Modelling Social Innovation for Young Entrepreneurs Living in the Marginalised Communities in Malaysia

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ABSTRACT

The heart of social innovation is the willingness to try out ideas that are helpful to others. Social entrepreneurs are also action researchers who learn primarily through experimentation, not relying solely on theory. This paper aims to revisit social innovation values that exist among youths who are keen to create social change. This paper is the product of an extensive review of literature and content analysis from social entrepreneurship empirical studies. In order to test the social innovation model, survey questions were developed and distributed to 203 young entrepreneurs living in marginalised communities in Malaysia. Findings show that educating young people to think and behave this way is different from helping them to acquire knowledge. It was also found that more young people are keen to improvise their careers by responding to the shifting needs and opportunities when they are engaged in social innovation. As social innovation addresses social issues, it creates social change and raises concerns about non-economic values. This paper recommends that in order to facilitate the multiplier effect, the Malaysian government should support more young entrepreneurs from marginalised communities in order to tackle social problems, improve communities and change people’s life.

Keywords: Malaysia, social entrepreneurship, social inclusion, social innovation, youth entrepreneurship

INTRODUCTION

This paper aimed to capture social change based on the needs and activities of social innovation that youths living in marginalised communities in Malaysia had experienced.
According to Martin and Osberg (2007) and Nicholls (2010), social innovation can be grouped into three categories: social innovation through new products or service development; social innovation in the use of existing goods and services in new ways; and social innovation in reframing normative terms of reference to redefine social problems and suggest new solutions.

This paper also aimed to develop the social innovation model which emphasises on the non-economical function it brings into social entrepreneurship. The objectives are framed in the context of the work of past empirical evidence combined with the analyses of interviews conducted among young entrepreneurs engaged in social innovation activities. Items for the study were developed based on the literature on the model before they were distributed to the youths, who responded according to their experience as they engaged themselves in social innovation moves.

LITERATURE REVIEW
Several important features of social entrepreneurship and social innovation emerge when one tries to associate them with economic perspectives. Social entrepreneurship may take place either in an economic setting or it may be part of non-economic activities. Swedberg (2011) differentiates social entrepreneurship from the economic and non-economic perspectives, similar to the study done by Neck, Bush and Allen (2009). An entrepreneur who emphasises on social impact and change through the use of social innovation in his business is regarded as pursuing non-economic social entrepreneurship. In contrast, an entrepreneur who focusses on initiating innovation in economic activities in pursuing his or her business is regarded as pursuing economic social entrepreneurship.

A review of the literature suggested that there exist some differences between social and commercial entrepreneurship. The literature points to a grey area in defining social entrepreneurship, and the many debates in the literature regarding this definition noted that the main difference between non-economic and economic social entrepreneurship has always rested on what the enterprise was trying to achieve. The debate also centred on the fact that social entrepreneurs focussed on maximising social impact, and their model usually addressed a gap that the existing institutions or governments failed to handle. Commercial entrepreneurship, on the other hand, focusses on profit-maximisation, addressing mainly shareholder wealth, building a value to customers and providing meaningful work for employees.

Social Innovation and Its Associated Impact
The works of Dees (1998, 2001, 2010) appear to share some similarities with that of Bornstein (2004), which had contributed significantly to positioning wealth and social impact. Their findings make it clear that seeking to maximise social impact is not the only criterion for social entrepreneurship;
hence, it is important to understand how social impact works. In the Malaysian setting, there are a number of clean-technology (cleantech) organisations that offer solar energy and other products to established markets although they may not see themselves as a social enterprise as their sole objectives are to maximise their market potential rather than contribute to finding solutions.

The small social enterprise, Suncrox Solar Malaysia, is a good example. When interviewed about the contribution his enterprise is making, the founder agreed that the most powerful and useful innovations come from individuals who are themselves involved with problems at the grassroots and who live under constraints (personal interview with Noor Shahiwan, 2015). Suncrox Solar Malaysia offers out-of-the-box thinking based on scientific and technical solutions for several remote areas in Malaysia. The exploitation of renewable resources from solar energy prompted him to invest in cheaper solar technology to resolve the problem of the high cost of electricity in developing countries. His model was expanded to solve problems faced by the street business industry by offering an innovative cleantech product to replace generators.

