

Enabling Social Enterprise Success in Malaysia: A Conceptual Model Linking Entrepreneurial Ecosystem and Financial Performance

Shean-Min Ng, Theresa C. F. Ho, Poh-Chuin Teo

Azman Hashim International Business School, Universiti Teknologi Malaysia, Malaysia

Corresponding Author Email: ngmin@graduate.utm.my

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v14-i2/20681>

DOI:10.6007/IJARBSS/v14-i2/20681

Published Date: 10 February 2024

Abstract

With the evidence that social enterprises (SEs) are playing a significant role in promoting a country's inclusive growth, it is worrying that only 33% of the social enterprises in Malaysia are able to sustain themselves by making profit, according to the report of the Malaysian Global Innovation and Creativity Centre (MaGIC) in year 2019. Therefore, this finding raises concerns where it is crucial and pressing to identify what are the resources that would assist social enterprises to achieve sustainable financial performance. Despite some studies that have explained the positive relationship between entrepreneurial ecosystem (EE) and commercial enterprises, there are still limited studies connecting entrepreneurial ecosystem to the financial performance of social enterprises. From this angle, the purpose of this study is to determine if the entrepreneurial ecosystem in Malaysia influences the financial performance of Malaysian social enterprises. A total of 130 online questionnaires will be distributed to the founders and co-founders of social enterprises in Malaysia with the purpose of data collection.

Keyword: Social Enterprise, Social Entrepreneur, Entrepreneurial Ecosystem, Financial Performance, Social Performance

Introduction

In recent years, there has been a notable increase in the recognition and significance of Social Enterprises (herein after SEs) due to their substantial role in promoting inclusive growth across many countries, including Malaysia (Trabskaia et al., 2023). Despite the relatively low level of public awareness of SE in Malaysia, the presence of SE in the country dates back to 1922 with the formal publication of the Co-operatives Societies Enactment (Minister of Entrepreneur Development and Cooperatives, 2022).

Globally, SEs have shown their efficacy in addressing a significant gap by providing values to the poor, marginalised, and vulnerable groups that may not be financially viable for governments and commercial enterprise to do so (Cheah et al., 2023). In other words, SEs have a multifaceted influence that extends beyond their direct contribution to solving societal

challenges, and also indirectly contributing to the reduction of government burden (Minister of Entrepreneur Development and Cooperatives, 2022).

From the country's economic perspective, SEs contribute to approximately 5% of the GDP in the United States, 6% in the European Union, 7.5% in Indonesia, and 3% in Australia (British Council, 2021). Nevertheless, apart from the societal objectives, SEs and commercial enterprises are essentially similar, particularly in the need of financial sustainability for the long-term viability of their operations. In fact, the evidence shows that many SEs are struggling to survive, even after years of operation because the difficulty in running a SE surpassing running a small or medium-sized enterprise (SME) due to the need to simultaneously fulfil the dual objectives, as highlighted by Leung et al., 2019).

In Malaysia, the findings of MaGIC (2021) has indicated that that only 37% of SEs achieved profitability, while 32% reached break-even and 31% suffered losses. This indicates that only a minority of SEs are generating sufficient profits to scale their operations, whilst the majority are experiencing significant challenges in sustaining their operations. In addition, Cheah et al (2023); Desiana et al (2022) emphasized that the nature of hybridity and limited resources lead SEs facing conflicts in achieving a harmonious equilibrium between profitability and social objectives, therefore SEs are tended to sacrificing profits for social impacts. The Covid-19 pandemic has further struck SEs, with 77% experiencing a high level of disruption and approximately 63% sought for financial assistance in the form of monetary loans. As such, above mentioned factors had made financial sustainability a primary challenge for SEs. From the global perspective, Trabskaia et al (2023) also stressed that SEs are growing in dealing with the challenges such as global economic recession, increasing dynamic of the environment and social problems, as well as the emergence of crises since year 2020.

In view of the current surviving rate of SEs in Malaysia is worrying, since only 37% of SEs are able to generate profit. This statistic indicates that Malaysian SEs are encountering significant challenges and encountering several obstacles that hinder their ability to achieve long-term sustainability within the market. Consistent with this, based on a survey conducted by the British Council in 2021, Malaysia has the highest proportion of non-profitable SEs (63%) among countries of Southeast Asia. More importantly, it is worth noting that there is now lack of a widely accepted performance framework for SE, and limited search on SEs, specifically in the context of Singapore and Malaysia (Cheah et al., 2023). Furthermore, it should be noted that the correlation between the EE and SE is a topic that is still in its early stages of investigation and is now being explored by researchers (Trabskaia et al., 2023).

In conclusion, this study aims to provide valuable insights for both SE founders and policymakers, as well as academics and future researchers. The findings will contribute to a better understanding of the potential benefits that can be derived from the EE, with the ultimate goal of enhancing the financial performance of SEs. Furthermore, this research will lay the foundation for future studies, which can further explore and improve upon this topic, ultimately assisting SE founders in increasing their self-sustaining rate.

Literature Review

Resource Based View

Resource-based view (RBV) explained the competitive advantage that determines a company performance is by its unique bundle of resources (Barney et al., 2001; Barney, 1986). Resource is recognized as the inputs that enable business to perform daily operation (Madhani, 2010). According to Barney (1991), it is essential for a company to secure resources that possess the qualities of being valuable, rare, inimitable, and non-substitutable (VRIN) in order to establish

and maintain a long-term competitive advantage. Generally, resources are often classified into both tangible and intangible (Barney, 1991; Carmeli, 2004). Tangible resources refer to the physical assets owned by a company, including buildings, raw materials, equipment, and financial assets. On the other hand, intangible assets are those that are not listed on the balance sheet, such as reputation, intellectual properties, corporate culture, and internal control (Carmeli, 2004; Galbreath, 2005). In short, RBV theory provides a framework for business leaders to understand how resources may be used to achieve desired firm performance (Madhani, 2010).

