

The 15th International Globelics Conference
Innovation and Capacity building in the context of Financialisation and Uneven Development of the Global Economy: New Roles for the State, Productive sector, and Social actors
National Technical University of Athens (NTUA),
Athens, Greece 11-13 October, 2017.

Social Entrepreneurship and Inclusive Growth: Attributes, Perceptions and Roles of Business Incubators and Intermediaries in Malaysia

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Abstract

Social enterprises are considered to be at the heart of inclusive growth due to their emphasis on people and social cohesion that help effect social and economic transformation. Malaysia's New Economic Model (NEM) set out high income, sustainability and inclusiveness, as the foundation for transformation towards an advanced nation by 2020. In the Tenth Malaysia Plan (2011-2015), 2 out of 10 objectives are on achieving inclusive growth. In this context, this paper explores the eco-system for social enterprises in Malaysia, raising the following research questions: 1. What are the attributes (features) of business incubators and intermediaries operating in the social enterprise sector in Malaysia; 2. What are the perceptions of business incubators and intermediaries about various aspects of social enterprise ecosystem in Malaysia? 3. What is the role of business incubators and other intermediaries in fostering social entrepreneurship in Malaysia in general and meeting the inclusive growth objective of the country in particular? The study employs qualitative approach and primary data gathered through interviews of 6 business incubators and intermediaries, and 20 social enterprises. The study found that the current social enterprise ecosystem is weak and still emerging and yet to take a concrete shape. The absence of legal status for social enterprise is the single most important obstacle in unlocking the potential growth of social enterprises. It is seriously constraining the private sector participation such as coupling of corporate social responsibility (CSR) related funding with the development of social businesses. The study suggests that the government initiate policy measures to give legal status to social enterprise in the country in order to develop the ecosystem and facilitate greater participation of the private sector.

Acknowledgements: We would like to acknowledge the financial support provided by the University of Malaya under the Equitable Society Research Cluster (ESRC) research grant RP022C-15SBS; the National Natural Science Foundation of China (Grant numbers: G0302/71403221 and G020401/71402144); Sichuan Education Department (Grant number: 17SA0195); and the Fundamental Research Funds for the Central Universities, Young Scholar Development Research Program, China.

Introduction

Policy makers in both developing and developed countries have become increasingly concerned with high level of inequality which can have serious negative consequences such as uneven growth, increasing poverty, undermining political stability and potentially contributing to conflict. World Bank's Global Monitoring Report 2011 (p. 8) states: "Reaching the MDGs requires addressing the plights of the world's socially excluded groups, including indigenous people, ethnic minorities and linguistic groups...[in] addition to assisting indigenous peoples, more inclusive growth and equality within countries will also benefit people in the bottom quintiles and lift more people out of poverty". 'Inclusive Growth' increasingly has become the main focus of attention for many national governments, multinational organizations such as the European Union, United Nations, World Bank, Asian Development Bank, international research organizations such as The International Development Research Centre (IDRC), Canada, non-government organizations (NGOs), and civil society organizations. The European Commission's strategy document 'EUROPE 2020' identified Inclusive growth (fostering a high-employment economy delivering economic, social and territorial cohesion) as one of the three priorities (the other two are Smart growth and Sustainable growth). According to 'EUROPE 2020': "Inclusive growth means empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour market; and training and social protection systems so as to help people anticipate and manage change, and build a cohesive society... It is about ensuring access and opportunities for all throughout the life cycle" (European Commission, 2010).

According to the European Commission "social enterprises are at the heart of inclusive growth due to their emphasis on people and social cohesion: they create sustainable jobs for women, young people and the elderly. In other words, their key aim is to effect social and economic transformation which contributes to the objectives of the Europe 2020 Strategy" (European Commission, 2012, p.4). The social entrepreneurship in a particular economy can make significant contribution. For example, the contribution of social entrepreneurship in the European Union includes: 10% of the European economy (GDP); more than 11 millions of workers; 6% of total employment. They involve 7.5% of the active population in Finland; 5.7% in the United Kingdom; 5.4% in Slovenia; 4.1% in Belgium; 3.3% in Italy; and 3.1% in France. 1 out of 4 new enterprises set-up every year in the European Union is a social enterprise (European Commission, 2012, p.3; 2012a).

