
The Conceptual Framework of Social Innovation in Social Enterprise Nur Azura Sanusi¹, Suhail Kusairi², Mohd Fikri Mohamad³

Centre of Knowledge Transfer and Industrial Networks, Universiti Malaysia Terengganu, Malaysia¹

School of Social and Economic, Universiti Malaysia Terengganu Malaysia²

Centre of Knowledge Transfer and Industrial Networks, Universiti Malaysia Terengganu, Malaysia³

Abstract

The purpose of this paper is to study the implementation of social enterprise towards empowering the wellbeing of bottom 40 group (B40) in Malaysia. It provides an overview of the existing literature in this subject area and focuses on the ability of social innovation in empowering the B40 group. Thus, in order to elevate the B40 groups towards a middle-class society, three strategies were identified in the 11th Malaysia Plan (11th MP). One of the strategies is by developing community and social-based enterprises. As stated in 11th MP, a systematic approach shall be introduced to develop community and social enterprise based on the cooperative model to carry out activities for B40 groups in urban areas. By applying the principles of social innovation into the social enterprise framework, it can move social innovators towards sustainability and self-sufficiency. This conceptual paper contains definitions, concepts, and also the characteristics of building social enterprise in businesses with emphasis on social innovation. In addition, it also states the development of basic concepts, instruments, and dimensions in social innovation principles, and also discusses strategic and systematic plans for the B40 community. Results indicated that social innovation is important in empowering the B40 community through social enterprise and can give more impact to fulfill social needs in Malaysia.

Keywords: high income nation; innovation; knowledge; technology; social.

Introduction

Malaysia must achieve a minimum level in several aspects outlined by world bodies such as OECD, World Bank, and UN before being able to be classified as a developed country. Uniquely, Malaysia has the hallmark of Malaysia Maju 2020 that has not been used by existing developed countries that also addresses development in human resources. The progress to be achieved by Malaysia is not limited only to economic and social progress but also spiritual, psychological, and cultural community aspects (Sanusi and Ghazali, 2014). Thus, in line with Vision 2020, the Tenth Malaysia Plan (10th MP) 2011-2015 and Eleventh Malaysia Plan (11th MP) 2016-2020 focus on the human resource aspect that are aimed to elevate income by doubling the mean and median monthly income of the bottom 40 per cent household income group (B40) by the year of 2020. In accordance to the vision, the government will give more attention to address poverty and socio-economic imbalances especially among the B40 household with income of up to RM3, 855. The uniqueness of the 10th MP and 11th MP are the inclusivity and people economy that give equitable opportunities to the people to participate in and benefit from the economy and give significant priority to the people interest.

There are many programs implemented by the government in order to increase the B40 household income. In the 10th MP, special focus is given to the education and skills attainment as well as entrepreneurship training. One of the focus points is to increase social enterprise. The same commitment is implemented in the 11th MP strategies to improve the quality of life for rural households and enhance the economic participation of urban households through income-generating activities, human capital development, and micro-enterprise support programs. The related strategies to social businesses enhance accessibility to skills training, increase productivity through adoption of modern technology, enhance adoption of information and communications technology, and develop community and social-based enterprises. Therefore, the current business environment in Malaysia is focusing on the social enterprise.

¹ nurazura@umt.edu.my

Social enterprise is thought to be something new and distinctive from conventional businesses and traditional non-profit activities by combining elements of the social purpose, the market orientation, and financial-performance standards of business to different extents (Giulia & Borzaga, 2009). Based on Linzalone and Lerro (2014), a social enterprise can be defined as an organization that is managed like a business but aimed at social collective purposes. It can be placed among non-profit organizations and regular “for-profit” enterprises, as a result of the combination of mission and values of non-profit and managerial approaches of the profit enterprises. On the other hand, Cornelius, Todres, Janjuha-Jivraj, Woods, and Wallace (2008) defined social enterprises as a businesses with primarily social objectives whose surpluses principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for the shareholders and owners.

