Social Entrepreneurship Orientation Effect On Firm Performances: A Conceptual Framework

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Abstract— Research on social entrepreneurship has been variously published and dedicated to conceptual frameworks, synthesizing and integrating past study in fast growing economies environment, conducted to examine its performances in many angles. This is important since social entrepreneurship has become a new trend in business model globally, and the trend also prevails in Malaysia’s commercial market. Although numerous studies have been done, research on social entrepreneurship orientation have not delved into firm performance especially company with social mission objective. Therefore, this theoretical paper will focus and focus on direct relationship on social entrepreneurship orientation as independent variable toward firm’s performance. Furthermore, this paper focuses on reviewing the social entrepreneurship performances especially in Malaysia. This study is important since the social entrepreneurship continues to grow substantially for future national economy development as per stated by join partnership report by British Council, Yayasan Hasanah, United Nation ESCAP and Ministry of Entrepreneurship Development in “The State Of Social Enterprise In Malaysia”. To have an impact of the result, this study will implement Structural Contingency theory since it has been widely used in previous research especially to test the ‘fit’ factors between variables. This conceptual paper aims to develop understanding on diversity, meaning, and evolution of the social entrepreneurship phenomenon in the context of emerging economies; including to facilitate the community of social entrepreneurship researchers and practitioners respectively. It also can advance research in this domain with the aid of the proposed framework and the research questions proposed for future research.

Keywords— Social Entrepreneurship Orientation; firm performance; Theory of Contingency; social mission.

I. INTRODUCTION

Economic instability has resulted in high rates of deprivation, social issues, unemployment and a variety of long-term impacts on the world as a whole. Bilateral relations among nations have also in some cases contributed to this situation. Encouraging people to engage in the business sector appears to be the best way to eradicate the issue. Fortunately, as it is seen as a way of solving the above-mentioned issues and achieving universal social justice (Kostetskia et al., 2014; Jain., 2012) major changes are taking place over this millennium. Researchers also believe that social entrepreneurship has become a new phenomenon in eradicating economic problems and the social welfare issues (Zahra et al., 2009; Robinson et al., 2009; Mohd Adib et al., 2014).

Internationally, social entrepreneurship plays a critical role; not only in terms of social effects but also in greatly adding to the economy. Social impact among entrepreneurs has grown rapidly across global stages, which can be seen as a growing number of start-ups taking the form of a social enterprise where their businesses are based on a social mission. United Kingdom (UK) as comparison; showing around 100,000 social enterprises which contribute £ 60 billion to the UK economy and employs 2 million people (The Star, 2019). Ironically, the 2018 study by the British Council found that Malaysian social enterprises are largely sustainable and profitable companies. In addition, a British Council study reported that more than 20,000 social enterprises have already made progress in Malaysia (despite challenges and few difficulties), and more is to come. About 37 percent of respondents made profits while 32 percent also divided. The surveyed showed that in 2017, social enterprises generated an average income of RM234.071. Many social companies therefore aim to expand their operations by launching new products and services to increase their businesses, attracting new customers and globally expanding (British Council, 2018).

Incidentally, Malaysia’s growth of social entrepreneurs is also influenced by the current societal problems, which involve numerous cultural backgrounds and beliefs. With global recognition of the sustainability philosophy, the intangible dimension of product and service marketing sustainability strategy also needs to be addressed in particular in the in-term. Business community committed to adopt a range of approaches to remain significant in the marketplace and ensuring that threats and rivalries continue to be addressed. While social enterprises obviously need to catch up even faster by implementing and sustaining sustainability marketing strategy by championing the
environmental and societal problem. Thus, this research aims to contribute to the literature with the goals of achieving a better understanding of social entrepreneurship performance and the factors preceding the formation of this goal among Malaysian social entrepreneurs.

In order to examine relationship between variables, this study will implement a behavioural theory called Contingency Theory introduced by Fiedler (1967). This theory states that there is no easy way to manage a firm (Gardner et al., 2000) and firms that are effective in some situations may not succeed in other situations because performance id only improved by proper matching (Naman & Selvin, 1993). This performance also refers as internal and external factors (Lumpkin & Dess, 1996; Raunch et al. 2009) which encompasses industry conditions, strategies, environments and organizations (Lawrence & Lorch 1967, Donaldson 1996, Zeithaml et al. 2001). Consequently, firm effectiveness and performance depend on the extent to which a company can manage those factors (Shuhymee Ahmad, 2011). Contingency theory approaches are used as the basic theory in the studies on the relationship between the variables of entrepreneurial orientation and business performance (Lumpkin and Dess., 1996; Zahra & Covin., 1995; Davis., 2007; Krieger., 2004; Lumpkin and Dess., 2001). The use of a contingency framework has been prevalent to examine entrepreneurial orientation and performance comprising innovative, proactive and risk-taking business performance variables (Covin & Slevin 1991; Zahra & Colvin 1995). Shuhymee Ahmad (2011) in his research using instrument of entrepreneurship orientation on Small and Medium Enterprises (SMEs) in Malaysia states that contingency theory can describe a company’s performance or effectiveness, depending on how a company manages its contingency factors successfully.