Asian Development Bank (2012) highlights how social enterprises are addressing India's vast development needs, by employing innovative business models, in key sectors such as agriculture, education, energy, financial services, healthcare, housing, sanitation, and water, while maintaining sustainability through viable revenue models. In recent years, India has witnessed an increase in the number and size of investments in businesses with a clear triple bottom line returns – that is, profits (or financial sustainability at the least), social impact, and environmental

impact. The Central and the State governments have been showing increasing interest on social entrepreneurship through Micro, Small, and Medium Enterprises (MSMEs) policy framework. These trends in Europe and in developing countries such as India underscore the importance and need for fostering social enterprises within national economies.

Similarly, Malaysia's New Economic Model (NEM) presents a framework for transforming the country from a middle income to an advanced nation by 2020. The NEM sets out three objectives -- high income, sustainability and inclusiveness, as the foundation for launching subsequent phases of transformation. In the Tenth Malaysia Plan (2011-2015) 2 out of 10 objectives are on achieving inclusive growth: equality of opportunity and safeguarding of the vulnerable, and inclusive development alongside concentration on urban growth poles and high density clusters (Government of Malaysia, 2010).

According to the Malaysian Social Enterprise Blueprint, it is estimated that there are 100 social enterprises in Malaysia "operating mostly in the areas of education, poverty, and rural development, and environmental sustainability, employment for the marginalised, and at-risk youth". It sets out the objective that by 2018 "the Malaysian social enterprise sector to be self-sustaining, equitable, and people-centric in order to empower impact-driven entrepreneurs". To achieve this, it identifies three fundamental building blocks: (i) social enterprises and social entrepreneurs; (ii) larger ecosystem; (iii) institutions including public and private players (MaGIC, 2015, pp. 4-5).

In this context, this paper explores the eco-system for social enterprises in Malaysia, particularly examines the following research questions: 1. What are the attributes (features) of business incubators and intermediaries operating in the social enterprise sector in Malaysia; 2. What are the perceptions of business incubators and intermediaries about various aspects of social enterprise ecosystem in Malaysia? 3. What is the role of business incubators and other intermediaries in fostering social entrepreneurship in Malaysia in general and meeting the inclusive growth objective of the country in particular?

Generally, Business Incubators (BI) are seen as facilitators of technology-driven small ventures and therefore they have been studied mainly from the perspectives of general entrepreneurship development and start-up companies, industrial cluster, technology development, regional development, and performance (e.g. Tamásy, 2007; Hannon, 2005). Over the years, the concept 'incubator' and the incubation models have evolved into various types such as industrial parks, science parks, knowledge parks, technology business incubators, university business incubators, innovation parks, business accelerators, innovation centres, technopoles and networked incubators (see e.g. Pauwels et al., 2015; Aernoudt, 2004; Grimaldi and Grandi, 2005; Bøllingtoft and Ulhøi, 2005). In other words, the term 'incubator' has become an umbrella concept to describe a heterogeneous group of institutions and their activities (Scillitoe and Chakrabarti, 2010). Increasingly, a broader concept of 'business incubation for social entrepreneurship and social inclusion' has emerged. It emphasizes on social entrepreneurs and including new groups of entrepreneurs such as immigrants and ethnic groups, women, people under the threat of unemployment, students about to graduate and new industries and sectors such as creative industries, alternative energy, rural livelihood, healthcare and social services.

However, this phenomenon/trend has not been researched well and very few studies are found in this area (e.g. Etzkowitz et al., 2005).