Industrial Organization View (I/O)

In contrast to RBV theory that suggested competitive advantage is from inside-out, the industrial organization view (I/O) explained the competitive advantage is from out-inside (Evanschitzky, 2007). The I/O view believes that the decisions that made by a company are being affected by the external environment, such as industry, product market, social, political, and economic contexts that might likely change the value of a firm's resources (Kruse et al., 2021; Mahoney & Pandian, 1992; Mosca, 2016). According to Roulstone (2011), companies must align themselves with their industry before acquiring the necessary resources and workforce to follow the industry trend. In addition, Iraldo et al (2011) supported this view by explaining the success or failure of an organization is entirely determined by its external environment. In general, the I/O View in strategic management suggests that organisations should strive to identify and operate within environments that provide the highest levels of competitiveness and profit potential (Mosca, 2016). Although the resource-based view (RBV) and the industrial organisation (IO) view differ in their initial perspectives and underlying assumptions, they have a same core objective of achieving competitive advantage (Huang et al., 2015).

Entrepreneurial Ecosystem

Despite numerous studies have demonstrated a direct positive correlation between internal resources and business success, it is important to acknowledge that external resources, such as the Entrepreneurial Ecosystem (EE), are also recognised as a significant determinant factor in contributing to business success and sustainability (Desiana et al., 2022). EE is defined as a collaborative and dynamic network that allows interactions with one another rather than in isolation, as well as with the objective to promote an entrepreneurial atmosphere (Isenberg, 2011). In addition, Jacobides et al (2018); Rashid & Ratten (2021) explained EE is an economic community that consists of various actors and their activities are affecting each other beyond the boundaries of an industry. Therefore, an EE is the combination of actors within an industry and together with their interconnected activities, which collectively contribute to the overall performance and success of entrepreneurial ventures. An established EE is an effective network serves as a bridge to entrepreneurs and their stakeholders, facilitating for skills and knowledge spillover, as well as enjoying the benefits and resources that produced by the network members (Spigel, 2017; Weerasekara & Bhanugopan, 2022). In summary, the use of EE enables network participants to effectively utilise the resources inside the network, hence minimising the production of duplicated outputs.

Every industry has its own EE, with no exception to SE. In fact, Trabskaia et al (2023) highlighted that SEs are significantly influenced by external environments since SE is highly contextual and does not operate in a vacuum. In the same token, the studies of Carriles-

Alberdi et al (2021) verified that an EE is crucial in encouraging the development of SE via targeted support initiatives and promotional efforts aimed at facilitating SE growth. Important to realize, when examining the significance of the EE, the level of development of countries, is equally crucial (Carriles-Alberdi et al., 2021). The assessment of the effectiveness of social entrepreneurship (SE) assistance policies is significantly influenced by the contextual factors associated with the countries in which they are implemented (Carriles-Alberdi et al., 2021). Therefore, it is important for SE to continually adapt to the dynamic nature of social and economic conditions. By doing so, SEs can utilize their ecosystem's resources to identify beneficiaries, assist value creation, drive growth, and address societal issues (Diaz Gonzalez & Dentchev, 2021).

However, in the context of Malaysia, the studies of Baskaran et al (2019); Cheah et al (2019) highlighted that the SE ecosystems in Malaysia exhibit immaturity and inconsistency. This phenomenon can be attributed to the gradual implementation of strategies aimed at promoting social inclusion and inclusive growth, inadequate collaboration among stakeholders in the SE ecosystem, duplication of efforts, insufficient funding, and lacking supportive regulatory frameworks (Baskaran et al., 2019; Sarkar, 2018). Additionally, the SE ecosystem in Malaysia shows fragmentation as a result of inadequate coordination and information sharing amongst Ministries, agencies, and the private sector intermediaries involved in implementation of programs for SEs, as well as lack of a centralised point of contact to provide assistance and support for SEs and its associated stakeholders, as highlighted by the Minister of Entrepreneur Development and Cooperatives in 2022.

On the bright side, in year 2022, the Minister of Entrepreneur Development and Cooperatives released the Malaysia Social Entrepreneurship Blueprint 2030. This blueprint aims to establish a comprehensive and integrated ecosystem that promotes the development of SE in Malaysia. The desired result is that SE will possess a more defined vision for achieving their business objectives, leading to the implementation of more impactful and sustainable business models (Minister of Entrepreneur Development and Cooperatives, 2022). By the year 2030, it is anticipated that the SE movement would gain recognition as a substantial contribution towards the development of a successful, inclusive, and sustainable Malaysia.

Finance

The field of finance is largely concerned with the acquisition and use of financial resources. This encompasses a range of financial entities, such as venture capitalists, angel investors, conventional bank lenders, both local and non-local, as well as microloan schemes operated by state and community entities (Khatami et al., 2022). At now, the majority of SE activities in Malaysia are at the the nascent stage of development, where indicates SEs require support with specific financial instruments, targeted capacity building and guidance in establishing strategic collaborations (Minister of Entrepreneur Development and Cooperatives, 2022).