II. MATERIALS AND METHOD

A. Social Entrepreneurs Progress in Malaysia

Based on current economic conditions, in the field of economic studies, social entrepreneurship has become one of the important topics since it’s activities are particularly important in developing countries such as Malaysia to reduce social problems (Saifuddin Abdullah, 2009). However, to what extent are social entrepreneurship taken seriously; especially in terms of its firm success and in the achievement of its social and environmental mission objectives? In this case, since the idea behind social entrepreneurship is to promote long-term benefits for society and the environment (Adnan et al., 2018), scholars emphasized the need for research on social entrepreneurship Asia; to provide a detailed image of this phenomenon in various cultural and geographical locations, both globally and locally (Chell, Spence, Perrini, & Harris, 2016; Liang, Chang, Liang, & Liu, 2017).

According to Siti Delilah et al., (2018) an analysis on trend of social entrepreneurs shows that the exposure of Malaysian students to social entrepreneurial activity was likely to have a massive potential to become social entrepreneurs. Social enterprises also already moving through the government initiative to create the Malaysia Global and Innovation Center (MaGIC) (Raudah Mohd Adnan et al. 2020). The aim of measuring the knowledge of social entrepreneurship on the above study is due to the function of knowledge as a decisive factor for Malaysians in choosing whether they are in favor or against the idea of becoming a social mission entrepreneur [5]. In addition, through strategic plans such as National Entrepreneurship Policy 2030 (DSN 2030), the government has expanded its focus on social entrepreneurship. The document was explicitly stated on Strategic Core 3: Encouraging Integrated and Holistic Entrepreneurial Development. The strategy contends that to improve social entrepreneurship requires awareness raising and understanding the idea of social entrepreneurship, promoting and creating market prospects as well as corporate sustainability and introducing the Inclusive Business Model (IB) for micro-enterprises in the large value chain (Kementerian Pembangunan Usahawan, 2019).

B. Entrepreneurship Orientation (EO) and Firm Performance

Ultimately, previous research concludes that the firm performance among SME entrepreneurs is affected by internal factors, including financial, sociological and demographic characteristics (Khairuddin, 2002; Dollinger, 2003) and external factors consisting of consumers, rivals, suppliers, states, non-governmental organisations, lenders, labour unions, labor unions and communities (Mohd. Khairuddin 2002, Kuratko & Hodgetts, 2007). This study focuses on demographic and sociological influences (internal factors) as well as external factors as more specific logistic functions. Such factors as halal logistics elements and green logics will be evaluated on social entrepreneurship firms to see their effect on firms’ output. According to Pearce and Robinson (2002), firm-level of entrepreneurial orientation factors including internal and external factors influence firm performance (Mohd Khairuddin., 2002; Dolinger., 2003; Wiklund & Shepherd, 2005; Kreiser & Davis, 2010; Shuhymee Ahmad., 2011). Efforts to develop an entrepreneurship orientation as a performance metric have drawn many researchers to study the relationship between these two variables.

Recent research on entrepreneurial concept have strongly approved that constructs of entrepreneurship orientation can be evaluated either as a whole (unidimensional) or individually (multidimensional) (Daviz, 2007). Some previous empirical studies also clearly show a wide variety of findings (Davis, 2007; Raunch et al. 2009). Even though findings on entrepreneurial orientation of uni-dimensional constructs of firm performance are significantly positive (Covin & Slevin., 1994; Zahra & Colvin., 1995; Zahra & Garvis., 2000; Jogaratnam & Tse., 2006), but the contrast were also proven by other researchers. Kayak and Seyrek (2005), Muhanna (2006) and Madsen (2007) showed insignificant results, while Matsumo et al. (2002), Sadler-Smith, Hampson, Chaston and Badger (2003) showed that the relationship was significantly negative. Conclusively, Yang (2006), Amran Awang (2006) and Davis (2007) concludes that entrepreneurial orientation dimensions are independent, unique and interdependent. This hypothesis support interpretations on variables may have different impacts on the overall entrepreneurial orientation measurement (Shuhymee Ahmad., 2011). Empirically, Amran Awang (2006) and Shuhymee Ahmad (2011), which using factor analysis on their studies, found that entrepreneurial orientation variables are unique, independent and distinct from...
one another. Based on these literatures evident, this studies intent to examine the social entrepreneurship orientation construct to see the outcomes towards firm performance. This is meant to be a response to the absence of studies regarding this issue.