Therefore, in this study 'business incubation for social entrepreneurship and social inclusion' means the role of business incubators (BIs) and other intermediaries (IMs) who are *involved directly* in fostering social entrepreneurship including new groups of entrepreneurs such as ethnic groups, women, people under the threat of unemployment, students about to graduate, and new industries and sectors such as creative industries, alternative energy, rural livelihood, healthcare and social services.

As there is no legal recognition of social enterprise in Malaysia, this study will adopt a modified definition as used by UK Government to consider an entity as a social enterprise: "A social enterprise is a business [or organization] with primarily social objectives [which is run on business principles to generate revenues and surpluses], whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners" (DTI, 2004).

The paper is structured as following: section 2 discusses literature review and presents a social entrepreneurship (SE) ecosystem conceptual framework; 3 discusses research methodology; section 4 provides an overview of the social entrepreneurship ecosystem in Malaysia; section 5 discusses profiles of sample SE incubators and intermediaries; section 6 provides analysis of data gathered from SE incubators and intermediaries, as well as SEs; and finally section 7 draws some conclusions and makes policy recommendations.

Literature Review

Early incubator studies are primarily descriptive, generally embracing different understandings of business incubator's concepts and functions (Allen, 1985; Allen and Levine, 1986; Smilor and Gill, 1986). Findings of these studies suggest that an incubator must have a physical space with low market rents, shared service, logistical support, and business consulting services (Allen, 1985) and also effective linkages to talent, technology, capital and know-how to leverage entrepreneurial talent; accelerate the development of new technology-based firms, and speed up the commercialization of technology (Smilor and Gill, 1986). Since the 1990s, researchers have begun to expand the role and services of business incubators. Incubators hatch new ideas by providing new ventures with physical and intangible resources and speed up new ventures' establishment and increase their chances of success. They help entrepreneurs develop business and marketing plans, build management teams, obtain venture capital, and provide access to professional and administrative services. Scillitoe and Chakrabarti (2010) found that counselling interactions with incubator management helped ventures to gain business assistance whereas networking interactions with incubator management helped ventures to gain technical assistance.

As this paper mainly focuses on incubators and intermediaries supporting social enterprises, we will review the literature to discuss various aspects of social entrepreneurship including the challenges in defining social entrepreneurship, creating social value with social entrepreneurship, and social entrepreneurship ecosystem. Finally, based on review of literature we present a conceptual framework for social entrepreneurship.

Challenges in Defining Social Entrepreneurship

The concept of social entrepreneurship has been evolving over the years and has been contested in its scope, legality, and function (Dees, 2001). This posed a major challenge towards developing a formally accepted definition. This is evident from a number of examples and case studies that are used to illustrate the authors' understanding of social entrepreneurship (Dees, 2001; Mort et al., 2003). Lack of a single definition of 'social entrepreneurship' is also due to different traditions within the field of entrepreneurship research in general such as anthropology, social science, economics, and management (Ahmad and Seymour, 2008). The contradictions among these disciplines made it difficult to come up with a unified and accepted definition. A number of other factors creating challenges for universal definition include ambiguous boundaries of the social economy, differing views of stakeholders, inability to define the social economy, differing perspectives of practitioners vs. academics, and regional economic and political differences.

According to Weerawardena and Mort (2006), the definitions of entrepreneurship are fragmented, and there is no coherent theoretical framework or established theory. However, Roberts and Woods (2005) argue that different theoretical enquiries have served to broaden rather than narrow the boundaries of entrepreneurship research as each discipline contributed its own point of emphasis.

Creating Social Value with Social Entrepreneurship

Although there is no universal definition, the term "social entrepreneurship" (SE) is used to refer to the rapidly growing number of organizations that have created models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy (Seelos and Mair, 2005; Harding, 2006). Entrepreneurship can have intended social results that are actively pursued by the social entrepreneurs or also unintended social results when a business idea leads to social change (Groot and Dankbaar, 2014). Santos (2012) opines that although there is increasing academic interest in social entrepreneurship, the management field still lacks a good conceptual understanding of the economic role and logic of social entrepreneurship.

