robinson, 2008). In this paper our focus will be on the intrinsic predictors of the cognitive desirability and feasibility of a social entrepreneur, namely, personal values called ‘benevolence’ and ‘competence’, that act as an underlying influence on the entrepreneurial intention of social entrepreneurs. That is, the entrepreneurial intention can only exist and be justified when the social entrepreneurs are equipped with the necessary competence and pushed by the personal value, i.e., benevolence.

Most arguments found in the literature confirm the theoretical premise that intention is predictive of behavior, including entrepreneurial initiative (Gartner, 1989; Krueger, Reilly and Carsrud, 2000; Meeks, 2004; Quince and Whittaker, 2003). Intention is the direct antecedent of behavior and the most suitable predictor of behavior—even more powerful than exogenous factors (Ajzen, 1991). Attitudes are formed when human values are linked specifically to a person or situation. Intention as a predictor of behavior is affected by the attitude toward the behavior and the perceived behavioral control or the ability to satisfy a behavior and accomplish the goal.

2.2.1 Benevolence

An important personal value that may motivate the entrepreneurial intention of a social entrepreneur is ‘benevolence’. Nguyen (2010), in his study on the roles of benevolence and competence on corporate reputation, pointed out that given the primary motive, benevolence can be explained in two different modes: altruistic benevolence and mutualistic benevolence. Altruistic benevolence is ‘the extent to which a trustee (i.e., social entrepreneur) is presumed to feel interpersonal care and concern, and the inclination to do good to the trustor (i.e., beneficiaries of social entrepreneurship) further than an egocentric profit motive (Jarvenpaa et al., 1998).

Altruistic benevolence is defined as extra contractual supporting behaviour that expands the counterpart’s well-being without future advantage. Social entrepreneurs who adopt an altruistic benevolent behaviour are directed by their aspiration to help recipients even if they are not obligatory to do so in their job. They just want to offer unilateral help on a voluntary basis without egocentric profits. Mutualistic benevolence refers to extra contractual supporting behaviour driven by future mutual gains.

In this paper, we shall look at the roles of altruistic benevolence and mutualistic benevolence in creating the social entrepreneurs’s intention to embark on social entrepreneurship process.

2.2.2 Competence

According to Dees (2001) the most distinguishing characteristic of the social entrepreneur is the sense of purpose to create social impact in order to change the world. A high level of social mission, charismatic personality and an unwavering belief is the driving force for social entrepreneurs. Jiao (2011) asserted that social entrepreneurs’ cognitive feasibility is determined by personal competence. It is a strong sense of social mission that makes social entrepreneurs have a profound understanding of the target recipients. In other words, social entrepreneurs should have the capability, in particular competence, to embark on social entrepreneurship agenda.
2.3 Contextual Forces

Sahlman (1996) and Austin et al. (2006) identified the factors, namely, the contextual forces, linked with the success of social entrepreneurship. The contextual forces, namely, People or Human Capital, Opportunity, and Social Capital are the ones that determine the success or failures of any entrepreneurship agenda.

2.3.1 People or Human Capital

Sahlman (1996) regards ‘people’ or ‘Human Capital’ as those who are actively involved in the entrepreneurship venture or who bring resources to the venture. People’s skills, attitudes, knowledge, contacts, goals, and values contribute to the resource mix that makes success possible. These are the enablers for social entrepreneurship. Like traditional entrepreneurs, social entrepreneurs must be familiar with their industry in order to attract resources and get on with a new venture. The social entrepreneur should portray a good reputation in order to build trust among its associates and a willingness to be part of the social investment agenda. In social entrepreneurship, social and people skills are essential, that would enable them to deal with a variety of stakeholders who are associated with funding resources.

2.3.2 Social Capital

Woolcock (2001) asserts that social capital is made up of the relationships, either formal or informal, created by individuals in their contact with other individuals trying to gain rewards in the market. Social capital could be interpreted as capital acquired in the form of social relationships (Lin, 2003). Social capital is produced from investment in human relations, which requires resources and time (Lin, 2003). In addition, social capital paves the way for access to information, reduce operation costs of activities, and assist collective decision-making (Grootaert & van Bastelaer, 2001). Social capital also allows access to human capital (Coleman, 1988). Like the physical capital, the value of social capital may be enhanced with its use and also deteriorated or ruined (Svendsen & Svendsen, 2004).

