

Exploring Value Creation in the Context of Social Enterprises in Malaysia

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ABSTRACT

This concept paper explores value creation in Malaysian social enterprises by examining their contributions across three interconnected dimensions: economic, social, and environmental. It highlights the critical enabling factors, including leadership, stakeholder engagement, and innovation, which drive sustainable impact within the Malaysian context. Governance and accountability are emphasized as overarching mechanisms that ensure alignment with organizational missions while fostering transparency and trust. Drawing on existing literature and global frameworks, this paper proposes a conceptual framework that integrates these dimensions and enabling factors. The study addresses key challenges faced by Malaysian social enterprises, such as limited standardized reporting, access to funding, and effective governance practices. It also outlines avenues for future research, including impact measurement, technology adoption, and cross-cultural comparative studies. The proposed framework provides a foundation for strengthening Malaysia's social enterprise ecosystem and aligning it with broader sustainable development goals.

Keywords: social enterprises, value creation, governance

INTRODUCTION

Background

Social enterprises are emerging as vital players in addressing societal issues through entrepreneurial strategies. Unlike traditional businesses, social enterprises prioritize social and environmental goals alongside financial sustainability. In Malaysia, the concept of social enterprises has gained momentum with initiatives led by government agencies, non-governmental organizations (NGOs), and private entities. The Malaysian Social Enterprise Blueprint (2015-2018) marks a significant step in recognizing the role of social enterprises in creating sustainable value (MaGIC, 2015). Government efforts, combined with growing societal awareness, have positioned social enterprises as essential to achieving sustainable development goals (SDGs).

While social enterprises are well recognized in Western contexts, the mechanisms and outcomes of value creation in Malaysia are not yet well understood. Value creation is a multidimensional process that incorporates economic, social, and environmental contributions. Although this process has been explored globally, localized frameworks that reflect Malaysia's unique socio-economic and cultural conditions are scarce. This paper addresses this gap by examining value creation within Malaysian social enterprises and proposing a conceptual framework that contextualizes these contributions.

Problem Statement

Despite the growing recognition of social enterprises in Malaysia, there is a significant lack of understanding regarding how value creation occurs and is conceptualized. Many studies focus on Western models of social enterprise, which may not adequately address the specific challenges and opportunities in Malaysia. Factors such

as limited access to funding, lack of public awareness, and ineffective policies further hinder the ability to measure and evaluate value creation. Moreover, social enterprises in Malaysia face accountability and governance challenges that undermine their ability to demonstrate impact. Structural weaknesses, such as a lack of standardized reporting frameworks, exacerbate this issue, limiting their ability to communicate their value to stakeholders effectively.

Currently, there are more than 20,000 social enterprises in Malaysia, yet only a small proportion are formally recognized by the Ministry of Entrepreneur and Cooperative Development (MECD). Most operate as microenterprises with limited annual revenue, highlighting the structural challenges that constrain their growth and impact. Without a cohesive ecosystem and robust frameworks for accountability and governance, the capacity of Malaysian social enterprises to scale and achieve their missions is severely limited.

Research Objectives and Questions

The purpose of this paper is to conceptualize the process of value creation in Malaysian social enterprises by exploring its critical dimensions and key drivers. This study aims to examine the broader mechanisms that enable social enterprises to deliver economic, social, and environmental value within the Malaysian context. The paper focuses on understanding how value creation is shaped by essential factors, including leadership, innovation, and stakeholder engagement, which collectively drive long-term sustainability and measurable impact.

In addition, this paper aims to identify the role of governance and accountability as central components in ensuring effective value creation. As reporting frameworks are crucial for enhancing transparency and fostering stakeholder trust, the study proposes a conceptual framework that integrates economic, social, and environmental dimensions into a cohesive model. By doing so, this paper contributes to the understanding of how Malaysian social enterprises align their goals with sustainable development objectives and provides a pathway for future research and policy interventions.