Social Entrepreneurship is solving in new and innovative ways the tasks of planning, organizing, leading, motivating and controlling resources and people in order to achieve effectively and efficiently their purpose and objectives, fundamentally connected to social needs (Lisetchi and Brancu, 2014). It therefore has profound implications in the economic system in terms of creating new industries, validating new business models, and allocating resources to neglected societal problems (Santos, 2012). Social entrepreneurship is also seen as social innovation, because it innovates the concept of entrepreneurship by adding social value; innovatively resolving social needs; uses economic activities to approach social needs; and creates new hybrid organizations such as public-private partnerships or community partnerships (Lisetchi and Brancu, 2014).

Anderson and Dees (2002) argue that social entrepreneurship is about finding new and better ways to create and sustain social value. In contrast to for-profit corporations that aims at

maximizing value appropriation and satisfying value creation by following legal requirements and socially responsible actions, social enterprises aim to maximize value creation and satisfaction on value appropriation. What determines the difference between a social enterprise and commercial enterprise is whether the enterprise emphasizes on value creation against value appropriation, and whether it is driven by motivation to create value for society irrespective of legal form adopted (profit vs. non-profit) (Santos, 2012).

For a social enterprise social value creation is the primary objective, while economic value creation is by-product that helps it to achieve sustainability and self-sufficiency (Seelos and Mair, 2005). A social enterprise focuses on resolving current societal issues such as climate change, social justice, and eradicating poverty. Contrary to business entrepreneurs, social entrepreneurs have a “double bottom line” (social value and also financial value) (Acs et al., 2013). Increasingly, social enterprises operate on a triple bottom line approach that embraces economic, social and environmental perspectives. This serves as a meaningful substitute for cost benefit analysis that is commonly used by commercial entrepreneurs but subject to criticisms due to sole focus on economic goals. Leadbetter (1997) argued that by developing and using indicators for social returns on investment (without emphasizing on the dominance of financial returns) social entrepreneurship can improve its contentious legitimacy.

Social Innovation and Social Entrepreneurship

Social innovation is seen to be concerned with “the development of what are currently viewed as assets for sustainable development: environmental, human and social capital” (Dro et al., 2011). According to Groot and Dankbaar (2014) in line with Schumpeter, social innovation is the essence of social entrepreneurship, as how innovation is to entrepreneurship. Therefore, an innovation is social to the extent that, either conveyed by the market or the non-profit sector, it is socially accepted and widely diffused throughout the society or in certain societal sub-domains. Lisetchi and Brancu (2014) argues that social innovation turns critical societal problems into opportunities by actively involving the community actors.

Operational Models and Structures of Social Enterprises

A social enterprise must display a primary social objective in their organization mission. It can be (i) mission centric; (ii) mission related; (iii) unrelated to mission. A social enterprise form could be diverse due to their innovative nature in operation and organization. A social enterprise may be incorporated either as a for-profit or a nonprofit. However, it is to be noted that social enterprises are not defined by their legal status as the legal status may be arbitrary. The legal structure is influenced by the legal environment, regulatory environment in a particular country, and access to capital and capitalization.

There are two types of social enterprise ownership, public and private. Public ownership may be practiced in the form of decision-making and participation. Similar to traditional non-profits a public ownership structure indicates that governing board of directors directs strategy and financial oversight. Private ownership of a social enterprise offers benefits of equity financing, unambiguous asset ownership and valuation, and the freedom to sell the enterprise. Alter (2006)

identifies five types of stakeholders: (i) target population; (ii) third party payer; (iii) general public; (iv) businesses and non-profits; and (v) government.

One of the critical elements of social enterprise is financial sustainability, which is influenced by four factors: the financing objectives; income generation; asset leveraging and funding spectrum. Financing objectives of the organization are supported by a funding spectrum, and they drive income generation and asset leverage. Financial sustainability strategy may include financial self-sufficiency, cost saving, income diversification and resource management. Zahra et al. (2009) highlighted that even some non-profit organizations tends to adopt this strategy as a means to self-sustain in order to avoid dependence on philanthropic funding. They tend to learn from social enterprise how to diversify their funding base, decrease reliance on donors, and recover or subsidize programme costs.

