Practice of Social Entrepreneurship among the Muslim Entrepreneurs in Malaysia

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Abstract: The issue of social entrepreneurship got immense importance in the eyes of the researchers recently. Moreover, data are very limited in the context of Malaysia especially for Muslim entrepreneurs. Realizing these current needs and trends, this study aimed at understanding the current level of practice of social entrepreneurship among the Muslim entrepreneurs in Malaysia. This study has conducted total five in-depth interviews of various Muslim social entrepreneurs to reveal the entrepreneurial dimension that is prevailing in the non-profit organizations. Moreover, this study addresses the research gap and proposes a model of social entrepreneurship for Muslim social entrepreneurs. To end with, this study summarized that, social enterprises have a valuable role to play in creating and sustaining civil society, the benefits of which are consumed by the whole of society. It is in society’s interest therefore to ensure that their contribution in this respect is protected.

Key words: Social entrepreneurship • Business principles • (Social) innovation • Nonprofit Organizations

INTRODUCTION

In this continuous changing business environment, introducing new dimensions turn out to be compulsory. Providing high quality and good service are not just at the end of the business. Social entrepreneurs have to be smart enough among the rivalry. They have to prepare for the offensive and defensive attack from the competitors as well as from the customers. In management literature, the issue of social entrepreneurship is a relatively new and fast growing topic. Social entrepreneurship is an emerging area of investigation within the entrepreneurship and not-for-profit marketing literatures [1-3]. For the last few decades in all over the world, social entrepreneurs are regarded as value adding people to the society as a result of their own initiatives through which jobs are created in the society and equitable redistribution of wealth is ensured [4]. Therefore, social entrepreneurship seems to represent a powerful means in tackling the global, social and environmental challenges in an increasingly innovative or economically sustainable and self-sufficient way [5].

Though, several studies on entrepreneurship were conducted by several academicians all over the world in different countries [3, 6-10], however, the issue of social entrepreneurship got immense importance in the eyes of the researchers recently. Moreover, data are very limited in the context of Malaysia [11], especially for Muslim entrepreneurs [12, 13]. Realizing these current needs and trends, this study aimed at exploring the research gap and proposes a model of social entrepreneurship for Muslim social entrepreneurs through understanding the current level of practice of social entrepreneurship among the Muslim entrepreneurs in Malaysia.

Literature Review

Social Entrepreneur: The individual entrepreneur is a person who perceives opportunity, finds the pursuit of opportunity desirable in the context of his or her life situation and believes that success is possible and these three elements are those that distinguishes the individual from the vast majority of the populace [14, 15]. The ability to perceive opportunity is often founded upon deep personal knowledge and experience in products and markets [16]. However, the desire to pursue opportunity on the part of an individual is often the result of a complex balancing of risk and reward [17]. Another study expressed that “social entrepreneur is one who invests personal and borrowed funds into business ownership and stands the personal risk of money, time and other
commitments in an attempt to generate cost proceeds greater than the expenses and costs of receiving the business” [18].

**Social Entrepreneurship:** Social enterprises are different from conventional enterprises because social enterprises aim to optimize the value for social ends [7]. Conversely, the concept is still very unclear to many people as they understand it as ‘not-for-profit’ charitable organizations with the sole dependency on the findings from others [6]. However, social entrepreneurship is a voluntarily kind of organization that provides services to the society for free [19]. Gendron defined social entrepreneurship as “an effective mechanism for generating value in societal, economic and environmental forms” [20].

Social entrepreneurship involves the promotion and building of enterprises or organizations that create wealth, with the intention of benefiting the society [20]. Yunus illustrates social entrepreneurship as “a social business is a subset of the idea of social entrepreneur, basically an enterprise that uses free market principles to address a pressing social problem—such as poverty, homelessness, or the needs of under-privileged children. It must be profitable and sustainable, but instead of profit going back into the pocket of the stockholder, it is reinvested into the business” [21].

