

Factors Contributing to the Sustainability of Social Enterprise

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Abstract

Social enterprise lately had been seen as the platform for economic growth and income enhancer to the community. Throughout the world government, universities, industry, and non-governmental organizations had significantly supported the development of social enterprise. The concept of social enterprise is also known as “social innovation” which address to the way of social need with more innovative way. Hence, this paper presents factors that contribute to the sustainability of the social enterprise. The personal interview had been conducted among those who are involved in social enterprise in order to generate the contributing factors. The identified contributing factors are leadership capability, rare product and services, ethics and commitment, capacity building, fundraising capability, policy and infrastructure and marketing.

Keywords: Social Enterprise, Sustainable, Community Development, Sustainability Of Social Enterprise

Background

Social enterprises are innovative, mission-driven businesses come in many models and purpose lies at the heart of them all. Social enterprise concept may or may not intersect with “social innovation,” which also address a social need in a new, innovative way. (Motter, 2019) Social enterprise (SE) had become an important avenue for economic growth and income accelerator for community. Due to its justified existence social enterprise in certain countries had become the key resources for the government’s social innovation and community economic development (Wolk, 2007). Throughout the world, more institutions had engaged themselves to the development of social enterprise as the partners, facilitators and supporting systems. However, some scholar had point out the importance of the strategic

role of the key partners in order to sustain and enhance of the social enterprise (Abang et al., 2018).

The types of social enterprise are such as the external, integrated, and embedded model. The embedded model is where the product or service offered, directly solves one of the social or environmental needs target for. Which means each unit or hour sold, has a direct positive impact towards the mission and vision. On the other hand, the integrated model is where a social enterprise's revenue making activities take place that will fund some of the social activities by that particular social enterprise itself (Battilana et al., 2022). In other words, Haigh and Hoffman (2019), highlighted that business side of things will also contribute directly to other types of social good. On the other hand, the external model is very interesting because it means any business can be a social enterprise without necessary having any social or environmental goals linked directly to their product or service. But instead collaborating with other social enterprise by funding them (Freer, 2019).

Literature review

The sustainability of social enterprise is important to enable its continuity in benefiting the current community and its future generation (DETR, 1999). However, the sustainability of social enterprise to be competitive depends on ability to possess value, rare, inimitable, and substitutable resources comparatively to its competitors (Barney, 1991). On the other hand, according to Smith et al (2018), organizational capabilities, collaborative networks, overarching growth orientation, and legitimacy as influential in the success of social enterprises. In addition, growth orientation is generally associated with the intent to achieve profitability (Jenner, 2016). Leadership is important to ensure the social enterprise to keep on synergizing the team that are instrumental in mobilizing the social enterprise (Heinecke, Kloibhofer, & Krzeminska, 2014). It is important to note that product uniqueness can contributes to customer experiences utility (Franke & Schreier, 2008). In addition, trust development is positively influence by the ethical practices and commitment to customer orientation, which eventually lead to satisfaction (Bejou, Ennew, & Palmer, 1998).

On the other hand, capacity building can strengthen social enterprise to improve its capacity and freedom to advance the sector performance for better outcome (OECD, 2017). Wongphuka, Aroon, Phainoi and Long (2017), indicate fund raising competency encompass ability to gain public attention and social partnership donations or aid assistance as well as various approaches to gain more resources such as implementing activities, producing goods, and public services. It is vital to have discussion and meetings in order to close the gap between policymakers and social entrepreneurs at the local, state, and federal levels for policy, legitimacy and other form of support system. These new initiatives constitute in governmental support of social entrepreneurship for leveraging the successes of social entrepreneurs into enduring solutions for the nation's most pressing social problems. Government leaders and social entrepreneurs have an opportunity to generate enormous social benefit, if they can find ways to work in true strategic partnership (Wolk, 2007).

Besides, the role of the government to provide related infrastructure for social enterprise are inevitable as it can contribute significant impact to the scaling up of the social enterprise (Scottish Government, 2016). For a social enterprise, marketing capability relates to the capacity to look for opportunities and new social markets to open up or introduce to the

public. It also involves in persuading new joiners to share ideologies of the social enterprise. Besides that, marketing includes the presentation of goods and public services or various activities for society, building trust to society (Wongphuka, Aroon, Phainoi, & Long, 2017).