The resurgence of social enterprise is considered as a new and developing in order to strive for economic growth in Malaysia. Hence, the government has built Malaysian Global Innovation and Creativity Centre (MaGIC) in 2013 with the aim to connect and encourage collaboration among entrepreneurs ,increase visibility for startups, facilitate mentoring, skill and knowledge-sharing, and have resources available for anyone who is interested in starting a company in Malaysia. Since its establishment, MaGIC has trained about 16,000 entrepreneurs. In addition, 3,500 participants have been exposed with knowledge and skills with the intention of developing an ecosystem of social enterprise in Malaysia. Their missions are catalyzing the entrepreneurial ecosystem in Malaysia, bringing together the abundant resources from partners and communities alike, and to develop entrepreneurs of enduring, high growth startups that will make a positive impact at a regional or global scale (Yeoh, 2015).

Currently, there have only been a few researches that focus directly on empowering B40 community through social enterprise in Malaysia especially in the adoption of social innovation approach. Hence, this article aims to study the conceptual framework of social enterprise towards empowering the wellbeing of B40 in Malaysia with social innovation principles. This study is significant in contributing to the national agenda, based on the Eleventh Malaysia Plan (2015), which dictates that the concept of social innovation is strengthening collaboration through a whole-society approach, developing a social financing model, and promoting higher order thinking skills to develop a dynamic society.

Strategic and Systematic Plan for B40 Community

We often hear that the B40 community do not want to change and are comfortable to live in poverty. That statement poses a challenge to civil society as we want community members to be free of poverty and succeed in life. There are also cases that occurred specifically in the provision of equipment in term of assets that have not been used properly to improve the family economic status. The assets were either sold, given to other parties, or were left abandoned. Thus, this makes it a major challenge to implement the transformation process due to the existence of such obstacles.

These obstacles can be classified into three main factors, namely internal, lack of skills, and external factors. Internal factors and skills involve the individuals themselves while external factors include financial difficulties, lack of guidance and training, and lack of motivation from others. In general, asnaf community transformation require careful and systematic planning so that the program and the assistance provided can be used to maximize the benefit and the economic empowerment of their families. Definitely rigorous and systematic planning should be taken into consideration of the three obstacles that were mentioned earlier.

In order to ensure economic empowerment program for B40 committee to be successful, the obstacles faced need to be understood clearly so that the planning of the program as well as assistance provided to help them will weigh all the factors discussed into consideration.

The internal factors involved are attitudes and values. Attitudes and values held by individual are affected by their mindset. So the first thing that needs to be addressed is how to change the patterns and ways of thinking. Next, a change in mindset or transformation of mind, will affect the attitude of the individuals themselves. With the changes in individual attitude at macro level, it will simultaneously change the community attitude at large. So the first challenge is to transform their mind individually.

The next factor is skills. The skills are very important to ensure that they have certain capabilities to perform in a selected economic activity. In general, the older communities may have been exposed and training will be given in the form of small-scale economic activities which do not involve highly sophisticated technology. However, family members, especially children in the community can be guided and skills that involve technology can be taught so that they are able to help in improving the family economy and able to become one of the zakat payers in the future.

Therefore, a mapping of selected economic activities should be implemented so that the skills provided has sustainable economic value in the long run. In-depth study should be conducted in order to gain better understanding of market segments as well as consumers in a particular area. At the same time, B40 communities who receive aid or assistance, especially in businesses, should be taught basic skills such as financial and capital record of a total daily sales until they are able to produce a balance sheet for each businesses. They also need to be guided in financial management, especially the ones involving savings, capital round businesses, and daily expenses. Hence, they should be given the skills to plan their business for the long term so that they can be competitive and sustainable.

The third factor is the external factors which involved agencies and non-governmental organizations. These factors are equally important as the earlier two. Each agency that helps B40 communities must have shared values. Shared values held by each agency will ensure similar goals and objectives that need to be achieved. In turn, each agency will play their role effectively in the chain of services provided to the target group.

There is also a need for each agency to assess the effectiveness of the programs that have been implemented on the communities. The assessment is important to measure the strengths and weaknesses of existing programs and for the purpose of improvement. Similar community empowerment programs that have been conducted elsewhere especially in foreign countries should also be consulted as reference.