III. RESULTS AND DISCUSSION
A. Social Entrepreneurship Orientation Dimension

As mentioned by the General Entrepreneurship Monitor (GEM) in 2009 in the Social Entrepreneurship Report (Adnan et al., 2018), the development of social entrepreneurship in Malaysia is still at the basic level, compared to conventional practice of entrepreneurship, particularly in firm performance. Thus Dwivedia & Weerawardena (2018) outlined the Social Entrepreneurship Orientation (SEO) as a method for assessing firm success through quantitative studies. This so-called Entrepreneurship Orientation (EO) approach has also been applied by previous researchers to classify the success of conventional business firms (Robinson, 2002; Mohd Khairuddin, 2002; Dolinger, 2003; Wiklund & Shepherd, 2005; Kreiser & Davis, 2010; Shuhymee Ahmad, 2011). Therefore, to examine whether Social Entrepreneurship Orientation (SEO) needs to delve into firm’s performance in Malaysia, this study proposes constructs as below:

1) Innovativeness Construct

Innovativeness is a desire to constantly create and promote new ideas/solutions for social needs and new ways of selling, raising funds and influencing policies, thereby moving away from traditional approaches (Weerawardena et al., 2010; Weerawardena & Sullivan Mort, 2006). Dess (1996) refers to this concept as new ways of manufacturing a product, reaching new markets, attempting to supply new raw materials or even forming new business partnerships (Tarabishy, 2006; Chadwick, 1998) covering goods and technological innovations (Lumpkin & Dess, 1996). To certain extend, in explaining firm performance (Ussahawanitchakit, 2007), this construct is an essential element and an integral part of the business cycle (Covin & Miles, 1999), through simple concepts such as creative destruction [32].

2) Proactiveness Construct

Proactiveness/proactivity is a capability of actively monitoring the external environment, anticipating unexpected surprises and preparing for future uncertainty (Dwivedia & Weerawardena, 2018). These variables have a significant impact on the business performance of an enterprise company and were identified by researchers as part of an entrepreneurial orientation (Lumpkin & Dess, 2001; Wiklund & Shepherd, 2005; Tarabishy, 2006; Amran Awang, 2006; Wales, 2007; Raunch et.al, 2009; Kreiser & Davis, 2010; Shuhymee Ahmad, 2011). Being proactive refers to the act of finding new opportunities which may or may not be linked to company procedures, introducing new products and brands to lead rivals, and designing tactic for avoiding any operations that are already maturing or undergoing a process (Venkatraman., 1989). This reflects brand life as it slows (Shuhymee Ahmad, 2011).

3) Risk Management Construct

Risk management denotes a tendency to recognize threats, take manageable risks, make valuable resource contributions with caution, and schedule comprehensive tasks earlier than allocating cash to a project. This concept has been recognized by several scholars as an important element in separating an entrepreneur from non-entrepreneurs through their willingness to take risks (Waldron, 2004; Sarasvathy et.al., 1998; McClelland, 1961) and the risks were certainly identified and considered failures (Coulthard 2007). This includes a manager's degree of commitment to embrace and spend large and risky resources where there are high chances of failure (Friesen & Miller, 1978), which also delves into market opportunities at lower risk (Lumpkin & Dess, 2001). Dwivedia & Weerawardena (2018) also replace 'risk-taking actions' with 'risk management' to illustrate the SPO's focus on evaluating financial viability of all projects irrespective of potential social impact.

4) Effectual Orientation Construct

Effectual orientation reflects a behavioral tendency to manipulate resource constraints at hand to achieve the most desirable solution. This definition includes behaviors such as managing feasible losses, exploiting contingencies, developing strategies based on achievable resources, partnering with stakeholders and getting pre-commitments (Sarasvathy, 2001; Dwivedia & Weerawardena, 2018). Sarasvathy (2001) also stressed effectuation reflects entrepreneurial actions in resource-constrained environments where the use of at-hand tools such as skills, knowledge and networks is optimized by entrepreneurs (effectuators). Goals are not set but evolve over time based on the available means and entrepreneurial creativity. Results are based on a traditional 'planned' approach to predetermined targets with the most effective techniques (Sarasvathy, 2001), such as startups (Chandler, DeTienne, McKelvie, & Mumford, 2011), born-globals (Andersson, 2011), small business innovation (Berends, Jelinek, Reymen, & Stultiens, 2014), and unpredictable marketing (Read, Dew, Sarasvathy, Song, & Wiltbank, 2009).