The central questions guiding this study are as follows: What are the key components that define value creation in Malaysian social enterprises? How do these organizations integrate economic, social, and environmental dimensions to achieve their intended impact? What are the primary challenges that Malaysian social enterprises face in their efforts to create and sustain value, particularly with respect to governance and accountability? Finally, how can a comprehensive conceptual framework improve the understanding of value creation and enhance its measurement and reporting across the social enterprise ecosystem?

Significance of the Study

This paper contributes to the growing body of literature on social enterprises in Malaysia by exploring value creation as a multidimensional process. It provides a detailed understanding of how Malaysian social enterprises deliver economic, social, and environmental contributions while addressing local challenges and opportunities. By emphasizing the importance of leadership, innovation, and stakeholder collaboration, this paper highlights the key drivers that enable social enterprises to achieve sustainable impact.

Furthermore, the study underscores the critical role of governance and accountability in enhancing transparency and fostering stakeholder trust. It proposes a conceptual framework for value creation that can guide future research and policy initiatives aimed at strengthening Malaysia's social enterprise ecosystem. The insights derived from this paper are valuable for policymakers, researchers, and practitioners seeking to develop targeted interventions, reporting frameworks, and capacity-building strategies that enhance the sustainability and scalability of social enterprises.

LITERATURE REVIEW

Concept of Social Enterprises

Social enterprises exist at the intersection of entrepreneurship and social responsibility. According to Yunus (2010), a social enterprise is an organization that addresses a societal issue while maintaining financial

sustainability. Unlike traditional businesses that focus solely on profit, social enterprises prioritize social impact without relying entirely on charitable donations.

In Malaysia, the Malaysian Global Innovation and Creativity Centre (MaGIC) defines a social enterprise as an entity that uses commercial strategies to maximize social impact while ensuring long-term financial sustainability. This definition underscores the entrepreneurial mindset of social enterprises and their role in addressing societal challenges. Social enterprises in Malaysia, therefore, represent a hybrid model that combines commercial success with meaningful social outcomes.

Globally, social enterprises have evolved to bridge gaps where traditional systems fail. For instance, in the United Kingdom, social enterprises address local needs through community-oriented projects, while in Bangladesh, microcredit initiatives pioneered by Muhammad Yunus empower rural communities economically. These examples illustrate how the concept of social enterprises adapts to local contexts and challenges. In Malaysia, the development of social enterprises aligns with the country's economic aspirations under Vision 2030, emphasizing inclusive and sustainable growth.

Value Creation in Social Enterprises

Value creation in social enterprises refers to their ability to deliver sustainable economic, social, and environmental benefits. Economic value, for instance, includes revenue generation, job creation, and the empowerment of local businesses. Organizations like EPIC Homes and PichaEats demonstrate how social enterprises can generate economic value while addressing pressing societal needs. EPIC Homes focuses on building affordable homes for underserved communities, while PichaEats empowers refugees by providing them with employment opportunities.

Social value emerges through efforts aimed at improving quality of life, reducing poverty, and fostering inclusivity. Social enterprises often work with marginalized communities to enhance social equity. For example, organizations that focus on educational initiatives or women empowerment programs contribute significantly to social value by addressing systemic inequalities.

Environmental value is achieved through sustainability-driven initiatives that promote environmental conservation. The Biji-Biji Initiative is a prominent example in Malaysia, known for its upcycling efforts and eco-friendly innovations. By repurposing waste into usable products, Biji-Biji aligns its goals with global sustainability targets, thereby creating environmental value.

The interconnection between these dimensions underscores the holistic approach of value creation. For instance, an initiative that creates jobs (economic value) while promoting women's empowerment (social value) and using sustainable methods (environmental value) demonstrates how social enterprises address multiple objectives simultaneously. However, achieving this synergy often depends on leadership, stakeholder engagement, and innovative practices.