It is time that for relevant agencies to work together to produce strategic plan at the macro level in providing services to the communities in need. An effective cooperation among the agencies can ensure the success of community empowerment agenda. A number of previous programs have failed due to fragmented and individualistic approach by each agency. Community recipients involved should be guided so that later they are able to manage their own business or economic activity.

In addition, strategic and systematic plan should be prepared by taking into account the three factors. The strategic plan should emphasize transformation of mind, the technical skills of human capital, financial and business skills, financial capital assistance, guidance, and continuous training programs. Mapping of economic activity should be provided and the B40 community can be grouped in terms of economic activities selected.

In particular, every program and support should outline the performance index by taking into account the output - the program outcome and impact along with the proposed help. Accordingly, the effectiveness of program and help will be able to be measured objectively and systematically at regular intervals of time.

Social Innovation

Social innovation can be defined as new ideas (products, services, models), activities or services or a new application of an existing idea that meets social goals or needs and problems (Mulgan, 2006; Phills et al., 2008; Leadbeater (2008); When & Evers, 2015; Altuna et al. 2015; and Matei & Drumasu, 2015) which result in significant improvements in outcomes efficiency, effectiveness or quality of life (Mulgan & Albury, 2003; and When & Evers (2015) and create new social relationships or collaborations and social value (Altuna et al., 2015, Herrera, 2015, Matei & Drumasu, 2015; and Gracia et al., 2015).

In addition, there are several elements of social innovations stated by Dainiene and Dagiliene (2015) which are social innovations must satisfy social needs in terms of employment, health, education etc.; have some novel elements or at least be new to their context; must be implemented (they are more than just ideas); and they must work (they are more effective than existing solutions). Besides, the main criteria of social innovations are newness, multiple dimensions of improvement, sector neutrality, process, qualifying improvements, legitimacy and urgency of social needs (Dainiene & Dagiliene, 2015; Krlev, Bund & Mildemberger, 2014). Ims and Zsolnai (2014) said that there are two criteria that need to be met for something to be considered as innovation: novelty –it must be new to the user, context or application – and bring improvement – it must be more effective or more efficient than the pre-existing alternatives.

Therefore social innovation can be divided into four major components: new ideas, concepts, activities, services and applications, meeting social goals, improvement in outcomes; and create new social value and collaborations. In line with the components and the discussion on the previous section, the extended social innovation concepts in empowering the B40 community that consists of four major constructs namely community transformation, socio-economic improvement, core shared value and conservation of heritage value. All the developed constructs fulfill the four major components of social innovation. Similar to that, the instruments of social innovation are trust, community engagement, community capacity building, shared value and change in mindset.

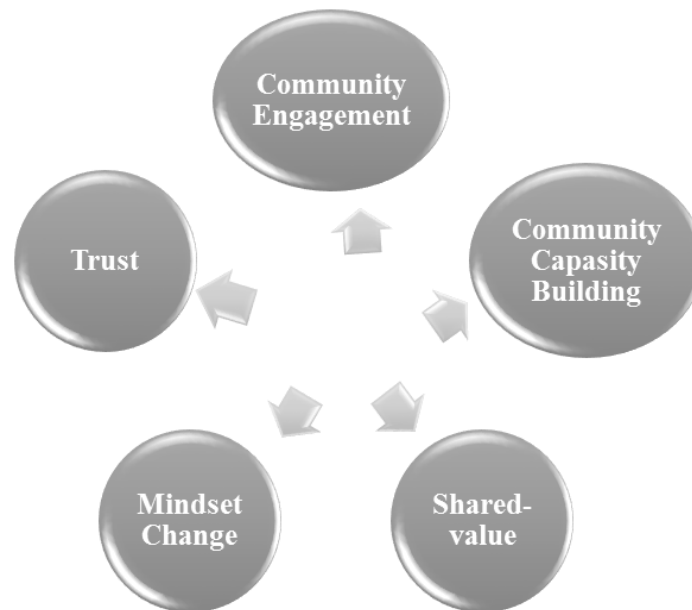


Figure 1: Social Innovation Instruments

Based on the basic concepts as well as the instruments of social innovation as in Figure 1, there are three types of social innovation dimensions that will be introduced in this paper: knowledge, technology and social. For the first dimension, it involves innovations in knowledge that are purely inventions from fundamental research. The second dimension involves innovations in technology that focuses on the hard skills training. The last dimension involves innovation in social elements such as the soft skills.