Conceptual Framework

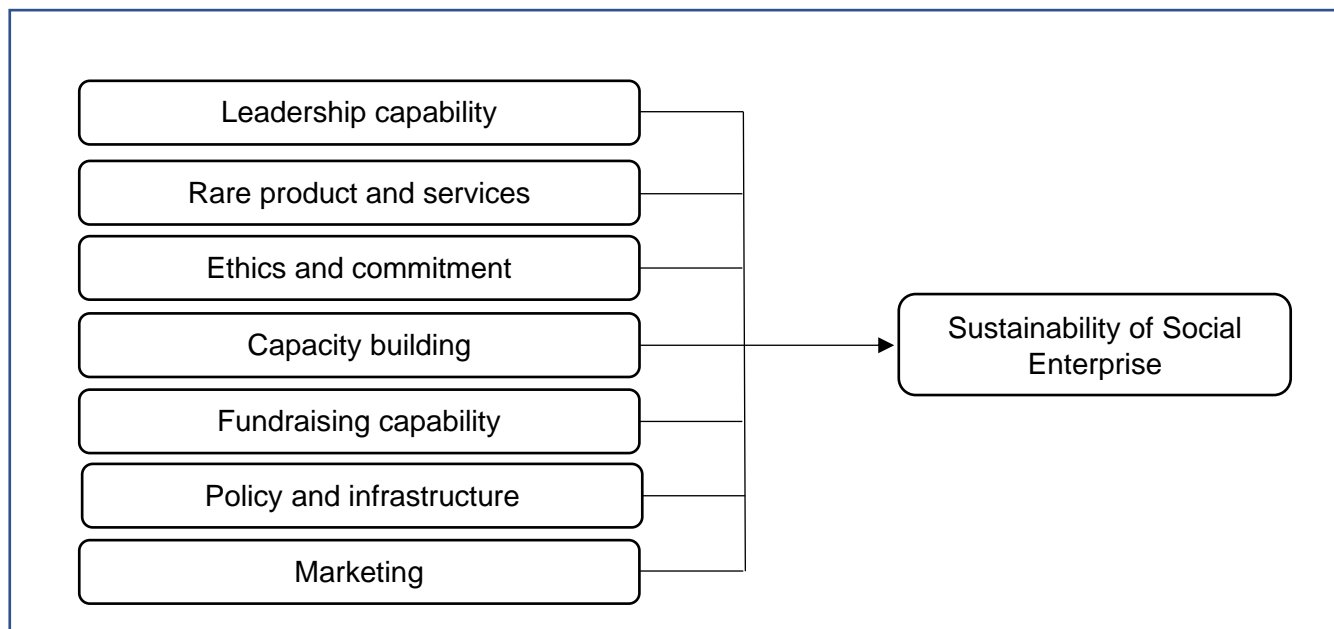


Figure 1: Factors contributing to the sustainability of Social Enterprise

Methodology

This paper aims to present the key strategic factors that contribute to the sustainability of a social enterprise. The identified factors for presentation were extracted from personal interviews with six informants that are involved in social entrepreneurship programs and the key persons involved in decision making of the supporting systems. The purpose of conducting a personal interview survey is to explore the responses of the key informant in order to gather more and deeper information with regards to the factors contributing to the sustainability of social enterprise (Qu & Dumay, 2011). All of the SE informants are involved in an ecotourism project which engaged the local community. Besides the personal interviews, some observations were also being conducted in the first quarters of 2019 among the social entrepreneurship project in Samarahan, Sarawak, Malaysia. Observations were being made by viewing and recording the actions and behaviors of participants during the engagement on the management of SE projects (O'Connor & Baker, 2017).