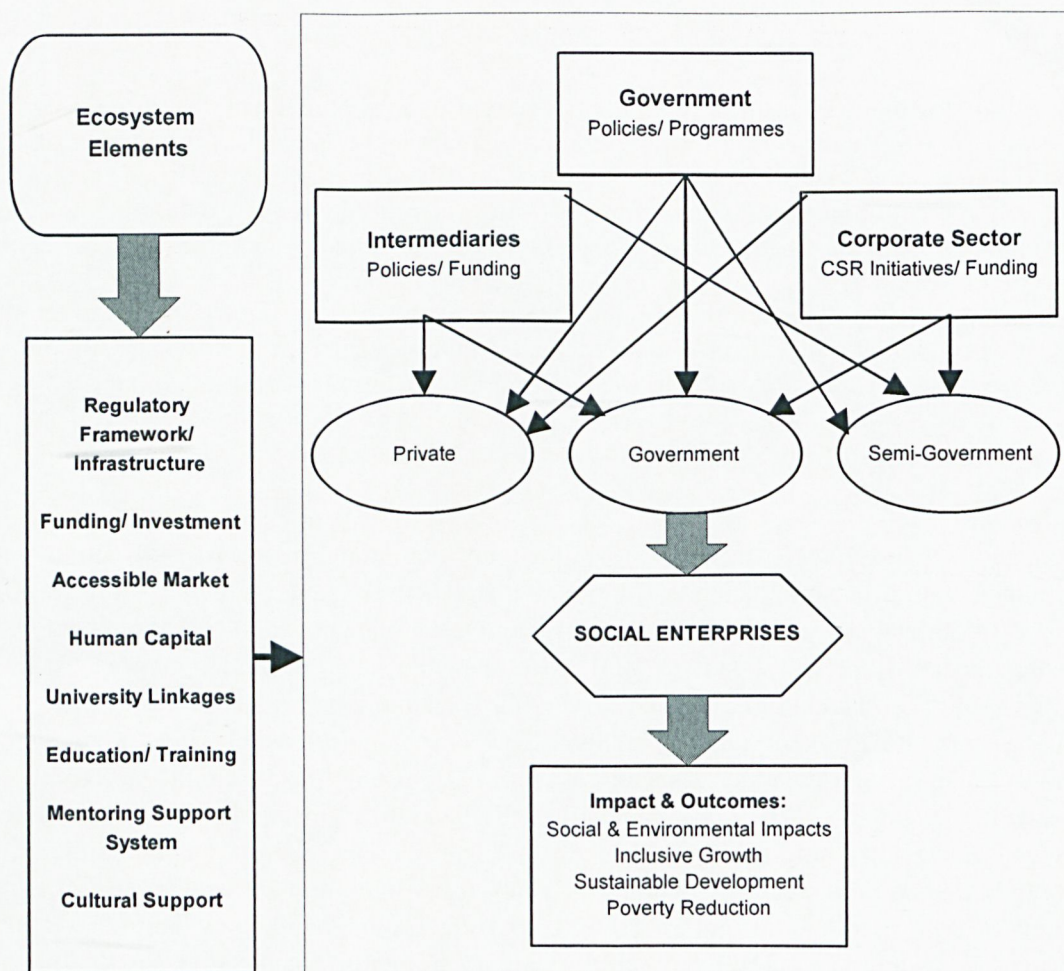
Social Entrepreneurship Ecosystem: Conceptual Framework

Ahmad and Hoffman (2008) described the ecosystem of entrepreneurship as an inter-connected flow which are important in the formulation, assessment and appraisal of policy measures. The impact of entrepreneurship is the value created as result of entrepreneurial performance that is influenced by entrepreneurship determinants. They identified six key determinants affecting entrepreneurial performance: (i) regulatory framework; (ii) market conditions; (iii) access to finance; (iv) R&D and technology; (v) entrepreneurial capabilities; and (vi) culture. Under each key determinant, there are sub-determinants that form the policy framework. Entrepreneurial performance refers to the specific activities that entrepreneurs perform that will ultimately deliver the impacts. Indicators such as the total number of formal businesses in an economy, the number of high-growth firms, number of people employed, and enterprise survival and death rates are considered measures of entrepreneurial performance.