In Malaysia, there exists a wide array of financial resources available to new startups, ranging from private entities to government organisations. These resources cater to startups at various stages, including the proof of concept phase, as well as SMEs seeking growth opportunities. Historically, private financial entities such as angel investors, venture capitalists, and bank lenders have been the primary sources of funding for startups, including SEs, enabling them to bring their ideas to real prototype. In addition to obtaining business loans from different commercial banks, potential enterprises have the opportunity to get

funding from entities such as Leet Capital and the Angel Investor Club, among others, in exchange for a certain percentage of equity. Thanks to the rapid development of the internet, fundraising techniques such as Equity Crowd fundraising (ECF) and Peer-to-Peer (P2P) lending have gained popularity as relatively new forms of finance in Malaysia. At now, there exists a total of 10 licenced Equity Crowdfunding (ECF) platforms, offering fundraising opportunities ranging from a few thousand Ringgit to several million Ringgit. It is crucial to acknowledge that as a component of the government's endeavours under MyCIF program in 2023, to promote the growth of SEs, in the event that any SEs are procuring their money using equity crowdfunding (ECF) platforms, the Malaysian government would provide an additional RM 1 for every RM 1 obtained from such platforms, with a maximum limit of 1 million Ringgit (*MALAYSIA CO-INVESTMENT FUND (MyCIF), 2023*)

Other than private funding, the Malaysian government also playing a vital role in supporting the development of SMEs, including SEs. In addition to the MyCIF initiative, the Malaysian government has also provided a substantial annual budget to several government agencies that provide assistance to the entrepreneurial ecosystem. These agencies include Cradle, SME Corp, MDEC, Khazanah, KUSKOP, and many more. These governmental agencies will provide financial assistance in the form of grants to facilitate the implementation of innovative concepts by startups, or to support the growth and development of existing SME and SEs as they progress to the next phase of their commercial operations. In fact, 71% of the Malaysian SEs were started their social business with their own personal saving (Baskaran et al., 2019).

Supports

According to Liguori et al (2019), the provision of supports for entrepreneurship plays a significant role in fostering and equipping a community to effectively promote entrepreneurial activity. The various forms of support that contribute to the development of entrepreneurship consists of infrastructure (transportation, high-speed Internet access, and energy), support professions (legal and accounting services), entrepreneurship-friendly institutions and programmes, including small business resource centres, chambers of commerce, as well as business plan competitions, contribute to fostering entrepreneurial activities (Breznitz & Zhang, 2019; Khatami et al., 2022; Theodoraki et al., 2018). Moreover, incubators and accelerators serve a vital role in facilitating the growth of aspiring entrepreneurs who often face resource constraints and a lack of industry-specific expertise. These entities provide mentoring and startup funding to assist in the establishment and development of their firms. In Malaysia, a limited number of incubators and accelerators have been formed by both the government and private sector with the explicit aim of providing help to aspiring founders interested in establishing SE startups. Examples of incubators and accelerators that actively assist SEs include MaGic, Tandemic, MyHarapan, and the Air Asia Foundation.

Culture

Culture in EE refers the degree of entrepreneurial mindset, value, attributes, and behaviours in a specific geographical area, then resulted in the number of newly established firms and self-employment rates, as well as the level of acceptance towards failure (Desiana et al., 2022; Khatami et al., 2022; Theodoraki et al., 2022). Additionally, Theodoraki et al (2022) & Weerasekara & Bhanugopan (2022) also highlighted that the entrepreneurial culture is crucial in terms of optimizing the supporting processes, where the actors in the ecosystem should establish cultural compatibility and having same mission. Similarly, the Organisation for

Economic Cooperation and Development (OCED) performed research that revealed a significant relationship between entrepreneurial culture and its impact on generating creativity, innovation, and company performance, ultimately leading to the success of entrepreneurial endeavours (Khatami et al., 2022). The influence of a location's community and culture on the entrepreneurial process is substantial and it is necessary to stimulate the advancement and expansion of SE within a given area (Desiana et al., 2022)

Human Capital

Human capital refers to the workforce and educational components that provide enough expertise in areas such as organisational development, structural design, system control, professional board membership, and professional advisory committee. According to Minister of Entrepreneur Development and Cooperatives (2022), the current number of persons employed in SEs in Malaysia is estimated to be at 3900. However, when comparing it to the commercial sector, it becomes evident that SE is not yet an optimal career choice for individuals in Malaysia. Hence, there exists a shortage of human capital for SEs in Malaysia, perhaps attributable to the relatively inadequate remuneration packages. Similarly, when considering the nature of optimum operation, it may be inferred that SEs are seen as less appealing to the labour market. As a matter of fact, from the report of MaGic (2018), lacking human capital is one of the biggest challenges for SEs. It explains since inadequate expertise and knowledge are the root causes of most SE's inability to maintain their operations (Minister of Entrepreneur Development and Cooperatives, 2022).

Markets

Markets include several elements such as the availability of early adopters, distribution methods, and diaspora networks (Liguori et al., 2019). Moreover, the market aspect encompasses the existence of early adopters who possess perspectives on novel items and possess the ability to make purchases, as well as the accessibility for new ventures to integrate into the local supply chain (Khatami et al., 2022).

For example, entrepreneurs can leverage the network resources, such as expertise in management and marketing, as well as novel approaches to doing business and gaining access to previously inaccessible market channels (Opute et al., 2021). Despite the heavily supporting from Malaysian government, it is undeniable that SE is still considering as a relatively new concept in Malaysia, hence there is lacking awareness among public (Minister of Entrepreneur Development and Cooperatives, 2022). It is unsurprising that a significant number of Malaysians had not encountered the concept of "Social Enterprise" or may mistakenly equate it with a Non-Profit Organisation (NGO) (Lee et al., 2021).

Policy

Policy involves government and policy makers who show decisive leadership in formulating stimulus policy and eliminating the potential barriers, as well as establishing regulations to support the entrepreneurial activity (Khatami et al., 2022). An entrepreneur friendly policy in an EE has the potential to mitigate market failure by fostering the creation and execution of strategic policies that promote various activities, including idea generation, product development, and higher transaction volume (Opute et al., 2021). In fact, one of the most significant barriers to SE development in Malaysia is the absence of a legal classification and recognition of SEs as legitimate business entities (Baskaran, Tang, et al., 2019; MaGIC, 2015).