Analysis

Table 1

Factors contributing to social enterprise sustainability

Leadership
<i>"It is very important for a leader to bring us together to the vision of the project" (R1). "...besides it is significant that the leader groom new potential leader..." (R1). "...some of the social enterprise projects are cooperative...have to change the leading team frequently ...according to cooperative rule" (R5). "Most of the times a leader can motivate us...when we are down" (R4). "...should have a strong network ...will help the project a lot" (R3). "Exactly ...if he can find opportunity for our project...that would be excellent" (R2). "...well how they find opportunity need their past experience too...because it helps them how to get that opportunity" (R6).</i>
Rare product and services
<i>"Our tourism product are based on our unique culture and nature ...very different from others" (R2). "Some of food and beverage offered are our recipe...we used our unique and rare local material... our own raw material" (R1). "We need to understand...competitor have difficulty... that we can last long if our competitor cannot copy our product" (R4). "If we can ensure the process of making our product remain secret ...our competitor wouldn't be able to compete effectively" (R3).</i>
Ethics and commitment
<i>"Members commitment on the project is a must...otherwise who is going to run the project?" (R4). "I see that if we want our collaborator trust us...we must do our project properly...otherwise how are we going to get support in future?" (R4). "Managing the fund provided by the agency need to done well...be transparent and keep on reporting them" (R1). "Achieving the goals of all parties is win-win achievement" (R6). "Our partners are the travel agencies, also our suppliers and University students...they need our commitment so that they trust us" (R2). "People coming to our project and spend their money...we should give the best" (4). "...repetitive cooperation in running the project with all related agencies in long run will build matured relationship" (R5).</i>
Capacity building
<i>"We need more training especially on communication skills ...this helps a lot in our operation ...especially those foreign language too...teambuilding too..." (R1). "Various area in management is important which are financial...not forgetting digital technology...because the government promote digital economy...positive impact to our project" (R3). We have the homestay...so important for us to have this housekeeping...cooking...for food serving for our guests" (R4). The visitors need guide to bring them around the village...who can speaks well with them...about culture and some interesting sites and activities (R1). "...I see its important for the university to train the local community in many aspect...it's for everyone good" (R5). "I agree... proper planning for capacity building with various stakeholders...not only the Universities but others too...government agencies and industry" (R6). "...about the NGOs?...they can play their part too" (R2).</i>
Fundraising capability

"This Social entrepreneur cannot rely on their sales alone...is there any possibility? I think they should do fundraising such as fund-raising dinner to have funding" (R6). "Capacity building is quite expensive investment...so need to collaborate with others such as GLCs...and government ministries too...they also need participants too..." (R2). "We can seek contribution from the local community...its their investment too for our project" (R3). "Ability to prepare good and convincing working paper would make some impact for fund..." (R6).

Policy and infrastructure

"...We need formal procedures and policy...so that we know what to do...how to get permits...grants...license too...so that easy" (R1). "How to apply ...sometimes we don't know...bureaucracy...better do briefing or seminar" (R2). "Our project need proper electricity...water supply...roads, public toilets...Surau also important...Internet connection and telephone coverage...too" (R4). "When we bring people river cruising or fishing ...need proper jetty ...pontoon" (R6). "...also It's the road need electric too...sometimes too dark...signage for visitors...also the dispensary important" (R5). "...that is why the community, or their representatives should be invited to various meetings with the agencies...so that most planning we also contribute...that's why...because we are on the ground" (R3).

Marketing

"We also do nature, culture, heritage...that's why it ecotourism...where our social entrepreneurship project...we have excellent product/package...sometimes difficult to market" (R4). "the selling point for our product...we need assistance/advisory so that we can sustain" (R3). "I think proper strategy should be done...that is to make it clear and seen on the product...correctly so that there are demand...this can prolong the project (R6). "University students are the young one.... they play with gadget...they understand well what are the needs.... we should bring them in...let them guide us too" (R1). " they can help us...do the websites and get the payment there for our product" (R2).

In accordance to Table 1, The identified factors can be can be analyze further to the underlying items highlighted in Table 2 that can lead to sustainability:

Table 2

Factors and underlying items

Factor	Underlying items
Leadership	<ul style="list-style-type: none"> i. Visionary ii. Succession plan iii. Motivate iv. Strong network v. Create and identify opportunity vi. Experience
Rare product and services	<ul style="list-style-type: none"> i. Unique product ii. Differentiate input iii. Rare material iv. Cannot be copy v. Secret process
Ethics and commitment	<ul style="list-style-type: none"> i. Members' commitment ii. Collaborator's trust iii. Fund management iv. Transparency v. Reporting vi. Customer satisfactions vii. Matured relationship
Capacity building	<ul style="list-style-type: none"> i. Communication skills ii. Foreign language iii. Financial iv. Digital technology v. Housekeeping vi. Culinary vii. Tour guiding
Fundraising capability	<ul style="list-style-type: none"> i. Multi funder ii. Convincing paper iii. Local community iv. Sales
Policy and infrastructure	<ul style="list-style-type: none"> i. Permit and license ii. Understanding procedure iii. Utilities iv. Roads v. Jetty and pontoon vi. Infostructure
Marketing	<ul style="list-style-type: none"> i. Understanding the needs ii. Value proposition iii. Excellent product iv. Market visibility v. Online marketing

Recommendation and Discussions

Based on Table 2, the identified contributing factors are leadership capability, rare product and services, ethics and commitment, capacity building, fundraising capability, policy and infrastructure and marketing. Thus, it is important for the government agencies, university, industry and the NGOs to look into their related functions which can fit to the contributing factors to the sustainability of the SE.