The expansion of social innovation occurs in three forms –knowledge, technology, and social. Innovation of knowledge refers to knowledge that is generated through fundamental or basic research. Knowledge innovation can be dedicated to the recipient through knowledge transfer sessions in the form of skills training. The recipients include academic peers, students and the surrounding communities. An example of innovative knowledge is preparing financial statements or balance sheets for company or community cooperative. The knowledge dedicated will benefit the recipient in the form of knowledge and skills that could be utilised for a more systematic, easy and sustainable management in the long run.

Second dimension is technological innovation. Malaysian public universities is the hub for technology in Malaysia which various basic and new technology are available based on their respective niche areas. However, the technology was not fully utilised by industry and local community. These technologies often lie on the shelves due to lack of efforts in transferring them to potential users. The situation is extremely detrimental to Malaysia especially in achieving high-income nation status by 2020.

Innovative technologies can be easily transferred to the industry and communities through the knowledge transfer approach. Some examples of technological innovation is the transfer of knowledge in the form of on-line sales service system, the production of new food products such as sauces of seashell, fish crackers and sausage etc. However this form of social innovation is suitable for simple technology used by small scale and community based enterprises or social business. Furthermore, the knowledge, technology and skills can be used by the local communities to increase productivity through the use of technology as a new source of revenue. Sales will increase sharply and the objective of enriching the B40 community would be achieved for the social business.

The third dimension of social innovation involves social elements. Lately the role of universities in improving the livelihood of the surrounding communities has been questioned. Subsequently many universities have enhanced their efforts in closing the gap between what is available in universities and the poor performance of the surrounding communities in economic activities. The spillover effects of the existence of universities on the surrounding communities will thus be enhanced through social business. Social innovation involves sharing the values of at least three parties, namely the knowledge provider, agencies or related institutions and recipients of knowledge. The transfer of knowledge to preserve the local heritage and the transformation of mind and value are some examples of social innovation. The recipients is expected to gain knowledge, social cohesion, social networks and skills. Hence the knowledge and skills can be utilised by communities to empower the social capital including trust and networks among

communities. Furthermore, it would be more meaningful if the endowment of a social innovation can contribute to the creation of high-skilled human capital with first class mentality.

At the macro level, the implementation of social innovation would indirectly contribute to economic growth through the enhancement of human capital skills and increased in productivity. Similarly, the use of technology, will directly improve the productivity that could eventually contribute to economic growth.

Social Innovation and Social Enterprise

Presently, there is a limited literature review related on social enterprise and social innovation. Leadbeater (2007) said that social enterprise policy needs to be framed within a more comprehensive strategy for social innovation that is designed to deliver social impact by finding new ways to address unmet social need. Moreover, he stated that all innovation involves the application of new ideas or the reapplication of old ideas in new ways to devise better solutions to our needs. Innovation is invariably a cumulative, collaborative activity in which ideas are shared, tested, refined, developed and applied. Social innovation applies this thinking to social issues, for instance, education and health, issues of inequality and inclusion.

From Altuna et al. (2015) perspective, social innovations are innovations that are social both in their ends and in their means. Specifically, they defined social innovations as new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. Other than that, social innovation also can defined as innovative activities and services that are motivated by the goal of the meeting a social need and that are predominantly developed and diffused through organizations whose primary purposes are social (can be referred to the social enterprise).