5) Social Mission Construct

Social orientation appears as the strongest aspect in-term of the idea in strengthens the belief that pursuing social objectives is essential to social entrepreneurship (Dees, 1998; Weerawardena & Sullivan Mort, 2006). Addressing social desire is the reason for becoming social entrepreneur (Dees, 1998). The orientation of the social mission denotes a devotional behavioral tendency to address social needs (Dwivedia & Weerawardena 2018). Social entrepreneurs seek to find new forms of generating value for targeted communities and in this pursuit they will continuously track the external climate, predict instability and plan for potential disruption, allow strategic use of current resources and be motivated mainly by their social objective of creating social value for targeted communities (Dwivedia & Weerawardena, 2018).

6) Sustainability Orientation Construct

Financial sustainability is a requirement for enterprises with social initiatives (Weerawardena et al., 2010). Narrower social enterprise concept of social entrepreneurship includes only
environmentally sustainable programs which can help solve socio-economic problems (York & Venkataraman, 2010). Nevertheless, recent discoveries prove that sustainability orientation is not one of the dimensions Dwivedia & Weerawardena (2018). Other dimensions can therefore help capture the direction towards sustainability (Dwivedia & Weerawardena, 2018). This work would also only evaluate the five-first-order aspect comprising of innovativeness, proactiveness, risk management, effectual orientation and social mission orientation.

B. Social Entrepreneurship Orientation and Firm Performance

To date, the social impact or organizational efficiency of social enterprise has been evaluated predominantly through the case study approach paired with a social return on investment (SROI) (Krlev, Münchscher & Mülbert, 2013). Nevertheless, the results obtained from case studies cannot necessarily be applied to the larger community, so a clear cause-and-effect relationship dependent on this research is challenging to construct. Furthermore, SROI investigation typically involves critical financial and operational issues, and presents challenges to be probed into. Previous studies performed a series of research to address the above studies gap in order to create a novel self-report on social enterprise performance that is empirically reliable and simple to be implemented to verify the connection between entrepreneurs’ personality characteristics and their perceived SE productivity (Gorgi Krlev et.al, 2013).

But as mentioned above, until then, no research on firm performance has been carried out on SEO since the construction of SEO was produced and justified by Abhishek Dwivedia and Jay Weerawardena in 2018 on a research entitled “Conceptualizing and operationalizing the construction of social entrepreneurship.” This research will be (at this moment) the most advance research SEO towards firm performance in its goal to identified the Social Entrepreneurship Performance.

Rauch et al. (2009) identified two different methods for measuring firm performance by means of objective financial measurements based on absolute performance measurement or subjective financial measurement involving self-report performance measurement (Shuymee Ahmad, 2011). Objective measurement is based on accounting data such as return on assets (ROA), return on investment (ROI) and return on sales (ROI) (Daily et.al, 2002) and among the most recent are economic value-added (EVA), market value-added (MVA) and balanced scorecard (Robbison & Coulter, 2007). However, this measurement method is not compulsory for SMEs because it is too complex for managers to use and understand (Ittner & Larcker, 1998), since they only represent a small and medium-sized firm, unaudited and reliable financial statements (Sapienza et al. 1988). Because it is private and indirectly based, they have no legal responsibility to disclose and refuse to disclose financial information (Tse et.al 2004; Shuymee Ahmad, 2011).

Therefore, to enable past researchers to obtain feedback on the performance of these small and medium-sized enterprises, subjective or self-report financial measures are commonly used and their results have proven to be reliable (Dess et.al 1997, Schulze et.al 2001). Pearce et.al (1987) and Wiklund (1999) support self-report performance measurement as it can fully explain a particular company’s actual performance. In line with these recommendations, this study will adapt previous research findings to use this subjective method of measurement. Based on the literature reviews discussed, the present study recommends the following conceptual framework as shown in figure 1:

![Figure 1. Conceptual Framework](image)

IV. CONCLUSION

This study will contribute to a better understanding of social-entrepreneurial firm’s performance and the driving factors investigated through formation of structural contingency theory. Contingency perspective embedded in the study, which has made several of major contributions, aims to propose conceptual framework with explanation as to the inconsistency found in previous research regarding the factors which contribute to entrepreneurship through social-entrepreneurship segmentation. Furthermore, the study is meant to be an initiative to delve further into the factors of social-entrepreneurship performances, other than the most significant factor that affects the social-entrepreneurship performances specifically in Malaysia. This study did not examine the impacts of the social-entrepreneurship as actual behaviour since the framework only examined predictor of performance relationship, in which it only looked at the predictors of contingency theory towards social-entrepreneurship firm performance. Besides that, this study is a self-reported response, which means it is exposed to the inherent limitations of survey-based studies. Overall, this study is believed to enhance the role of social-entrepreneurship in economy especially in entrepreneurship, benefit the policy makers in developing social entrepreneurship management in Malaysia such as ministry, MaGIC, MARA and other government agencies.

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