The SE on the other hand, should collaborate with various stakeholders in order to secure various opportunities which might benefit for sustainability and growth in long run. Most of the contributing factor for sustainability discussed earlier might incurred huge investment for SE to execute. In order to capitalized stakeholder resources, in-depth understanding on the stakeholders' key performance indicators and strategic objectives are critically important. The understandings on the SE key performance indicators and strategic objectives are crucial for SE to have convincing ideas and points to stimulate the collaborative intention among the stakeholders. It is also critical for the SE to understand that there are others who are competing for the same resources from the stakeholders. Based on the qualitative input of the data collected, some key strategic factors had been identified which can lead to the sustainability of the social enterprise which are as follows:

Leadership Capability

Managing the social enterprise require visionary leader to spearhead its direction. It is crucial for a leader crucial to understand the external and internal environment of the project. Sharing the vital environment information of the project will enable the members of the project to understand and engage in strategy development. Thus, the team members of the SE will be able to accommodate their daily operational activities in line with its strategic direction (Schöning, 2008). Besides, it is also significant for the leader to guide, motivate and being inspirational to the SE members to scale up the project at the higher heights (Pilbeam & Corbridge, 2010). At the same time, the other role of a leader is to create or spot on opportunities for the SE ride on for further growth development (Burns, 2016). However, this require a leader with wide experience and strong network to discover or create opportunities that are relevant to the SE. Nevertheless, at the same time a leader must groom other potential members as the future leader of the SE. failure to ensure the continuity of SE leadership with proper succession plan will pluck in undesired risks to the SE to sustain itself (Rothwell, 2005). As most of the SE are working on cooperative entity to operate, hence it might be an uphill challenge to sustain its performance as the Cooperative Board Members need to be change every 2 years.

Rare Product and Services

Highly differentiate product and services can be developed when the input of products and services are rare and unique by its nature (Barney, 1991). Thus, in order to remain its competitive edge in ecotourism the SE should ensure it product are based on its surrounding nature, inimitable heritage and exotic culture (Abang Abdurahman, Kasuma, Bujang khedif, Bohari, & Ahmad, 2018). On the other hand, foodservice can pose its uniqueness when the local operator really capitalized the local input with exotic recipes and process with consistent taste and quality. The recipes and its process should be registered as the intellectual property rights so that the local of foodservice operators that act the vendors in supply chain system are properly protected. In addition, other players in the supply chain system such as the boat

operator, homestay, local tour guide, land transport operator, souvenir and cultural performers should ways to differentiate their offerings. Highly differentiated product and service offerings will sustain SE existence and growth as its part of value proposition needed by the market segment.

Ethics and Commitment

Ethical practices and continuous commitment in the process of every stakeholder are the key elements which are always being neglected for sustainable success. Various form of engagement such as dialog will create trusts and cooperation among stakeholders (Gao & Zhang, 2006). The team player of the ecotourism SE should be sensitive to the importance of ethical practice which lead to development of trusts among the members. Trust can be developed among the members once their interests are well taken care off. Besides, being transparent in most of the process and operation will win collaborators' trust particularly when the reporting systems are timely. Consistent and accurate reports are important to every collaborator as they want to see the worthiness of the collaboration. In addition, trust can contribute to faithful commitment for excellent service delivery by the SE members to ensure its survival continuity. Ethical practices are also crucial to tourists as most of tourism product are service which influence their experience. Positive experience outcome will help to build long term trustworthy relationship (Bejou, Ennew, & Palmer, 1998). Likewise, tourists are customers to the SE and their satisfaction are critical for their return and favorable recommendations to others. On the other hand, ethical practices within the SE operational systems eventually create positive projection among the stakeholders. The stakeholders can be the suppliers, travel agencies, Universities, governmental and non-governmental organizations (NGOs) (Abang Abdurahman, Kasuma, Bujang khedif, Bohari, & Ahmad, 2018). These stakeholders are important to the business operation and support systems to the SE as it can lead to matured relationships.