This issue has resulted in a large numbers of SE functioning under diverse legal frameworks and being subject to a range of legislation and regulations (MaGIC, 2015).

According to the study conducted by MaGic, KUSKOP, Cheal et al, and Baskaran (2021), it has been observed that the Malaysian government does not possess any official policy or well-defined long-term national purpose that actively promotes the development of SE. SEs who opting to Registrar of Societies (RoS), have shown a significant decrease 38% four years ago to about 11% (Micklethwait & Wooldridge, 2018). It explained since the application process of RoS can be lengthy and complicated, as well as relatively strict guidelines exacerbate SE's difficulty reconciling profit-generating activities with their social missions, although tax allowance is given (Baskaran, Tang, et al., 2019; Nasir & Subari, 2017). For example, the RoS necessitates that company has to allocate 50% of their yearly earnings towards charitable purposes or reinvesting into the SE business (Micklethwait & Wooldridge, 2018).

Financial Performance

Mutende et al. (2017) defined financial performance as a company's ability to achieve its anticipated financial outcomes in relation to its targeted outputs. Financial performance is commonly measured through using financial ratios, such as return on equity (ROE), return on assets (ROA), return on capital (ROC), return on sales (ROS), and operating margin, due to their ability to offer a comprehensive evaluation of a company's performance, as they are derived from financial statements (Egbunike and Okerekeoti, 2018). Therefore, the assessment of financial performance mostly centres on metrics that are directly associated with the financial statement. The classifications of ratios include liquidity, activity, profitability, debt, and solvency, with specific relevance to the return on investment for shareholders (Egbunike & Okerekeoti, 2018). The findings give empirical support for the notion that establishing financial viability is crucial for SEs to effectively achieve their social objectives, such as providing more impactful services to disadvantaged individuals. in the long run, especially SEs operating in the dynamic environment (Cheah et al., 2023).

Relationship Between Entrepreneurial Ecosystem and Financial Performance

Financial sustainability is recognized as the primary factor that preventing SE to expand or even affecting their survivability. By understanding that the importance of dual objectives, SE has the tendency to prioritize the social impact above the financial return. Consequently, the imbalance between the value generation and the financial return has resulted in a significant number of social enterprises experiencing a deficiency in cash flow necessary for their day-to-day operations. As a matter of fact, the studies of Cheah et al (2023) was shown that a significant correlation exists between financial sustainability and social effect. In other words, this suggests that the attainment of financial sustainability by a SE is a determining factor in generating social impact. On the same token, the study of Desiana et al (2022) shown that EE has a significant positive impact towards SE's sustainability. Specifically, the access to finance and network and social culture are vital in achieving financial sustainability (Desiana et al., 2022). Furthermore, the studies of Khatami et al (2022) have shown that EE does have positive relationship towards the sustainable performance of SE due to the spur of social innovation. On the other hand, in addition to the increasing of revenue, there is a possibility that SEs could enhance its financial performance by minimising the cost via leveraging the resources and network inside the EE. An individual firm's action is insufficient to establish a high innovative performance, where a good EE is able to reduce the complexity of conducting business within

a local context by providing the knowledge management process that creating routines and policies that guide SE in terms of better internalization, as well as provide a clearer understanding of the value chain (Cavallo et al., 2019; Yi et al., 2021). Therefore, the utilization of EE allows SE to improve their financial performance by reducing their input via leveraging the ecosystem resources and increasing the revenue via the creation of social innovation.

Research Objectives

The objective of this study aims to identify the elements of entrepreneurial ecosystem and how it can be leveraged by social enterprises in achieving a sustainable financial performance. Therefore, the research objectives of this study are

1. To examine the effect of entrepreneurial ecosystem on financial performance of Malaysian social enterprises
2. To examine the effect of access of finance on financial performance of Malaysian social enterprises
3. To examine the effect of supports on financial performance of Malaysian social enterprises
4. To examine the effect of culture on financial performance of Malaysian social enterprises
5. To examine the effect of human capital on financial performance of Malaysian social enterprises
6. To examine the effect of market on financial performance of Malaysian social enterprises

Research Questions

In view of above Research Objectives, this study is to answer the following Research Questions

1. Does the entrepreneurial ecosystem influence financial performance of Malaysian social enterprises?
2. Does the access to finance influence financial performance of Malaysian social enterprises?
3. Does the supports influence financial performance of Malaysian social enterprises?
4. Does the culture influence financial performance of Malaysian social enterprises?
5. Does the human capital influence financial performance of Malaysian social enterprises?
6. Does the market influence financial performance of Malaysian social enterprises