Governance and Accountability in Social Enterprises

Governance and accountability are critical components of value creation in social enterprises. Effective governance ensures that organizations remain aligned with their social missions while fostering transparency and stakeholder trust. In Malaysia, many social enterprises face challenges in establishing robust governance structures due to limited expertise and financial constraints (Bradford et al., 2018). The lack of standardized frameworks for impact measurement further complicates the accountability process.

Accountability involves demonstrating the responsible use of resources and measuring outcomes against predefined social and economic goals. However, without formalized reporting mechanisms, many social enterprises struggle to communicate their impact effectively. The Malaysian Private Entities Reporting Standard (MPERS) offers a baseline for reporting, but it does not sufficiently address the dual focus on financial and social performance that is central to social enterprises (Salin, 2017).

To strengthen governance, some social enterprises adopt hybrid structures, combining features of non-profits

and for-profit businesses. This allows for more flexibility in achieving financial and social objectives. Additionally, frameworks like the Global Reporting Initiative (GRI) provide international benchmarks for measuring social impact, offering Malaysian enterprises valuable tools for aligning with global standards.

The Role of Stakeholders in Value Creation

Stakeholder engagement is vital for value creation, as social enterprises depend on collaboration with various stakeholders, including government agencies, investors, and beneficiaries. Stakeholder Theory (Freeman, 1984) posits that organizations must align the interests of all stakeholders to achieve sustainable outcomes. In Malaysia, the engagement of marginalized stakeholders, such as local communities and beneficiaries, enhances the moral legitimacy and social impact of social enterprises (Taylor, 2023).

However, balancing stakeholder interests can create tensions, particularly when social and financial objectives conflict. Effective governance and accountability mechanisms are necessary to manage these competing priorities and ensure alignment with the organization's social mission.

Public-private partnerships (PPPs) have emerged as critical enablers in stakeholder engagement, particularly in funding and scaling social enterprises. Partnerships between government agencies, corporate entities, and NGOs foster resource mobilization, capacity building, and policy support. For example, the MaGIC Social Enterprise Accreditation (SEA) program relies on multi-stakeholder involvement to certify and empower social enterprises in Malaysia.

Reporting Frameworks and Value Creation

Value creation reporting frameworks are essential for measuring and communicating the contributions of social enterprises. In Malaysia, reporting practices remain inconsistent, and many social enterprises lack the capacity to implement standardized frameworks. The absence of tailored reporting tools limits transparency and hampers efforts to secure stakeholder trust.

Developing a comprehensive reporting framework that integrates economic, social, and environmental dimensions can address these challenges. Such a framework would enable social enterprises to measure their impact systematically, enhance accountability, and attract greater support from policymakers, investors, and the public.

Globally recognized frameworks, such as the Social Return on Investment (SROI) model and the Impact Management Project (IMP), provide structured approaches for evaluating impact. For Malaysian social enterprises, incorporating these frameworks alongside local benchmarks can enhance the clarity and consistency of reporting practices.

Proposed Conceptual Value Creation Framework in Malaysian Social Enterprises

Value creation in Malaysian social enterprises is a dynamic and holistic process that integrates three core dimensions: economic, social, and environmental contributions. These dimensions are interconnected and reflect the ability of social enterprises to generate sustainable impact. Economic value is achieved through entrepreneurial activities, sustainable revenue models, and job creation. By empowering marginalized individuals with employment opportunities and fostering economic inclusion, social enterprises contribute to economic growth and reduce inequalities. Initiatives like PichaEats demonstrate how financial sustainability can be achieved while simultaneously addressing societal needs.

Social value emerges from initiatives that aim to empower marginalized communities, enhance social equity, and improve overall quality of life. Social enterprises address systemic inequalities by focusing on education, health, gender equality, and community development. Programs designed for women empowerment, refugee assistance, and access to basic services serve as critical drivers of social value. Through these initiatives, social enterprises create meaningful change that addresses both immediate and long-term societal challenges.