Austin et al. (2012, p.380) argue that while many commonalities exist between social and commercial entrepreneurship, some important differences related to market failure, mission, resource mobilization, and performance measurement also exist. Although a general entrepreneurship framework can be applied to the analysis of social entrepreneurship (e.g. OECD, 2014; World Economic Forum, 2013), some adaptations are necessary to make it more useful to both practitioners and researchers. They also emphasized in order to maintain the centrality of the social purpose in social entrepreneurship, this factor should be the integrating driver of the framework. They found that “the mobilization of financial and of human resources for social entrepreneurship are each quite distinct from commercial entrepreneurship and from each other, and so merit focused attention”. They stress that although contextual forces remain relevant to both commercial and social forms of entrepreneurship, they may cause differing effects. For example, an unfavourable contextual factor for market-based commercial entrepreneurship may prove to be an opportunity for a social entrepreneur. For this reason, they have included demographics, political, and sociocultural factors to the contextual factors presented in their social entrepreneurship framework.

Drawing from the literature, we present a conceptual framework for analysing the social entrepreneurship ecosystem in Malaysia (see Figure 1). It identifies, actors / institutions (Government, Intermediaries and Corporations) which interact among themselves and as well as with social enterprises; ecosystem elements which condition these interactions and linkages between actors/ institutions (regulatory framework and infrastructure, funding, market access, human capital, universities, mentoring system, education and training, and culture); and types of impacts and outcomes through performance of social enterprises (such as inclusive growth, sustainable development, and poverty reduction).

Figure 1: Social Entrepreneurship Ecosystem - A Conceptual Framework



Methodology and Data

Since there is very little research on social entrepreneurship in Malaysia, this study is exploratory in nature and it uses mainly qualitative primary data to analyse cases of business incubators and intermediaries. Furthermore, previous researchers (e.g. Campbell et al., 1988; Mian 1997) have employed the case study approach for incubator evaluation. As the number of business incubators and other intermediaries linked to social entrepreneurship in Malaysia are limited, the case study method and qualitative methodological approach are deemed the most appropriate. To surmount the problem of selective recollection, revisionism, and possible bias, Yin (1994) suggested the need for multiple sources of evidence in a case study. Our research study is based on the convergence of information from different sources: managers of incubators and intermediaries, social enterprises, and secondary documents.

For data gathering we have used face to face semi-structured interview method. First, we did a mapping of business incubators (BIs) and other intermediaries linked to social entrepreneurship in Malaysia. As there is no database or official source of information, we have built a list of business incubators and other intermediaries through internet search. In total we compiled 12 cases and shortlisted 8 for interview. In all we interviewed 6 BIs and IMs. Of these we have selected 4 for comparative data analysis: MaGIC, Tandemic, MyHarapan, and Air Asia Foundation. We have not included PACOS Trust, a social enterprise cum incubator, and Yayasan Sabah, a government agency responsible for promoting entrepreneurship in general (both operate only in the State of Sabah), because of the data constraints posed for comparison. However, we have used them in our overall analysis, as their operations are relevant to the SE ecosystem.

In order to get the perspective of social enterprises, we selected a sample of 20 SEs and gathered their views through semi structured interviews. Without a legal or universally accepted definition of social entrepreneurship selection of social enterprises for this study posed significant challenge. We have used our own definition of SE (provided in the Introduction section) to identify social entrepreneurs / enterprises. The 20 sample social enterprises were selected from four clusters: 1. Klang Valley; 2. Penang; 3. Sabah; 4. Sarawak (see details in Section 6.6). The interviews were recorded and lasted between one and two hours. All interviews were conducted by at least two researchers jointly.