The linkages of the individual or organization with other individuals and organizations determine the strengths and weaknesses of social capital (Granovetter, 1983). Both strong intra-community ties and weak inter-community ties are essential to assure the efficacy of social capital (Woolcock & Narayan, 2000). However, social capital has a multidimensional level (Grootaert & van Bastelaer, 2001). First, the macro or social level is concerned with the potential benefits for the society of individuals’ and organizations’ social networks, such as improved income levels (Fukuyama, 1995; Knack & Keefer, 1997; Dakhli & de Clerq, 2004). Second, the micro or individual level gives emphasis on the potential benefits of network relations to the person, such as the entrepreneurial start-up or firm success (Lin 2003; Davidsson & Honig, 2003). Finally, the meso level is concerned with the potential benefits of network relations for the organization, such as a higher efficiency (Putnam, 1993). Nevertheless, at the micro, meso and macro levels, the gains from both bonding and bridging social capital come, in turn, from two other sources of social capital, namely, structural and cognitive capital (Uphoff 2000; Grootaert & van Bastelaer, 2001). Cognitive social capital stems from mental processes and resulting ideas, reinforced by culture and ideology, generating shared norms, values, attitudes, beliefs, and trust. It has a
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subjective and intangible character, contributing to cooperative behavior and stimulating collective action. Structural social capital is associated with several forms of social organization, particularly rules, procedures, and formal social networks, which also lead to a collective action to obtain mutual benefits. Structural social capital is more objective and observable construct compared to cognitive social capital.

2.3.3 Opportunity

The unique characteristic of social entrepreneurs is that they are highly credited in opportunity-sensing. Social entrepreneurs are driven by their vision of how to achieve improvement and they are determined to make their vision a reality. Social entrepreneurship gives emphasis on serving basic, long-standing needs more effectively through innovative approaches. Similar to traditional entrepreneurs, opportunity, along with mission, is inseparable from the social entrepreneur (Sarason, Dean & Dillard, 2006). Opportunity sensing ability is a cognitive trait of an entrepreneur (Baron, 1998; R. Mitchell et al., 2002).

Past researches have shown that opportunity recognition is conceptually and empirically a typical characteristic of the entrepreneur (Gaglio & Katz, 2001; Mitchell et al., 2002). Kirzner (1973) was the first to recognize entrepreneurs to have the ability to sense opportunity without thoughtful search. Mitchell et al. (2005) perceived this as intuition.

Ozgen and Baron (2007) confirmed that informal networks, mentoring, and participation in professional associations can have a positive influence on opportunity recognition. Perception is vital in finding opportunities. This process greatly relies on individual entrepreneurial alertness which is needed for the search of an opportunity (Ardichvili et al., 2003). This alertness is further influenced by patterns (Baron, 2006), which prompt decision making by individual entrepreneurs. Patterns can be negative or positive. A higher number of perceived business opportunities can come from innovative and active information searching among entrepreneurs (Ucbasaran et al., 2008). In Social Entrepreneurship, an active search for opportunities is common for people who plan to do something meaningful in their life through social entrepreneurship (Lehner & Kaniskas, 2012).

Many researchers contend that not everyone is likely to notice opportunities (Shane, 2000; Shane, 2003; Eckhardt & Shane, 2003; Shane & Venkataraman, 2000). Meanwhile, other scholars argue that opportunities are better perceived as a process rather than a thing (Ardichvili et al., 2003; Korsgaard & Neergaard, 2010). Therefore, rather than describing “opportunity recognition”, it would be better to talk about “opportunity development process” which includes three elements: recognition, evaluation and development per se (Ardichvili et al., 2003).

2.3.4 Social Entrepreneurship

Social entrepreneurship is still considered as a new concept and an emerging field academically (Short et al., 2009). There is much that remains unresolved about this field (Mosher-Williams, 2006). Like a business or traditional entrepreneurship, the term “social entrepreneurship” has been interpreted from various perspectives (Dees, 1998). More specifically, the critical success factors for social entrepreneurship are not well identified (Harman, 2008). Social entrepreneurship research is still largely phenomenon-driven and as a result, most of the
studies are based mainly on anecdotal evidence (Boschee, 1995) or case studies (Alvord et al., 2004).

Jiao (2010) claims that there are two additional explanations why social entrepreneurship arises in the society. First, social entrepreneurship can help non-profit organization operate in the innovative way. Second, the actual circumstances demand for cooperation between business and non-profit organizations and collaboration among different sectors in society to make steps toward a better life. Such response will enhance social entrepreneurship initiatives by business and non-profit organizations, which will strengthen both business value and have a positive social impact. Therefore, vanishing the boundaries between different sectors will lead to innovative approaches to solve social problems (Seelos & Mair, 2005; Sen, 2007).