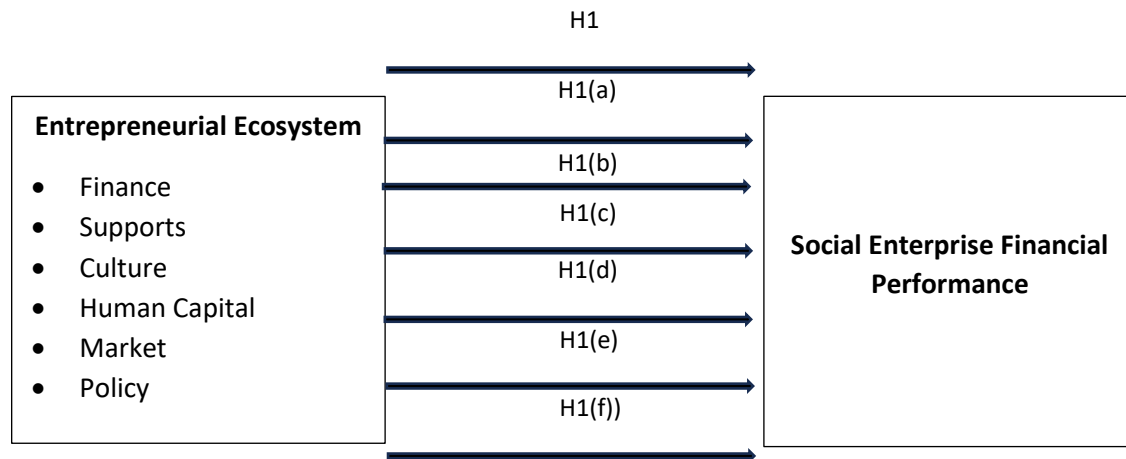
Research Framework

Resource Based View (RBV) and Industrial Organizational View (I/O) as underpinning theories are arranged on the research framework as suggested in Figure 1. This figure illustrates that entrepreneurial ecosystem, and its elements will directly affect the financial performance of SEs.

Figure 1

Independent Variable

Dependent Variable



The theoretical underpinning for the framework is established via the use of the Resource-Based View (RBV) theory. The Resource-Based View (RBV) lays considerable emphasis on the strategic approaches used by organisations to effectively utilise their resources, hence attaining a competitive advantage and improving their overall performance. The Industrial Organisational View (I/O) recognises the need of incorporating external resources, such as the EE, as a crucial factor in promoting corporate performance and long-term sustainability (Desiana et al., 2022). The studies of Khatami et al (2022) has shown that there is a favourable correlation between EE and the sustainable performance of SEs. Based on a comprehensive analysis of existing academic literature and the development of a theoretical framework, this study puts up the following hypotheses:

H1: Entrepreneurial Ecosystem is positively related to Social Enterprise Financial Performance

H1(a): Finance is positively related to Social Enterprise Financial Performance

H1(b): Supports are positively related to Social Enterprise Financial Performance

H1(c): Culture is positively related to Social Enterprise Financial Performance

H1(d): Human Capital is positively related to Social Enterprise Financial Performance

H1(e): Market are positively related to Social Enterprise Financial Performance

H1(f): Policy are positively related to Social Enterprise Financial Performance

Research Methodology

Research Design

This study employed a descriptive research design applying a quantitative approach with a structured questionnaire (Creswell & Creswell, 2018). A descriptive study is conducted to determine and with the ability to describe the characteristics of the variables of interest in a situation, such as in an organization to learn about and explain the characteristics of a cohort of employees, such as their age, level of education, job status, and others (Cavana et al., 2001). In other words, The primary aim of a descriptive study is to provide a comprehensive profile or to define significant characteristics of the phenomenon of interest or the researcher from several perspectives such as individual, organizational, industry-based, or others (Cavana et al., 2001). Furthermore, a cross-sectional study, or also known as one-shot study, will be conducted to address the research questions, whereby data is collected on a single occasion, potentially across days, weeks, or even months (Creswell & Creswell, 2018; Shuaib et al., 2021).

Population and Samples

The population of this study is the founder and co-founder of SEs in Malaysia, including both East and West Malaysia. This research focuses on the organizational level study, specifically examining the respondents who are operating the SEs that legally registered as either private company limited by shares (Sdn Bhd), sole proprietor, society or partnership. The study sample will be derived from a list supplied by MaGic, including a total of 464 social enterprises (SEs) throughout Malaysia.

The appropriate sample size will be determined by applying the G*Power application to obtain the minimal number of respondents needed for this research. Erdfelder et al. (1996) highlighted that G*Power is an all-inclusive power analysis application extensively applied for statistical tests in computer and social science research. Chanuan et al. (2021) stated that G-Power is deemed appropriate for determining sample size since it generates a reduced estimate compared to other approaches and formulas.

Instrumentation Development

This research involves the investigation of single independent variable and single dependent variable. This research examines the relationship between the independent variable of entrepreneurial ecosystem and the dependent variable of financial performance within the context of social enterprises in Malaysia. The measurement scales applied in this study are adapted from previous literatures (Liguori et al., 2019).

Section	Variables	Number of items	Scale	Sources
A	Demographic profiles	10 items	Nominal with order	
B	Independent Variable		1.Does not apply at all	(Liguori et al., 2019)
	1. Finance	5 items	2.Slightly applies	
	2. Support	5 items	3.Moderately applies	
	3. Culture	3 items	4.Largely applies	
	4. Human Capital	3 items	5.Fully applies	
	5. Market	3 items		
	6. Policy	3 items		
C	Dependent Variable		1.Strongly disagree	(Miles et al., 2013)
	Financial Performance	6 items	2.Disagree	
			3.Neither agree nor disagree	
			4.Agree	
			5.Strongly agree	

Pilot Test & Plan for Data Collection

Pilot study is a preliminary examination that assesses the suitability and understandability of the survey questions, by using a small sample of respondents that will be included in the formal study (Sekaran et al., 2016). It is important to carry out a pilot study with a sufficiently substantial sample of answers in order to facilitate calculations pertaining to internal consistency reliability or discriminant validity (Hair et al., 2020). According to Erin et al (2016),

it is often advised to include a minimum of 30 to 100 individuals in the pilot test. This research will follow the protocol by recruiting a total of 30 participants for the purpose of pilot testing. Specifically, a total of 30 participants will be recruited, with 20 individuals being chosen from East Malaysia and the remaining 10 people being picked from West Malaysia. It is important to acknowledge that the individuals participating in the pilot testing phase will not be included into the final sample of the survey.