Leadbeater (2007) have listed four ingredients of a strategy to promote social innovation through social enterprise. First, one of the ingredients is expand the giving economy. The first strand is cultural change, to promote a more widespread and deeply rooted culture of giving and volunteering to sustain the social enterprise sector. Social enterprise solutions generally depend, especially at the outset, on voluntary contributions to get them going through donations of money, time, skills, contacts or buildings. Increasing the overall scale of the 'giving economy' runs with the grain of social and economic change. Second ingredient is to strengthen social enterprise because social enterprise field has become increasingly well-populated in the future. Thus, certain areas social enterprises will continue to grow in scale and number for example in social care. While, in other areas the main role of social enterprise will be to act as a catalyst for further change in other sectors of the economy. Third, another ingredient is the social enterprise state. Social enterprises already play a significant role within the public sector as the providers of contracted-out services. The goals for the next ten years should be to sustain the social sector's position as a supplier and provide a clearer account of the benefits that social enterprise brings and use social enterprise more strategically for key challenges the state will face to meet the needs of an ageing population, climate change, community safety, social disorder and the engagement of young people. Last ingredient is socially responsible business. Arguably the biggest impact social enterprise will be to change the way that businesses and markets operate. The strategies involves innovation in socially responsible business practices, showing how social responsibility can be a new source of competitive advantage and innovation.

Due to limited literatures, this study develop the conceptual framework of empowering the B40 community through social innovation in social business based on the social innovation principles and business cycle of doing business. Therefore the conceptual framework consists of four major constructs namely community transformation, socio-economic improvement, core shared value and conservation of heritage value.

The social innovations can be transferred to the business that maximizing the community economic development especially to the organization that overcome the socio-economic problems through business solutions. The social innovation can be utilized by the social business in the form of technology adoption, socio-economic improvement, sales increment, productivity improvement and skills enhancement. The social innovation can be implemented by the social business in four phases which are:

- Paradigm shift: transforming the entrepreneurial mindset through social innovation.
- Hard skill enhancement: structured technical training in transforming the technology and knowledge.
- Entrepreneurial and business skills: business plan, business model, balance sheet and strategic marketing.
- Handholding and placement: networking with relevant agencies and organizations as well as business aids as capital and financing.

A part from the three dimensions of social innovation, the social enterprise should also focus on the social work to the community as one-off programs such as beach cleanup, food security awareness and etc.

Conclusions

In line with Malaysian Vision 2020, many development projects have been implemented and productivity improvements are made through the use of technology. However these development projects brings little benefit to B40 communities. Consistent with the 10th MP and 11th MP, the government started to give significant focus to the B40 community with the inclusivity and people economy. In order to make sure that the strategies will benefit the B40 communities, the new and future business environment emphasize on the social enterprise that able to sustain its growth and generate more impact to all parties in Malaysia especially for B40 community.

However due to the constraints faced by the B40 community, there is a need in approaching them with new approach through the social innovation. Social innovation offers a new way to do business that is led by a sense of social purpose and aim to show that business and market can deliver social benefits and tackle intractable social problems. At the same time, the social innovation in social enterprise providing an opportunity for local people to gain employment, brings about a positive change to people and communities, and also social benefits that can provide facilities to disadvantaged people. Furthermore, social innovation can allow profits or surpluses to the social enterprise through the knowledge, technology and social dimensions. So, this could be used to develop new products, services or activities in the business. Last but not least, it also can give flexibility and freedom of being able to trade commercially whilst still fulfilling social aims.

Acknowledgement

The authors wish to express their gratitude to Miss Noor Akma Hayati Shafie as research assistant of this project and our special appreciation to University Malaysia Terengganu and Ministry of Higher Education Malaysia in financing this research under the Niche Research Grant Scheme (NRGS), Vote No. 53131.