However, social entrepreneurship is different from the traditional entrepreneurship in terms of their vision and objective [13, 22]. While traditional entrepreneurship always looks for profit maximization; the social entrepreneurship works for the betterment of the society rather than engaging in generating profits [23]. Furthermore, social entrepreneurship extensively works on the societal development [24]. Hence, social entrepreneurship is an alternative, which will help in exploiting opportunities for social change and improvement, rather than traditional profit maximization [3].

**Social Entrepreneurship from Islamic Perspective:** Social entrepreneurship has also been discussed in the holy Qur’an. In Islam, helping the poor through charity and donation are emphasized in many verses.

“You cannot attain to righteousness unless you spend (in charity) out of those things which you love” [25].

“People always have been invited to charity and Ehsan in the Qur’an and we cannot find a chapter in Quran that does not say about budding life or property in the way of God” [26]. In addition, Allah loves those people who help others.

“Do good to others, surely Allah loves those who do good to others” [27].

The Prophet also said: “Give charity without delay, for it stands in the way of calamity” [28].

The Prophet Muhammad (peace be upon him) said: “Every Muslim has to give in charity. The people then asked: (But what) if someone has nothing to give, what should he do? The Prophet replied: He should work with his hands and benefit himself and also give in charity (from what he earns). The people further asked: If he cannot find even that? He replied: He should help the needy who appeal for help. Then the people asked: If he cannot do (even) that? The Prophet said finally: Then he should perform good deeds and keep away from evil deeds and that will be regarded as charitable deeds” [29].

According to Al-Attas, based on the Islamic principles, businesses should be conducted for the well being of the society [30]. Hence, this will help in the societal advancement which will ultimately bring the blessings of Allah. Furthermore, in understanding the Islamic values, another study has pointed out that every Muslim entrepreneur and related supporting agent should work towards greater productivity [31]. The authors further elaborated that there is a need to empower the Muslim entrepreneurs’ vision which will generate more products in a good way which is attributed by Islam.

**Methodology:** Qualitative research method has been used to understand the current level of practices of social entrepreneurship among the Muslim entrepreneurs in Malaysia. Case study approach was considered as most appropriate method for data collection [32] on the private social enterprises working in Malaysia as this facilitates in assessing and evaluating the particular phenomenon more intensely [33]. A semi-structured questionnaire was developed for this study. For this study, only Muslim entrepreneurs were considered those are involved in social entrepreneurship in Malaysia. The sample size of five (05) was considered sufficient keeping in mind the cost and time associated with it [34].

For this study, data were collected from four (04) states namely Kuala Lumpur, Penang, Malacca and Johor Bahru. Interviews were conducted through January 2013 till February 2013. Convenient sampling method was adopted to identify the respondents for this study. Interviews were conducted in person. Information about the study was clearly explained before the start of the interview. The participants were further assured that, the data would only be used for academic purposes and their particulars would not be disclosed in any circumstances.
However, researchers might contract them in the future to recheck the interpretation after coding to avoid researcher’s biasness. Permission was taken for audio taping before the interview begins to ensure that none of the evidences is overlooked. Most interviews were lasted approximately 30 minutes.

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

**RESULTS AND DISCUSSION**

None of the interviewee approached declined to participate in the interview. All the participants were asked similar questions that helped in identifying the key factors for the proposed model. The extracted themes were; overall concept regarding social entrepreneurship, motivation for involvement, value creation and sustainability.

**Overall Concept Regarding Social Entrepreneurship:**

Question was asked about the participant’s opinion regarding social entrepreneurship. From this, the researchers have found that, though social entrepreneurship is a kind of voluntary involvement, however, this is no way a form of charity work that they do for the society.

**Question 1: How do you explain the term “social entrepreneurship” to a layman?**

**Participant 1:** Any organization whose prime purpose is not to merely make profit but to benefit society using a business model. So, in that case simply means being a sustainable organization with an income.