During the formal data collection phase, the questionnaire will be disseminated electronically to the SEs identified on the list provided by MaGIC. The total number of SEs included in this distribution is 280. The survey questionnaire will start by including filter questions, namely inside the first query of the Demographic Section. The purpose of this precaution is to guarantee that the chosen participants possess knowledge of their association with the identity of SE. Each selected SE will be contacted via phone before the email is sent to them. Moreover, it is important to acknowledge that a reminder call will be launched in the event that the questionnaire is not received within the specified deadline.

Plan for Data Analysis

The method for data analysis involves analyzing data with constructs and establishing relationships. Multiple methodologies will be used to analyse the data obtained from the administered surveys. After undergoing a sequence of editing, coding, and categorising operations, the data will be transferred into the IBM SPSS statistical programme. Subsequently, the SmartPLS 4.0 software will be used to assess the predictive capabilities of the structural model and examine the relationships among constructs.

In addition, as part of the data analysis process, other steps will be undertaken to verify data accuracy. These steps include finding missing values during data cleaning, examining response patterns for any suspicious patterns, removing outliers, and assessing the normality of data distribution and common method variance. Furthermore, in the context of the data analysis procedure, further measures will be implemented to ensure the accuracy of the data. The processes included in this process are the identification of missing values during the data cleaning phase, the detection of suspicious response patterns, the elimination of outliers, and the evaluation of the normality of data distribution and the presence of common method variance.

Expected Findings & Conclusion

The objective of this study is to establish a positive correlation between the entrepreneurial ecosystem and the sustainable financial performance of social enterprises in Malaysia. The primary objective of this research is to provide valuable insights to social enterprises in Malaysia on the effective leverage of entrepreneurial ecosystem resources to enhance their financial sustainability.

This study expands existing theories by identifying crucial components of the ecosystem that are critical to social enterprises. It also establishes the connections between these components and financial performance, while integrating prevailing theories on social entrepreneurship, ecosystems, and performance into a single framework. Moving forward, this study sets the foundation for empirical validation and further exploration of the proposed

relationships, which would enable informed policy choices, strategic planning, and improved performance among social entrepreneurs in Malaysia.

References

- Mutende, A. E., Mwangi, M., Njihia, J., & Ochieng, D. (2017). The moderating role of firm characteristics on the relationship between free cash flows and financial performance of firms listed at the Nairobi securities exchange. In *Journal of Finance and Investment Analysis* (Vol. 6, Issue 4). online) Scienpress Ltd.
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99–120.
- Barney, J. B. (1986). Organizational Culture: Can It Be a Source of Sustained Competitive Advantage? *Academy of Management Review*, 11(3), 656–665.
<https://doi.org/10.5465/amr.1986.4306261>
- Barney, J., Wright, M., & Ketchen, D. J. (2001). The resource-based view of the firm: Ten years after 1991. *Journal of Management*, 27(6), 625–641.
<https://doi.org/10.1177/014920630102700601>
- Baskaran, A., Chandran, V., & Ng, B.-K. (2019). Inclusive Entrepreneurship, Innovation and Sustainable Growth: Role of Business Incubators, Academia and Social Enterprises in Asia. *Science, Technology and Society*, 24(3), 385–400.
<https://doi.org/10.1177/0971721819873178>
- Baskaran, A., Tang, M., Thiruchelvam K., Shahabudin, S. M., & Chan, T. S. Y. (2019). Social Entrepreneurship and Inclusive Growth: Attributes, Perceptions and Roles of Business Incubators and Intermediaries in Malaysia. *Science, Technology and Society*, 24(3), 486–506. <https://doi.org/10.1177/0971721819873186>
- Breznitz, S. M., & Zhang, Q. (2019). Fostering the growth of student start-ups from university accelerators: An entrepreneurial ecosystem perspective. *Industrial and Corporate Change*, 28(4), 855–873. <https://doi.org/10.1093/icc/dtz033>
- British Council. (2021). *The state of social enterprise in South East Asia* (Issue February). <https://www.britishcouncil.org/society/social-enterprise>
- Carmeli, A. (2004). Assessing Core Intangible Resources. *European Management Journal*, 22(1), 110–122. <https://doi.org/10.1016/j.emj.2003.11.010>
- Carriles-Alberdi, M., Lopez-Gutierrez, C., & Fernandez-Laviada, A. (2021). The Influence of the Ecosystem on the Motivation of Social Entrepreneurs. *Sustainability*, 13(2), 922. <https://doi.org/10.3390/su13020922>
- Cavallo, A., Ghezzi, A., & Balocco, R. (2019). Entrepreneurial ecosystem research: present debates and future directions. *International Entrepreneurship and Management Journal*, 15(4), 1291–1321. <https://doi.org/10.1007/s11365-018-0526-3>
- Cavana, R., Delahaye, B., & Sekaran, U. (2001). *Applied Business Research: Qualitative and Quantitative Methods* (3rd ed.). John Wiley & Sons.
- Chanuan, U., Kajohnsak, C., & Nittaya, S. (2021). Sample Size Estimation using Yamane and Cochran and Krejcie and Morgan and Green Formulas and Cohen Statistical Power Analysis by G*Power and Comparisons. *APHEIT INTERNATIONAL JOURNAL*, 10(2), 76–88.
- Cheah, J., Amran, A., & Yahya, S. (2019). External oriented resources and social enterprises' performance: The dominant mediating role of formal business planning. *Journal of Cleaner Production*, 236, 117693. <https://doi.org/10.1016/j.jclepro.2019.117693>