Social Enterprise Ecosystem in Malaysia: Overview

The social enterprise ecosystem in Malaysia is still at a very nascent stage. Currently, there are over 100 social enterprises in Malaysia with more than 70% founded in the last 5 years. Table 1 shows the distribution of social enterprises across different sectors, according to the Social Enterprise Survey conducted by the Malaysian Global Innovation and Creativity Centre (MaGIC). The survey revealed that 71% of SEs start their venture with their own personal funding. The sector lacks financial support from investors, banks, corporate social responsibility (CSR) initiatives, and philanthropy (MaGIC, n.d, p.17).

Table 1: Target Development Areas of Social Enterprises in Malaysia

Areas of Social Impact	Share
Community Development and Integration	20%
Environment, Sustainability, Energy	15%
Economic Access and Poverty Alleviation	13%
Education	11%
Youth Development	9%
Healthcare	7%
Arts, Media and Culture	6%
Rural Development	5%
Frugal Innovation/ Affordable Technology/ Innovative Products	4%
Disabilities	3%
Water and Sanitation	1%
Others	6%

Source: MaGIC (n.d), p. 17.

According to the Malaysian Social Enterprise Blueprint (MSEB) prepared by MaGIC which was funded by the government, ‘Social entrepreneurship’ is a unique sector; currently one without a succinct, accurate description of what is a ‘social enterprise’. The lack of definition appears to have led to confusion among stakeholders and potential entrepreneurs leading to the development of two broadly distinct strands of social enterprises: 1. *Primary*: A social enterprise is an entity which balances both impact and business in order to solve a legitimate social or environmental issue through its offerings, which are driven by market needs. 2. *Secondary*: A social enterprise is an entity that operates by being inclusive and transparent in its activities, while being fully accountable to its shareholders and beneficiaries (MaGIC, 2015, p. 20).

The SE ecosystem in Malaysia comprises of 4 major actors; government, corporations, intermediaries, and social enterprises. The intermediaries act as a bridge between corporations, government and social enterprise. Some major weaknesses in the SE ecosystem in Malaysia were highlighted by MSEB: (i) “The ecosystem is sporadic and disconnected and requires close coordination to drive policy formulation and generate social innovation”; (ii) “The ecosystem is isolated, with minimal private sector involvement to encourage collaboration, investment, and wealth creation”; (iii) “Existing institutions are unable to create supportive regulatory, tax, and administrative frameworks to support social enterprises” (MaGIC, 2015, p.44, Table 4.1). The Malaysian Social Enterprise Blueprint 2015-2018 also states that: “While the blueprint focuses on a three-year time horizon, what happens beyond 2018 still remains a question” (MaGIC, 2015, p. 70).

The under-development of this sector appears to be due to a combination of factors such as lack of policy thrust from the government, and large presence of non-governmental organizations (NGOs). As such, compared to neighbouring countries like Thailand, the social enterprise sector in Malaysia is far behind in terms of number of SEs and the stage of ecosystem development.

Given this background, this study attempts to explore the attributes and the roles of business incubators and intermediaries involved in the sector to shed some light on how they are trying to

help build the SE ecosystem in Malaysia and what are the opportunities and challenges they are facing.

Profiles of Social Enterprise BIs and IMs

Tandemic

Tandemic was started in 2009 as a social venture fund with an objective of investing in social enterprises in Malaysia. Tandem Fund focused on investing in entities with proven business models that could expand their social impact. But Tandemic soon realized that the industry was not well developed and it was unable to find suitable organizations to invest in. This forced Tandemic to switch focus towards social innovation and by designing different programmes, workshops, mentoring and internally incubated projects.