**Participant 2:** It’s a process whereby the creation of new business enterprise leads to social wealth enhancement so that both society and the entrepreneur benefit.

**Participant 3:** Social entrepreneurship is about helping the society without thinking about profit.

**Participant 4:** It is the hybrid of business and social motivation. So, here your social motivation is married with business discipline. The returns would be profit both social and physical.

**Participant 5:** Somebody who runs their own business with a unique type of product.

**Question 2: Which aspects of your organization’s contribution can we link to the concept of social entrepreneurship?**

**Participant 1:** All the services we offer are the betterment for the society. There is no profit margin at all. And the only if we talk about profit margin, is more to cover the costs of our office. This office is going to be a resource center. The books here are for people to come and study on how to manage children, etc. It’s all for free.

**Participant 2:** We are promoting the well-being of children in Malaysia which we do for free for the society.

**Participant 3:** We help visually impaired persons to overcome their visual problems. We also prepare them for a vocation, secure gainful employment and enable them to be independent through our vocational courses. In this way, we help them to upgrade their quality of life and provide opportunities for full integration.

**Participant 4:** We function as a social enterprise alliance. Being a social enterprise organization, we believe that organizations are change makers. And, the events and talks can buy your motivation to bring change or awareness on how to be more sustainable for individual organizations.

**Participant 5:** Support for NGOs – financial and man power, facilitation of volunteers visiting various projects around the country and unique concept when first started – a few similar organizations now exist.

**Motivation for Involvement:** In this study, the researcher has found that motivation plays an important role on the engagement in social entrepreneurship. When questions were asked related to motivation, answers were almost similar which is benefiting the society as a whole.

**Question 3: Do you consider yourself or your organization a social entrepreneur? Why?**

**Participant 1:** Yes, we do. Because we don’t want to depend on funding only. So, we want to be self sustaining. So, we want to provide services where we charge an amount which is reasonable. We also seek funding whenever possible. But it’s not our sole
dependency. So, if we get funding we end up, we don’t take the funding as a profit, but we take the funding as something to subsidize our services to the community.

Participant 2: Technically, yes. Technically, because we are the national non-governmental organization (NGO) and we depend on funding for our survival. However, this funding we are not using for ourselves. Rather, we seek funds to help the children. In that sense, we are actually spending the grants for developing the society. We are trying to combine the business activities with the society.

Participant 3: Yes. We aspire to create equal opportunities for visually impaired persons so as to enable them to enjoy the same quality of life as the sighted.

Participant 4: Yes we do. Because, we are nonprofit organization where we counsel things of ways to sustain impact.

Participant 5: I think we are because our profits are being used for a core purpose which has a social aim and objectives. Our directors don’t take dividend each year.

Question 4: What made you or your organizations engage in social entrepreneurship?

Participant 1: I think we just want to ensure we can sustain in the long run. By being an organization that is run on a business model, we have more independence; we don’t have to depend on anybody. We can get more sustainable.

Participant 2: There are many NGOs dedicated to raising funds but the involvement with the communities is still minimal. Being an entrepreneur, social or otherwise, requires something more. It must be defined as doing things in ways that have not been done before. This enables us to dedicate ourselves, our ideals, skills and intelligence toward directly addressing some of the most urgent issues affecting our children.

Participant 3: We have a long history. It was established in 1951 by a retired British army officer who was blind himself in an operation and afterwards it was taken care by the Department of Social Welfare to look after the general well-being of blind persons Malaysia.

Participant 4: I see SEA as the engine that works and sees opportunities and it sees the need for innovation and the need for patriotism to change in the way that NGO can be self sustainable. As well as having a vision as an attacking the underline problem and eventually reducing the needs by meeting the social needs of the people and same time having a business model. So, it’s like a hybrid.

Participant 5: I always wanted to run by own company and I have also always had a passion for the environment and positive social movements.

Sustainability: Questions were asked regarding how sustainability is possible through social entrepreneurship. Different themes were extracted from different points of view.