One of the leading examples of social entrepreneurship that uses social innovation elements in Malaysia is Amanah Ikhtiar Malaysia (AIM), the nation’s first women and community development that offers micro-credit facilities. AIM offers micro-credit financing schemes for the poor to allow them to participate in any economic activities based on the skills acquired in an effort to increase their family income (AIM, 2015). AIM was established on 17 September, 1987 by a Deed of Agreement and registered under the Trustees (Incorporation) Act 1952 (amended 1981) (Act 258). Similar to the approach of Grameen Bank in Bangladesh, this project appears to offer solutions. The researchers have recommended to them a guided version of financial assistance for groups of entrepreneurs of poor and low-income families (AIM, 2015).

The two examples above indicate that social innovation can be used as an engaging mechanism that offers solutions that are dynamic and able to spark social values that reflect both social and economic considerations. Social innovation assists social entrepreneurs to assess the social value and impact produced by their activities or operations either in a for-profit or non-profit organisation. For years, literature shared similar success stories in which social enterprises focussed greatly on creating social value, addressing social challenges/inclusions and establishing social impact. Although Malaysia has yet to support the implementation of specific policies and laws to date, academic literature provides evidence in the form of theories derived from Western perspectives and existing local social enterprises that proves otherwise. In this sense, it is useful to highlight these engagements from the point of the experiences of social enterprises. In order to achieve the objectives of this paper, a series of interviews was conducted...
to highlight several key characteristics of social innovation and social enterprises.

According to Bassi (2013), the social value produced by organisations forms the basis for social impact. Emerson, Wachowicz and Chun (2000) suggested that the term ‘social impact’ appears to overlap with the term ‘social value creation’. Clarkin, Deardurff and Gallagher (2012) claimed that ‘social return’ has many definitions which may be associated with ‘social accounting’. Volkmann, Tokarski and Ernst (2012) integrated the definition of Clarkin et al. (2012), which sees social impact as the value created as a consequence of someone’s activity; the value experienced by beneficiaries and all others affected includes both positive and negative effects.

It is necessary to learn the elements of social innovation and its phases as it appears to contribute to the success of the social impact of social enterprises. As it may be evident from several engagements and experiences of social enterprises in the Malaysian perspective, they are truly a new type of business. In most of the empirical exploration conducted using the interview method in Malaysia, it was evident that social innovation was created mostly by young individuals who were portrayed as engaging in a bold social entrepreneurial approach. They even claimed that they were pursuing activities that were aligned with an explicit social mission.

This is in line with empirical evidence from the work of Western scholars (Nicholls, 2006, 2009, 2010; European Commission, 2013), along with recent findings from the Malaysian perspective such as Choi and Satyajit (2013), Isidore, Norsiah and Margaret (2015) and Hardy and Shahimi (2015). Empirical studies have shown some trends on the development of social entrepreneurship that use social innovation in their phases of social enterprise development (Hardy, Shahimi, & Azahari, 2015). It was further found that many young individuals participated and were keen to offer their services voluntarily and to make an impact. These activities are becoming central to the development of an effective tool to measure the success of social impact. Raja Suzana (2016), Saiful, Mokhtar and David (2014), Rahim and Mokhtar (2014) and Najib (2015) share perspectives on social entrepreneurs in Malaysia that are similar to those held by others in other parts of the world.

The new paradigm shift in social entrepreneurship that embeds social innovation helps to deal with the unresolved and most pressing issues. It is believed that these activities leave a significant effect on economic, social and environment agenda. The empirical work of Dees (1998, 2001, 2010) and Zahra, Gedajlovic, Neubaum and Shulman (2009) adds value to the defining criteria set for social enterprise. Bornstein (2004) devoted an extensive work connecting readers and researchers on social entrepreneurship as an emerging business model. In order to accelerate the success of measuring social impact, it was found that social innovation offered a solution that was dynamic, and was proven to spark social value that reflects success in socio-
economic, environmental and community development. According to the Guide to Social Innovation developed by the European Commission Social Innovation principles (2013), social innovation can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands that affect the process of social interactions. It is aimed at improving humans’ well-being. Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also enhance individuals’ capacity to act.

In Malaysia, micro, small and medium enterprises receive support from the Government to embark on social enterprise values. Social innovation was thought to be a successful business model, thus, it was given much attention through Amanah Ikhtiar Malaysia, the Innovation Agency of Malaysia and MAGIC Social Enterprise. These agencies assist in capacity building in social innovation and open their doors to young people in Malaysia to learn more about social innovation.

CONCEPTUAL FRAMEWORK
The literature review in the previous section showed the differences between the various types of social innovation and social entrepreneurship and the people involved (social entrepreneurs) along with the roles they play. This paper regards social innovation as activities associated closely with social entrepreneurship engagements and their associated phases of social innovation and elements. In developing items for social innovation, the paper focusses on two elements that are addressed critically in the context of this paper.