2.3.5 Social Innovation

Social innovation is conventionally defined as new ways of ‘doing things’ with the purpose of meeting social needs (Taylor, 1970). It is also understood as a way of fighting against economic inequalities by seeking to develop a new social order or new equilibrium (Gabor, 1970). Technically, it may be defined as ‘any new approach, practice or procedure or any new product developed to improve a situation or solve a social problem that has been taken up at the level of institutions, organizations or communities’ (Bouchard, 1999). Westley and Antadze (2010) define social innovation as ‘the complex process of introducing new products, processes or programs that profoundly change the basic routines, resource and authority flows, or beliefs of the social system in which the innovation occurs’.

According to Santos (2009) social innovation can be viewed as a non-dogmatic approach to problem resolution that takes advantage of the varied institutional mechanisms afforded by society (e.g., markets, social enterprise, community-based efforts and governments). Thus, social entrepreneurship is not only about creating market mechanisms, but it is about crafting effective, innovative and sustainable solutions using whatever combination of means is deemed appropriate. Michelini (2012) pointed out that social innovation can also relate to governance and the ecosystem areas. These domains of innovations mean:

- New forms of governance (governance innovation) and
- New forms of ecosystem relationships (relationship innovation)

2.3.6 Social Value

The main aim of social entrepreneurship is towards creating social values (Kanter & Summers, 1987). Perhaps the most important indicator of social value of the social entrepreneurship agenda is the ability of the agenda to pull the target recipients out of poverty traps. In the World Bank study, approximately four percent of poor villagers in Bangladesh who borrowed from Grameen Bank moved out of poverty (Mustapha et al., 2008). It is, therefore, necessary to unpick the concepts of social impact from that of social value; otherwise there is a very real danger that the opportunity to embed the broader concept of social value into mainstream business and public service thinking and practice may be missed.

It is common to see that social entrepreneurs usually start with small or localized efforts, but they often focus on problems that have global relevance, such as access to clean water, promoting
small-business activities, or waste product management. Often the innovative solutions that social entrepreneurs produce in their local context are copied in other geographies and generate new global industries (Zahra et al., 2008). A good example of this scenario is the emergence of the microfinance industry throughout the world (Seelos et al., 2005). It is clear that social entrepreneurship can create profound impacts on the economic system: creating new industries, corroborating new business models, and allocating resources to prioritized societal problems.

2.3.7 Social Value versus Social Impact

It is quite essential to distinguish social value from social impact. Social value is about a systemic, network effect rather than the isolated impact on a defined set of individual, while social impact is fixed and it is concerned with providing a snapshot of a point in time and measuring what happened and to whom it happened (Mustapha et al., 2008). It is can argue that social value is dynamic rather than fixed, constantly evolving depending on society’s valuation from time to time. Social value is about embracing complexity. Just as in a good book, the best stories aren't necessarily the simplest and so it is with social value (Mustapha et al., 2008).

2.3.8 Social Entrepreneurship Performance

Measuring social entrepreneurship performance and its impact is one of the most challenging tasks for practitioners and researchers in social entrepreneurship (Mair & Marti, 2006). The main problem is how to quantify the performance and impact of social entrepreneurship. Practically, it can be very difficult, if not impossible, to quantify socio-economic, environmental and social effects. Bagnoli and Megali (2011) offer three categories of social entrepreneurship performance: (a) economic-financial performance, linked to the determination of general performance (profits, value added, etc.) and analytic results (production-cost of services, efficiency indicators, etc.); (b) social effectiveness, to measure the quantity and quality of work undertaken and to identify its impact on the intended beneficiaries and the community; and (c) institutional legitimacy, verifying conformity with law and mission statement. This was supported by Ritchie and Kolodinsky (2003, p. 368) that it is important to measure efficiency and profitability to verify entrepreneurship as part of assessing overall effectiveness. It is essential to evaluate whether social effectiveness helps verify a social entrepreneurship capability in responding to the social purpose for which it has been established and managed. It deals with quantitative and qualitative analyses on inputs, outputs as well as the impact on the general well-being. This aims to assess benefits to the recipients of outputs, together with the impact on the general well-being. The implementation of these types of performance measurements also establishes a basis for planning for social reporting (Gray, 1997).

2.3.9 Social Inclusion

Social entrepreneurship is basically about empowering people, in particular the recipients, to take greater control of their well-being. Social entrepreneurship requires a “deepening of democratic politics to ensure the meaningful participation of community members” (Kenny, 1999: 7). Participation is an indicator of community development where empowerment is seen as an end
in itself and as an opening to a creative work environment. Social entrepreneurship initiatives may involve differing levels of participation depending on their varying goals.