Question 5: What does your organization do to remain competitive, i.e. to be better than your competitors?

Participant 1: We are rebranding ourselves, we are changing the logo and making ourselves more current, we identifying gaps in our services, we are identifying what services that we have, all the details you know. So, we increase the quality of the services that people come back to us on those issues.

Participant 2: We organize free monthly talks by reputable chief executive officers (CEO), who share information on their personal life and corporate experiences. This way we develop from within.

Participant 3: Blindness is not the end of the world. In our Gurney Training Centre for the Blind, we provide the blind with rehabilitation and vocational training services. This includes, rehabilitation training, counseling, orientation and mobility, communication skills, social skills and so many things. We also provide vocational trainings on woodwork, massage, reflexology, telephony, computer literacy, etc. This program helps the visually impaired persons to acquire knowledge and skills that is required for employment.

Participant 4: We are different because it’s a hub as we are dealing with lot of organizations from the arts to education dealing with children can come here and can get something out of it. Like give them advise, or a way to sustain themselves. We cater to lot more than the competitors.
Participant 5: Addressing each issue individually. For example, each village, school etc is different so needs a different solution.

Question 6: What forms of contribution has your organization made so far for the well-being of the society?

Participant 1: We do many things. For example, we are writing that report about the status of the children for UN using funding from different agencies. We are doing the capacity building for not profit. So, we help develop NGO management skills. We help NGOs to be transparent, accountable and so on. So, we offer a service. We also educate people on how to educate children.

Participant 2: We have recruited volunteers to make a planned and cooperative business. There are a lot of difficulties, mostly about finance. But we are walking on the road. We are going to start a small cooperative enterprise where we will engage the poor people and their collective efforts will be facilitated for their individual change.

Participant 3: In order to accommodate the changing needs, demands and challenges of the modern world, we strive constantly to improve and expand our services for the betterment of visually impaired people by introducing new courses and acquiring new equipment. Currently we offer four major courses such as massage, reflexology, front desk telephone operation and woodwork with a aim to preparing them for employment. This would otherwise a liability for the government to think about the visually impaired persons. But, we are taking care of this special group of people of the society on behalf of the government.

Participant 4: We look at the bigger picture so it can take a step back. And it can look at what’s going on in the organization and circle as a whole. And, detect what is needed to be done. And having events, talks are defiantly helpful in that sense.

Participant 5: Allowed over 3000 people to volunteer around the country between 2006 and 2012. These volunteers have helped various projects from community and school projects to turtle conservation projects in Malaysia. A lot of the projects we support have a core cause which is often social or environmental. We have been teaching the school children in the Perhentian islands English since 2010.

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

Question 7: Could you please suggest a few ways social entrepreneurship can create and sustain wealth for your organization?

Participant 1: There’s always a demand for certain services and certain goods that regardless whether you are a non-profit, a charity, an agency, or a public or private company, you all need services. Why should those services only be provided by the private organization? But there is a social enterprise provides those services or goods depending on what it is. It’s a matter of choosing that right marriage between how you develop society and how you make money.

Participant 2: There is no reason why entrepreneurs can’t enhance social wealth and also generate fortunes for themselves. Social entrepreneurship is an alternative to governments undertaking the task of solving societal problems.

Participant 3: Our activities are extended all over the country. These include educational programmes, rehabilitation courses, vocational training and placement service. In addition, MAB also runs a Braille library, a Braille Publishing Unit, an Information Technology Centre, Resource Centre and a Sale and Production Unit to generate income.

Participant 4: I think, social entrepreneurs look for long term social return on investment. So, they want more than a quick hit. They want a lasting improvement. So, much like entrepreneurs, social entrepreneurs work towards creating space, creating avenues and the aim is to opening modest avenues. And I think, the way we can sustain ourselves is like other entrepreneurs look towards investors, we look towards social investors. So, it’s just grabbing our market where are our target is.
**Participant 5:** I believe social entrepreneurship is all about creating wealth whilst benefitting a core cause (this could be financial benefits for the people involved). One example could be to encourage more people to produce their own handicraft and then for this to be sold to a global market via our website for a commission fee.