The conceptual framework as illustrated in Figure 1 was developed by integrating the social innovation principles from the European Commission Social Innovation (2013), the Social Return on Investments Model of New Economic Foundations (2004) and the Social Innovation Model in Malaysia (Raja Suzana, 2016).

![Figure 1. Conceptual framework of success of social innovation and social enterprise](image-url)

Sources: Variables of elements of social innovation were adapted from Guide to Social Innovation, European Commission (2013) and the Social Innovation Model in Malaysia (Raja Suzana, 2016), while the variables of social enterprise success were adapted from the New Economic Foundation (2004) and interviews involving local social entrepreneurs in Malaysia.
It conceptualises the process of social innovation, its core activities and the extent to which it brings about the success of social enterprise.

Integrating the work of Dees (1998, 2001, 2010), Zahra et al. (2009), Bornstein (2004) and Raja Suzana (2016), social entrepreneurship is defined as the process of developing innovative and sustainable solutions to the neglected problems of society. It translates into social innovation whenever it leads to more effective responses for societal problems (relative to alternatives in place). Hence, social innovation criteria must be developed from each phase that begins with the ideas, prototyping and piloting, scaling and implementing. This is framed in Table 1 and Figure 2 (European Commission Social Innovation principles, 2013). The following section describes how each of the following items was developed in order to explore the process of establishing social innovation items and measuring social enterprise success.

### Table 1

**The four phases of social innovation**

<table>
<thead>
<tr>
<th>Phases</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ideas</td>
<td>Social entrepreneur begins social mission in the form of an idea</td>
</tr>
<tr>
<td>2. Prototyping and piloting</td>
<td>Social entrepreneur may then pilot or prototype the ideation</td>
</tr>
<tr>
<td>3. Implementation</td>
<td>Social entrepreneur establishes new form of venture such as a social enterprise or a new policy within an existing institution</td>
</tr>
<tr>
<td>4. Scaling</td>
<td>Social entrepreneur finally scales up products/services so as to develop new approach and new impact and becomes part of the norm</td>
</tr>
</tbody>
</table>


![Figure 2. The spiral model of social innovation](image)

*Sources: Social Innovation Guide, the European Commission Social Innovation principles (2013)*

### RESEARCH METHODOLOGY

This study examined the extent of initiatives and change created as outcomes of social innovation activities among young entrepreneurs living in marginalised communities in Malaysia. The samples targetted were those between the age of 20 and 25 years old and with at least two years of experience in a business. The empirical process included the capturing of both tacit and explicit entrepreneurial
values in building social innovation moves. There is an urgent need for an innovative social innovation model that examines the current trend among young entrepreneurs. This research adopted the descriptive correlational design involving a total of 203 young entrepreneurs. Samples were stratified to determine if they had engaged in a business activity in the past two years. The representatives from these strata sampling appear to reflect the population of young entrepreneurs in the selected areas of the study.

FINDINGS AND DISCUSSIONS
After making sure that the data gathered fully met the normality assumptions, multiple regression analyses were carried out to explore the interactional effect of social innovation and its phases on the success of social enterprise. The examination of the analysis was tested using the higher-order interaction effects of the multiple regressions to confirm the presence of the effects of the variables as well as to differentiate the strength of the levels of utilisation of social innovation and non-social innovation.

Model 2 displays the results. As shown in Table 4, the addition of the product term resulted in an $R^2$ change of 0.129, $[F(1, 201)=41.026, p < 0.001]$. The results supported the influence of social innovation and its phases on the success of social enterprise. In other words, the effects of interaction between the four phases of social innovation explained a 12% increase in the variance in the social enterprise success measures, which is beyond the variance explained by the social innovation element scores.
Specifically, the coefficients table, Table 5, shows that the resulting regression equation for Model 1 and Model 2 is as following:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised Coefficients</th>
<th>Standardised Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.836</td>
<td>0.088</td>
<td>0.318</td>
</tr>
<tr>
<td>Social Innovation</td>
<td>0.266</td>
<td>0.022</td>
<td>12.013</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.384</td>
<td>0.112</td>
<td>0.222</td>
</tr>
<tr>
<td>Social Innovation</td>
<td>0.186</td>
<td>0.025</td>
<td>7.388</td>
</tr>
<tr>
<td>Phases of Social Innovation</td>
<td>0.196</td>
<td>0.031</td>
<td>0.193</td>
</tr>
</tbody>
</table>

a  Predictors: (Constant), social innovation
b  Predictors: (Constant), social innovation and phases of social innovation
c  Dependent Variable: Social Enterprise Success

The coefficients for the social innovation and its phases in Model 1 were statistically significant at p<0.001. Equation 1 shows that for a 1-point increase in social innovation, the social enterprise success measures were predicted to have a difference of 0.186, given that the phases of social innovation were constant. The regression coefficient associated with the phases of social innovation means that the difference in social enterprise success was 0.196, given that the social innovation score was held constant.