- Cheah, J. S. S., Amran, A., Kirubakaran, M., Lang, D. J., Su, P. F., & Chu, J. W. (2023). A transdisciplinary framework for university-industry collaboration in establishing a social business model. *Social Enterprise Journal*, 19(4), 390–403. <https://doi.org/10.1108/SEJ-11-2022-0111>
- Cheah, J. S. S., Yeoh, Q., & Chandra, Y. (2023). The influence of causation, entrepreneurial and social orientations on social enterprise performance in the nascent ecology of social enterprise. *Social Enterprise Journal*, 19(3), 308–327. <https://doi.org/10.1108/SEJ-11-2022-0102>
- Creswell, W. J., & Creswell, J. D. (2018). Research Design: Qualitative, Quantitative and Mixed Methods Approaches. In *Journal of Chemical Information and Modeling* (Vol. 53, Issue 9).
- Desiana, P. M., Ma'arif, M. S., Puspitawati, H., Rachmawati, R., Prijadi, R., & Najib, M. (2022a). Strategy for Sustainability of Social Enterprise in Indonesia: A Structural Equation Modeling Approach. *Sustainability (Switzerland)*, 14(3). <https://doi.org/10.3390/su14031383>
- Desiana, P. M., Ma'arif, M. S., Puspitawati, H., Rachmawati, R., Prijadi, R., & Najib, M. (2022b). Strategy for Sustainability of Social Enterprise in Indonesia: A Structural Equation Modeling Approach. *Sustainability*, 14(3), 1383. <https://doi.org/10.3390/su14031383>
- Diaz Gonzalez, A., & Dentchev, N. A. (2021). Ecosystems in support of social entrepreneurs: a literature review. *Social Enterprise Journal*, 17(3), 329–360. <https://doi.org/10.1108/SEJ-08-2020-0064>
- Egbunike, C. F., & Okerekeoti, C. U. (2018). Macroeconomic factors, firm characteristics and financial performance. *Asian Journal of Accounting Research*, 3(2), 142–168. <https://doi.org/10.1108/AJAR-09-2018-0029>
- Erdfelder, E., Faul, F., & Buchner, A. (1996). GPOWER: A general power analysis program. *Behavior Research Methods, Instruments, & Computers*, 28(1), 1–11. <https://doi.org/10.3758/BF03203630>
- Erin, R., William, W., & Brian, G. (2016). The Practice of Survey Research Theory and Applications: A Review. *Sage Publication*. <https://doi.org/10.46743/2160-3715/2016.2421>
- Evanschitzky, H. (2007). Market orientation of service networks: direct and indirect effects on sustained competitive advantage. *Journal of Strategic Marketing*, 15(4), 349–368. <https://doi.org/10.1080/09652540701318864>
- Galbreath, J. (2005). Which resources matter the most to firm success? An exploratory study of resource-based theory. *Technovation*, 25(9), 979–987. <https://doi.org/10.1016/j.technovation.2004.02.008>
- Hair, J. F., Page, M., & Brunsveld, N. (2020). Essentials of Business Research Methods Fourth Edition. In *Routledge Taylor & Francis Group*. Routledge.
- Huang, K.-F., Dyerson, R., Wu, L.-Y., & Harindranath, G. (2015). From Temporary Competitive Advantage to Sustainable Competitive Advantage. *British Journal of Management*, 26(4), 617–636. <https://doi.org/10.1111/1467-8551.12104>
- Iraldo, F., Testa, F., Melis, M., & Frey, M. (2011). A Literature Review on the Links between Environmental Regulation and Competitiveness. *Environmental Policy and Governance*, 21(3), 210–222. <https://doi.org/10.1002/eet.568>
- Isenberg, D. J. (2011). The Entrepreneurship Ecosystem Strategy as a New Paradigm for Economic Policy: Principles for Cultivating Entrepreneurships. *The Babson Entrepreneurship Ecosystem Project*, 1(781), 1–13.