Environmental value focuses on sustainability and resource efficiency. By implementing eco-friendly practices

such as waste reduction, upcycling, and renewable energy use, social enterprises help mitigate environmental degradation. Organizations like the Biji-Biji Initiative play a vital role in promoting environmental sustainability by transforming waste into useful products. This not only reduces carbon footprints but also raises awareness of sustainable consumption practices within communities.

To drive these dimensions of value creation, leadership, stakeholder collaboration, and innovation are essential enabling factors. Effective leadership provides the strategic direction, vision, and accountability necessary for achieving organizational goals. Leadership fosters an environment that prioritizes impact-driven initiatives while ensuring financial sustainability. Collaboration with stakeholders, including government bodies, private sector actors, and local communities, enhances resource mobilization and builds trust. Stakeholder engagement plays a critical role in expanding organizational reach and ensuring alignment with societal needs.

Innovation, as a key enabler, allows social enterprises to develop scalable and creative solutions for complex societal and environmental issues. Innovation enables social enterprises to optimize their operations, adopt technology-driven solutions, and explore new approaches that enhance value creation. For example, the integration of digital tools in impact measurement has improved transparency and accountability within social enterprises.

The conceptual framework proposed in this paper integrates the three dimensions of value creation—economic, social, and environmental—alongside the enabling factors of leadership, stakeholder engagement, and innovation. Governance and accountability serve as overarching mechanisms that ensure alignment, transparency, and the sustainable delivery of value.

This framework illustrates the dynamic interaction between enabling factors and value dimensions, with governance and accountability acting as a foundation that aligns and sustains the value creation process. Leadership provides strategic direction, stakeholder engagement ensures collaboration, and innovation drives continuous improvement, all contributing to the economic, social, and environmental value delivered by social enterprises.

CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH

This paper explores the concept of value creation within Malaysian social enterprises, emphasizing the interconnected contributions of economic, social, and environmental dimensions. By examining the enabling factors of leadership, stakeholder engagement, and innovation, the paper highlights the critical mechanisms that drive sustainable impact. Governance and accountability emerge as foundational pillars that align organizational activities with their social missions while enhancing transparency and trust among stakeholders.

The proposed conceptual framework integrates these elements, offering a holistic approach to understanding and evaluating value creation in social enterprises. By addressing challenges such as inconsistent reporting frameworks, limited funding opportunities, and governance gaps, this study provides a pathway for strengthening Malaysia's social enterprise ecosystem.

Future research directions, including impact measurement, technological innovation, and cross-cultural comparisons, will further refine this understanding and enable Malaysian social enterprises to scale their contributions toward sustainable development goals.

Future research should explore the development of standardized reporting frameworks for social enterprises in Malaysia. A more robust framework could combine global standards, such as the Global Reporting Initiative (GRI) and Social Return on Investment (SROI), with locally relevant benchmarks to create a comprehensive impact measurement tool. This would enhance the ability of Malaysian social enterprises to measure, communicate, and compare their contributions across economic, social, and environmental dimensions.

Further studies could also examine the role of technology and digital innovation in enabling value creation. As digital tools become more accessible, they provide opportunities for social enterprises to streamline operations, measure impact, and engage stakeholders more effectively. For instance, exploring the adoption of blockchain

technology for transparency in governance and impact reporting could offer significant insights.

Comparative studies across different cultural and economic contexts within Southeast Asia would provide a broader understanding of how local conditions influence value creation. Research could focus on identifying best practices in countries like Indonesia, the Philippines, and Thailand, where social enterprises face similar challenges but adopt diverse strategies.

Additionally, future research could explore the intersection of social enterprises and public policy. Evaluating the effectiveness of government initiatives, such as funding programs and social enterprise accreditation schemes, would provide valuable insights for policymakers. This would help in designing supportive ecosystems that facilitate the growth and scalability of social enterprises.

Lastly, longitudinal studies that track the long-term impact of social enterprises would offer deeper insights into their sustainability and contributions. Such studies would enable researchers to analyze the dynamic nature of value creation over time, including changes in stakeholder expectations, governance practices, and innovative strategies.

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