Equation 1:

\[
\text{Social Enterprise Success} = 2.384 + 0.186 \text{ Social Innovation} + 0.196 \text{ Phases of Social Innovation}
\]

Social Innovation Explains the Success of Social Enterprise

This study found that young entrepreneurs claimed that social innovation and its phases contribute to the measures of success of social enterprise. The finding also means that the sample used for the perceived social innovation and its phases had a significant and positive relationship with the success of social enterprise. The identification of new ideas that met social needs and development of new solutions appeared to be a successful measure of social innovation and is applicability in the context of the success of social enterprise.

Furthermore, the development of a dynamic social innovation phase will
offer more insight into the basis of ‘static’
innovation typologies developed to date. The
criteria set in measuring the success of a
social enterprise. The findings confirmed
Bornstein’s (2004) views on the emerging
business model in which social innovation
can offer explanation of the success
model of social enterprise. This paper also
supports the European Commission Social
Innovation principles (2013) and guides
where the social innovation definition fits
the development and implementation of
new ideas (products, services and models) to meet social needs and create new social
relationships or collaborations. It concludes
with the understanding that social innovation
represents new responses to pressing social
demands, which affect the process of social
interactions. It is aimed at improving human
well-being.

This paper also shed some light on
‘static’ generic innovation as viewed in
the work of Zahra et al. (2009). Social
innovation expands the relevant phases to
incorporate more than economic wealth
such as social purpose aimed at by social
enterprises. In this paper, the researchers
contributed to and extended the work of Dees (1998, 2001, 2010), Zahra et al. (2009) and Bornstein (2004), whose
arguments on entrepreneurial entities may
appear to occupy a broad spectrum between
the production of social and economic
wealth, but should express both variables
in some gradation to be considered social
entrepreneurs.

The phases of social innovations, for example as studied in this paper can assist social entrepreneurs, researchers and policy-makers to identify ideas that are most promising to be used for the pilot study, and to identify the best pilot test to improve the existing models of practice as guided in the
European Commission Social Innovation
principles (2013). Next, the pilot test should
be used to implement projects that are
considered sustainable ventures and should
be scaled up to achieve systemic changes
(Social Return on Investments Model of
New Economics Foundations, 2004; Raja
Suzana, 2016).

**Theoretical and Practical Implications**
Consistent with the findings of Dees (1998,
2001, 2010), Zahra et al. (2009), Bornstein
(2004) and Raja Suzana (2016), social
innovation and its offering of phases as
discussed in this paper was based on
various related streams. Those streams
involved the resource-based view (RBV),
strategic management and entrepreneurship,
innovation and information and
communication and technology (social
innovation). The perceived values that social
innovation brings appear to have a sound
theoretical base, which has not necessarily
been the case for other generic strategies of
traditional business school and commercial
entrepreneurship.

Social innovation was further perceived
as one of the contributing factors in explaining
the success of social enterprise. This paper has shown the levels of excitement that social entrepreneurs have in sharing their ideas and expertise for the benefit of others, be it for their own enterprise development or for that of the community or the state, both at the national and international levels.

This paper also adds value in terms of specific policies orientated towards capacity building development. A number of social entrepreneurs portrayed their interest in contributing towards positive human development activities, and they do so on a voluntary basis. This in turn could be taken as a practical contribution, where policy-makers should address these factors as evidence that social entrepreneurs have the intention to create job opportunities for others and enjoy offering social products with a network of assistance to those who need it. This is important for addressing the unemployment issue faced by the nation and for encouraging social entrepreneurs to be involved in development activities for young people living in marginalised communities in Malaysia.

CONCLUSION

The key finding of this paper suggests that the greater use of social innovation and its relevant phases contribute to the success value of social enterprise as perceived by young entrepreneurs from the marginalised population in Malaysia. It was found that educating young people to think and behave this way is different from helping them to acquire knowledge. It was also found that more young people are keen to improvise their career as they respond to shifting needs and opportunities when they engage in social innovation. Social innovation addresses social issues, which in turn produces social change and raises concerns about non-economic values. This paper recommends that in order to facilitate the multiplier effect, the Malaysian government should support more young entrepreneurs from marginalised communities in order to tackle social problems, improve communities and change people’s lives.

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