- [http://www.wheda.com/uploadedFiles/Website/About_Wheda/Babson Entrepreneurship Ecosystem Project.pdf](http://www.wheda.com/uploadedFiles/Website/About_Wheda/Babson_Entrepreneurship_Ecosystem_Project.pdf)
- Jacobides, M. G., Cennamo, C., & Gawer, A. (2018). Towards a theory of ecosystems. *Strategic Management Journal*, 39(8), 2255–2276. <https://doi.org/10.1002/smj.2904>
- Khatami, F., Scuotto, V., Krueger, N., & Cantino, V. (2022). The influence of the entrepreneurial ecosystem model on sustainable innovation from a macro-level lens. *International Entrepreneurship and Management Journal*, 18(4), 1419–1451. <https://doi.org/10.1007/s11365-021-00788-w>
- Kruse, P., Wach, D., & Wegge, J. (2021). What motivates social entrepreneurs? A meta-analysis on predictors of the intention to found a social enterprise. *Journal of Small Business Management*, 59(3), 477–508. <https://doi.org/10.1080/00472778.2020.1844493>
- Lee, Y. N., Zailani, S., & Rahman, M. K. (2021). Determinants of Customer Intention to Purchase Social Enterprise Products: A Structural Model Analysis. *Journal of Social Entrepreneurship*, 12(3), 358–379. <https://doi.org/10.1080/19420676.2020.1718742>
- Leung, S., Mo, P., Ling, H., Chandra, Y., & Ho, S. S. (2019). Enhancing the competitiveness and sustainability of social enterprises in Hong Kong: A three-dimensional analysis. *China Journal of Accounting Research*, 12(2), 157–176. <https://doi.org/10.1016/j.cjar.2019.03.002>
- Liguori, E., Bendickson, J., Solomon, S., & McDowell, W. C. (2019). Development of a multi-dimensional measure for assessing entrepreneurial ecosystems. *Entrepreneurship & Regional Development*, 31(1–2), 7–21. <https://doi.org/10.1080/08985626.2018.1537144>
- Madhani, P. (2010). Resource Based View (RBV) of Competitive Advantage: An Overview. In *The Lcfai University Press* (pp. 1–21). The Icfai University Press. <https://doi.org/https://ssrn.com/abstract=1578704>
- MaGIC. (2015). Malaysia Social Enterprise Blueprint 2015-2018. In *Malaysian Global Innovation and Creativity Centre (MaGIC)*. [http://atasbe.mymagic.my/multimedia/pdf/MSEB_FINAL - web.pdf](http://atasbe.mymagic.my/multimedia/pdf/MSEB_FINAL_-_web.pdf)
- MaGIC. (2021). *Malaysian Global Innovation & Creativity Centre*. <https://www.mymagic.my/>
- Mahoney, J. T., & Pandian, J. R. (1992). The resource-based view within the conversation of strategic management. *Strategic Management Journal*, 13(5), 363–380. <https://doi.org/10.1002/smj.4250130505>
- MALAYSIA CO-INVESTMENT FUND (MyCIF). (2023). <https://www.sc.com.my/mycif>
- Micklethwait, J., & Wooldridge, A. (2018). The State of Social Enterprise in Malaysia. In *British Council* (Issue 4). <https://doi.org/10.1080/10455750308565526>
- Miles, M. P., Verreynne, M.-L., Luke, B., Eversole, R., & Barraket, J. (2013). The Relationship of Entrepreneurial Orientation, Vincentian Values and Economic and Social Performance in Social Enterprise. *Review of Business*, 33(2), 91–102. <http://search.ebscohost.com/login.aspx?direct=true&db=buh&AN=91612014&site=ehost-live>
- Minister of Entrepreneur Development and Cooperatives. (2022). *Malaysia Social Entrepreneurship Blueprint 2030*. https://www.kuskop.gov.my/admin/files/med/image/portal/PDF/SEMy2030/SEMy2030_Booklet_ENG.pdf
- Mosca, M. (2016). Industrial organization. *Handbook on the History of Economic Analysis*, 3, 291–304. <https://doi.org/10.4337/9781785365065.00027>

- Nasir, N. R., & Subari, M. D. (2017). A review of social innovation initiatives in Malaysia. *Journal of Science, Technology and Innovation*, 3(1), 1–9. <https://jostip.utm.my/index.php/jostip/article/view/17>
- Opute, A. P., Kalu, K. I., Adeola, O., & Iwu, C. G. (2021). Steering Sustainable Economic Growth: Entrepreneurial Ecosystem Approach. *Journal of Entrepreneurship and Innovation in Emerging Economies*, 7(2), 216–245. <https://doi.org/10.1177/23939575211024384>
- Rashid, S., & Ratten, V. (2021). Entrepreneurial ecosystems during COVID-19: the survival of small businesses using dynamic capabilities. *World Journal of Entrepreneurship, Management and Sustainable Development*, ahead-of-p(ahead-of-print), 457–476. <https://doi.org/10.1108/WJEMSD-09-2020-0110>
- Roulstone, D. T. (2011). Discussion of “intangible investment and the importance of firm-specific factors in the determination of earnings.” *Review of Accounting Studies*, 16(3), 574–586. <https://doi.org/10.1007/s11142-011-9149-4>
- Sarkar, S. (2018). Grassroots entrepreneurs and social change at the bottom of the pyramid: the role of bricolage. *Entrepreneurship and Regional Development*, 30(3–4), 421–449. <https://doi.org/10.1080/08985626.2017.1413773>
- Sekaran, Uma, & Bougie. (2016). *Research methods for business : A skill-building approach*. John Wiley & Sons Ltd.
- Shuaib, K. M., He, Z., & Song, L. (2021). Effect of organizational culture and quality management on innovation among Nigerian manufacturing companies: The mediating role of dynamic capabilities. *Quality Management Journal*, 28(4), 223–247. <https://doi.org/10.1080/10686967.2021.1962773>
- Spigel, B. (2017). The Relational Organization of Entrepreneurial Ecosystems. *Entrepreneurship: Theory and Practice*, 41(1), 49–72. <https://doi.org/10.1111/etap.12167>
- Theodoraki, C., Messeghem, K., & Audretsch, D. B. (2022). The Effectiveness of Incubators’ Co-Opetition Strategy in the Entrepreneurial Ecosystem: Empirical Evidence From France. *IEEE Transactions on Engineering Management*, 69(4), 1781–1794. <https://doi.org/10.1109/TEM.2020.3034476>
- Theodoraki, C., Messeghem, K., & Rice, M. P. (2018). A social capital approach to the development of sustainable entrepreneurial ecosystems: an explorative study. *Small Business Economics*, 51(1), 153–170. <https://doi.org/10.1007/s11187-017-9924-0>
- Trabskaia, I., Gorgadze, A., Raudsaar, M., & Myryläinen, H. (2023). A Bibliometric Analysis of Social Entrepreneurship and Entrepreneurial Ecosystems. *Administrative Sciences*, 13(3). <https://doi.org/10.3390/admsci13030075>
- Weerasekara, S., & Bhanugopan, R. (2022). The impact of entrepreneurs’ decision-making style on SMEs’ financial performance. *Journal of Entrepreneurship in Emerging Economies*. <https://doi.org/10.1108/JEEE-03-2021-0099>
- Yi, L., Wang, Y., Upadhaya, B., Zhao, S., & Yin, Y. (2021). Knowledge spillover, knowledge management capabilities, and innovation among returnee entrepreneurial firms in emerging markets: Does entrepreneurial ecosystem matter? *Journal of Business Research*, 130, 283–294. <https://doi.org/10.1016/j.jbusres.2021.03.024>