References

- Altuna, N., Contri, A.M., Dell’Era, C., Frattini, F. & Maccarrone, P. (2015). Managing social innovation in for-profit organizations: the case of Intesa Sanpaolo. *European Journal of Innovation Management*, 18 (2), 258-280.
- Basic Malaysian Data. (2014). Retrieved from <http://www.rurallink.gov.my/wp-content/uploads/2015/05/1-DATA-ASAS-MALAYSIA1.pdf>
- Berkes, F. & Davidson-Hunt, I. J. (2007). Communities and social enterprises in the age of globalization. *Journal of Enterprising Communities: People and Places in the Global Economy*, 1 (3), 209-221.
- Bidet, E. & Hyung-Sik, E. (2011). Social enterprise in South Korea: history and diversity. *Social Enterprise Journal*, 7 (1), 69-85.
- Cornelius, N., Todres, M., Janjuha-Jivraj, S., Woods, A. & Wallace, J. (2008). Corporate Social Responsibility and the Social Enterprise. *Journal of Business Ethics*, 81, 355-370.
- Dainiene, R. & Dagiliene, L.(2015). A TBL Approach Based Theoretical Framework for Measuring Social Innovations. *Procedia - Social and Behavioral Sciences*, 213, 275-280.
- Data Asas Malaysia.
- Eleventh Malaysia Plan. (2015). Strategy Paper 2: Elevating B40 Households Towards a Middle-Class Society. Retrieved from <http://rmk11.epu.gov.my/pdf/strategy-paper/Strategy%20Paper%2002.pdf>
- Eleventh Malaysia Plan. (2015). Rancangan Malaysia Kesebelas 2015-2020, Pertumbuhan Berpaksikan Rakyat. Retrieved from <http://rmk11.epu.gov.my/book/bm/Rancangan-MalaysiaKesebelas/index.html>.
- Giulia, G. & Borzaga, C. (2009). Social enterprise: An international overview of its conceptual evolution and legal implementation. *Social Enterprise Journal*, 5 (3), 210-228.
- Gray, M., Healy, K. & Crofts, P. (2003). Social enterprise: is it the business of social work? *Australian Social Work*, June, 56 (2), 141-154.
- Howard, T. (2015). Olivebranches and idiot’s guides: Frameworks for community engagement in Australian wind farm development. *Energy Policy*, 78, 137-147.

- Hynes, B. (2009). Growing the social enterprise – issues and challenges. *Social Enterprise Journal*, 5 (2), 114-125.
- Ims, K.J. & Zsolnai, L. (2014). Ethics of social innovation. *Society and Business Review*, 9 (2), 186-194.
- Krlev, G., Bund, E. & Mildemberger, G. (2014). Measuring What Matters—Indicators of Social Innovativeness on the National Level, *Information Systems Management*, 31, 200-224.
- Leadbeater, C. (2007). Social enterprise and social innovation: Strategies for the next ten years. Retrieved from <http://www.peopleproject.eu/wiki/PEOPLE%20WIKIS/socialentrepreneurship/mainSpace/files/Social%20enterprise%20and%20social%20innovation.pdf>.
- Linzalone, R. & Lerro, A. (2014). Between solidarism and business management: assessing management factors for social enterprise: a survey in Italy. *Measuring Business Excellence*, 18 (1), 66-77.
- Malaysian Global Innovation and Creative Centre (MaGIC). (__). Malaysian Global Innovation and Creative Centre. Retrieved from <https://mymagic.my/en/about/mandate/>
- Rymsza, M. (2015). The role of social enterprises in shaping social bonds. *International Journal of Social Economics*, 42 (9), 830-840.
- Sanusi, N. A. & Ghazali, N. A. (2014) The Creation of Bangsa Malaysia: Towards Vision 2020 Challenges. In proceeding of Persidangan Kebangsaan Ekonomi Malaysia ke-9 (PERKEM ke-9), “Urus Tadbir Ekonomi yang Adil: Ke Arah Ekonomi Perpendapatan Tinggi”, Kuala Terengganu, Terengganu, 17-19 October, 845-850.
- Thompson, J. & Doherty, B. (2006). The diverse world of social enterprise: A collection of social enterprise stories. *International Journal of Social Economics*, 33 (5/6), 361-375.
- Urban, B. (2015). Evaluation of social enterprise outcomes and self-efficacy. *International Journal of Social Economics*, 42 (2), 163-178.
- Wiseman, J., Williamson, L. & Fritze, J. (2010). Community engagement and climate change: learning from recent Australian experience. *International Journal of Climate Change and Strategies and Management*, 2 (2), 134-147.
- Yeoh, C. (2015). MaGIC kerjasama negara maju lahir lebih ramai usahawan. Retrieved from <http://www.bharian.com.my/node/80663>.
- Zappalà, G. (2001), From ‘charity’ to ‘social enterprise’: Managing volunteers in public-serving nonprofits. *Australian Journal on Volunteering*, 6 (1), 41–48.
- Meadow, J. (1991, July 1). Fox pies. Paper presented at the meeting of Ohio Bakers, Ada, OH.