Capacity Building

Another contributing factor for SE sustainability is capacity building of its team members and supply chain systems. As most business transaction is online basis thus it is vital for this technology exposure need to be instill among the members of SE (Zare & Chukwunonso, 2015). Capacity building is a long term and costly investment for the SE to handle alone. Apparently, as many government agencies, Universities and NGOs can play this role technically and financially it is crucial for the SE to collaborate with the respective organizations. However, not all SE are sensitives to these potential collaborative opportunities which will benefit them on capacity building (Huybrechts, Mertens, & Rijpens, 2016). The important areas of capacity building are human resources management capabilities, communication skills, tour guiding, housekeeping, culinary, tour guiding, foreign language, ICT and financial record. Capacity building can be conducted in house or by attachments with the collaboration with various government agencies, Universities and NGOs.

Fundraising Capability

The financial resources are part of business input which any operating entity seek for expansion and product development. SE is no exception on outsource fund dependency for further expansion or product development. Hence, competing against other fund seeker are inevitable which contribute to innovative fundraising approach from various sources (Wolk,

2007). Innovative fundraising approach require experience activists or runner for the SE to ensure its sustainability. The outsource of fund through fundraising can be the venture capitalist, industry players and the crowd (Andruszkiewicz , Bidet , & Mickels , 2014). The capability to do fundraising require experience, networking and in-depth knowledge of the target group on financing.

- i. Multi funder
- ii. Convincing paper
- iii. Local community
- iv. Sales

Policy and Infrastructure

Most of the time various government agencies engaged the commercial entrepreneur, social entrepreneurs, NGOs, Trade Association and others to seek their opinion on related policy development (Wolk, 2007). The policy can be the financial assistance and non-financial business support systems. Consequently, the engagement with various policy makers can be in form of dialog, meeting, seminars, and workshops which the SE should leverage on to sustain (Weerawardena & Mort, 2006). Failure to engaged and being actively involved in such avenue will turn the SE to lose its opportunity on contributing to the policy development which facilitate the development and sustainability of SE. Infrastructure such as roads, bridges, water supply, electricity, street lights, river pontoon, public toilets, signage, dispensary, praying place and internet services for visitors' needs are vital to SE sustainability (Wilkinson , 2014).

- i. Permit and license
- ii. Understanding procedure
- iii. Utilities
- iv. Roads
- v. Jetty and pontoon
- vi. Infostructure

Marketing

The SE which involves in ecotourism had huge challenge to market its product and services to the target market (Banki, 2015). Most of the target market are appreciating culture, nature and adventure which are jive to SE offerings. Hence, the SE need to develop the right marketing strategy and right value proposition for the market segment. Besides, innovative way to highlight the highly differentiated value proposition should be the core. Since most of the SE are run by the rural folks, universities students from various faculties are essential to transfer their knowledge to the engaged community on internet of things (IOT). Besides, leveraging on online booking systems are another approach to market the developed offerings.

- i. Understanding the needs
- ii. Value proposition
- iii. Excellent product
- iv. Market visibility
- v. Online marketing

Contribution

This study adds to the body of information on the sustainability of social enterprises by highlighting important factors that are unique to community-based projects. It emphasises the significance of regional approaches to sustainability and deepens our understanding of how social enterprises function in various socioeconomic circumstances. The study offers policymakers, social entrepreneurs, and community leaders useful information about how cooperation, resource mobilisation, and flexible tactics can increase the longevity of social enterprises. The study also makes suggestions for bolstering institutional frameworks and encouraging innovation to guarantee that social entrepreneurs may successfully meet community needs in the future. Future initiatives to establish robust, community-focused social enterprises that support sustainable development are informed by this research, which closes the gap between theory and practice.

As conclusion, the sustainability of social enterprises within communities is critical for driving inclusive economic development, improving social well-being, and solving pressing societal concerns. By fusing environmental and social objectives with commercial operations, social businesses provide a special framework for generating value that is advantageous to the environment and the community. Their ability to scale without sacrificing their objective, strong community involvement, efficient governance, and access to financial resources are some of the conditions that must be met for them to remain sustainable. The difficulties of sustainability also include the need to adapt to shifting social demands through innovation, regulatory frameworks, and external market forces. Maintaining a balance between social impact and profitability is crucial for social enterprises to thrive, necessitating partnerships, strategic planning, and ongoing learning. Overall, the study emphasises the need of developing strong support structures and regulations to help social entrepreneurs survive and retain their Influence over time.

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