**Question 8:** How do you practice social entrepreneurship in your organization?

**Participant 1:** Our whole purpose is to benefit society in particular children, anyone below 18. Everybody gets paid, a fair wage you know, for the services they offer. So, they don’t depend on charity, they don’t depend on the goodwill of someone. We don’t depend on volunteers. Because, we respect whoever does the work. If you do good work, you should be paid for your time. Otherwise, what will happen is society will only benefit from rich people because they are only one who can afford to work for free. Everybody else will have to be looking for work. So, they giving everyone an opportunity to contribute to the society I think.

**Participant 2:** By creating enterprises that are able to sustain themselves financially and at the same time help the society and the environment as a whole. We refer to businesses that have a triple bottom line of ‘people, planet and profit’ instead of the traditional single bottom line.

**Participant 3:** The Malaysian Association for the Blind always works towards creating greater public awareness concerning the abilities and capabilities of the visually impaired persons under its charge. This is to ensure their better integration into the society and a better quality of life.

**Participant 4:** Social enterprises like us are change agents for society. We see which part of the society or NGO needs help and which is stuck and we find and we help get them out of that stuck. And catering the program to personalize for the NGO seeing in to what they need in that period of time. So, it’s very personalized in that sense.

**Participant 5:** Our profits are being used for a core purpose which has a social aim and objectives. For example, in 2013 we will use our profits to help create and fund a ladies group on the Perhentian Islands – Perhentian Islands Ladies Association.

**Proposed Social Entrepreneurship Model for Muslim Social Entrepreneurs:** Understanding the overall concept of social entrepreneurship is very important element. The findings from this study confirms that social entrepreneurship involves in the societal development by making minimum amount of profit as this is not the prime object for social enterprises. This also confirms the similarities with the past findings [16, 22, 35, 36].

Regarding the motivation for involvement, result shows that motivation plays an important role on the engagement in social entrepreneurship. Different opinion exists between the participants regarding the financial sources. Some have denied depending on the funding as a major source for the financial survival. Others agreed on the donation as to support their existence. However, none of these social enterprises accept this donation as their soul dependency. They all want to be self sustaining. Moreover, as this is not the prime source for their business operations, they are more independent.

In terms of value creation, social entrepreneurship can make a difference. As social entrepreneurship is different from other forms of entrepreneurship, this helps the society in creating values in a creative way. The demand for certain services and certain goods are always there. However, sometimes these demands cannot be fulfilled only by the private organizations. Hence, social enterprises are there to provide such services. It is like linking between how they develop society and at the same making money. However, creating value does not always mean making money. It can be done in many alternative ways (e.g. providing education for underprivileged youths). This helps in educating the underprivileged youths who intern become asset for the society rather than liability.

Finally, in terms of sustainability, social entrepreneurship is benefitting the society in some way. The sole purpose is not profit maximization. Thus, delivering services to the society becomes mandatory in the further development and sustainability [37, 38].

Hence, basing on the above discussion, this study proposes the following model for social entrepreneurship for Muslim social entrepreneurs.

In this model, initially, social entrepreneurs are motivated through their personal characteristics, goals, willingness to help the society as well as thinking for societal benefit. Once they are motivated, they start operating their social enterprises. These are funded through internal (e.g. self investment) and external sources (e.g. donation). Then they sustain themselves by implementing their entrepreneurial strategies and
management. Once they are sustained, they create value for the society (both monetary and non-monetary). This finally leads to the creation of new social entrepreneurs.

CONCLUSION

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

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

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

Finally, no study is perfect. This study is also not beyond limitations. The main limitation of our study is that, the proposed model is not yet empirically tested. Thus, future studies need to be conducted to test the proposed model empirically. This will enable the generalization of the study findings.

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