In Malaysia, social enterprises are growing in the form of informal businesses and micro-enterprises. However, they are at the bottom of the economic pyramid and reside among the bottom 40% of income earners. These segments include those in rural areas and also those who migrate from the rural to the urban environment seeking to better their lives. It also includes women in the rural and urban areas who seek extra income through work opportunities. These are inspiring individuals who wish to better their quality of life.

In the Malaysian New Economic Model, one of the key components is social inclusion that aims at promoting equal and fair economic opportunities (NEAC, 2009). Social inclusion agenda through affirmative action programmes will continue in the NEM, but will be amended to remove the negative elements such as rent seeking which have tarnished the effectiveness of the programme. Affirmative action will be need-based initiatives and consider all ethnic groups as long as they are in the low income groups. The new affirmative action programmes would also be market-friendly, taking into consideration the needs and merits of the recipients. An Equal Opportunities Commission will be established to ensure fairness and address undue discrimination when occasional abuses by dominant groups are encountered (NEAC, 2009).

3.0 CONCEPTUAL FRAMEWORK

In order to formulate a holistic Social Entrepreneurship framework, it is essential to combine all possible ideas and thinking about what are the most relevant dimensions or constructs to be included in the framework. In this study, we combined the ideas and propositions from some established Social Entrepreneurship theories, namely, People-Context-Deal-Opportunity (PCDO) model proposed by Sahlman (1996), Social Value Proposition (SVP) of Austin (2006), and Cognitive Desirability and Feasibility-related Social Entrepreneurship Model by Jiao (2011). We strengthened our Social Entrepreneurship framework by incorporating social entrepreneurs’ personal values, namely benevolence and competence, as antecedents or enablers of cognitive desirability and feasibility factors. In the proposed framework social innovation acts an intervening in the relationship between social entrepreneurship activities and social value. The social value should be further manifested by the performance and social inclusion of recipients involved in the social entrepreneurship agenda. The proposed framework offers a definitive response to the call for an establishment of an integrated Social Entrepreneurship model in Malaysia. This has led to the formulation of an integrated social entrepreneurship framework as depicted in Figure 1.
Based on the conceptual framework above, the following hypothesis statements are developed:

**H1**: The social entrepreneurial intention (through cognitive desirability and feasibility) is positively influenced by (altruistic and mutualistic) benevolence.

**H2**: The social entrepreneurial intention (through cognitive feasibility) is positively influenced by social entrepreneurs’ competence.

**H3**: The social entrepreneurial intention (through cognitive desirability and feasibility) of the social entrepreneur in the decision-making process is positively related to social entrepreneurship activities.

**H4**: Social Entrepreneurial Intention (through Cognitive Desirability and Feasibility) moderates the influence of Human Capital on Social Entrepreneurship.

**H5a**: Higher levels of human capital is positively related to the success of social entrepreneurship.

**H5b**: Higher levels of opportunity is positively related to the success of social entrepreneurship.

**H5c**: Higher levels of social capital is positively related to the success of social entrepreneurship.

**H6**: Social Entrepreneurial Intention (through Cognitive Desirability and Feasibility) moderates the influence of Social Capital (cognitive and structural) on Social Entrepreneurship.

**H7**: Social entrepreneurship activities is positively related to Social Value.

**H8**: Social entrepreneurship activities have positive influence on social innovation.

**H9**: Social innovation has a positive influence on Social Value.
H10: Social Innovation mediates significantly the relationship between Social entrepreneurship and Social Value.
H11: Social value is positively characterized by social entrepreneurship performance.
H12: Social Inclusion is positively characterized by social entrepreneurship performance.
H13a: Context (via Regulations) moderates the influence of Social entrepreneurship on Social Value.
H13b: Context (via Macroeconomics) moderates the influence of Social entrepreneurship on Social Value.

4.0 CONCLUDING REMARKS

The principal contribution of this paper is the formulation of a conceptual model for social entrepreneurship with an integrative approach. The framework for Social Entrepreneurship takes into accounts all possible antecedents or drivers of Social Entrepreneurship activities. The framework also describes the outcomes of Social Entrepreneurship, namely social entrepreneurship performance and social inclusion. While previous works on Social Entrepreneurship focus on the roles of Entrepreneurial Intention of social entrepreneurs via cognitive desirability and feasibility factors, this study considers the values-based predictors of the cognitive desirability and feasibility, i.e., benevolence and competence. The workability of this research framework should be examined and verified using empirical data in the context of the social entrepreneurship agenda in Malaysia.

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