Now, Tandemic's main objectives is to use social innovation to support the social sector by contributing towards the development of social enterprises, CSR projects, and the NGOs. Tandemic is a private entity and it does not have a structured governing body but a dynamic organizational structure. It has worked with (among others) Nova Nordisk & Ministry of Health; UNICEF and MaGIC. Tandemic sustains itself by running training programmes for external organisations and foundations including CSR related trainings and projects for private corporations. For example, it is currently providing training programmes through MaGIC's accelerator programme. Proceeds from their profits are reinvested into developing and incubating internal social projects. Among them is the DoSomethingGood portal – a volunteering platform that enables corporations or NGOs to seek for volunteers to participate in their projects. As part of governance, they review their portfolio every three months to re-assess their organizational direction. In recent years, Tandemic has been focusing more on the NGOs sector because of the limited scope in the social enterprise sector and also because of the need for more innovations in the NGOs sector and its potential to make a social impact¹.

MaGIC

Malaysian Global Innovation and Creativity Centre (MaGIC) is a government owned company that was established in 2014 to develop and drive entrepreneurship especially in the technological sector in the country. MaGIC is funded solely by the government. MaGIC established its Social Enterprise arm in 2015, and was granted RM20 million to develop and implement the Malaysian Social Enterprise Blueprint (between 2015 and 2018). MaGIC was mandated by the government to draw the Malaysia Social Enterprise Blueprint. It is working together with various government agencies and existing SE intermediaries and social enterprises to develop the SE ecosystem in the country. MaGIC's programmes include the Social Enterprise National Survey to provide insights of the current landscape of social entrepreneurship in the country including challenges, potentials and outlook. However, so far progress appears to be very limited due to lack of dedicated government funding and support, and also weak multi stakeholders involvement.

MaGIC runs trainings, awareness campaigns across the country to promote social entrepreneurship (Spark, Sehati, and SE Bootcamp programmes) through its own academy and

also through partnership with other IMs. It also runs an early stage incubation and Accelerator programme (4 months) that provides seed funding to social enterprises. It runs Amplify awards programme to help fund growth stage and high impact social enterprises to scale up their ventures. In 2017, it has introduced the Impact Driven Enterprise Accreditation (IDEA), a national initiative to help Malaysian Impact Driven Enterprises (IDEs) gain accreditation and to facilitate involvement of private and public sectors through social procurement activities. IDEA aims to link IDEs with the public and private sectors through an online platform, which provides access to social procurement opportunities. IDEA enables IDEs to establish their credibility through an accreditation program. IDEA aims to create jobs and income opportunities for the bottom40 through supporting SEs. MaGIC also has been trying to foster links with universities to strengthen the SE ecosystem. However, progress appears to have been slow.

MaGIC is governed by an independent board of directors comprising representatives from various government agencies and departments who are appointed by the Prime Minister's Office (PMO). They hold regular meetings with the National Blue Ocean Strategy (NBOS) Committee to collaborate with other government departments and agencies. As a government funded entity, it has strong links with government departments or organizations such as Ministry of Finance, NBOS, AIM, KSN (Youth and Sports Ministry), PMO and State Government departments. MaGIC also is working with major actors in the sector such as Scope Group (which emphasizes on social innovation), Tandemic, MyHarapan, British Council, and IM4U. It has links with the private sector including Zain & Co, PWC, and Accenture. It works with universities including UTM, UPM Pahang, UniMas, UMS, Sunway University, and UM Kelantan².

AirAsia Foundation (AAF)

AirAsia Foundation (AAF) was established in 2012 to encourage the spirit of entrepreneurship through innovation. It was incorporated in Labuan as a not-for-profit Foundation. It aims to leverage on AirAsia's network and resources across the ASEAN region to bring social change by creating synergies and connecting people. It is mainly funded by Air Asia. AirAsia Foundation's Council of Trustees is made up of 6 ASEAN citizens who have made important social and professional contributions in their respective countries. From entrepreneurs to lawyers, they bring considerable expertise and local know-how to advise both AAF team and its grantees. Its external links are mainly with AirAsia and ASEAN.

It operates a very robust screening and selection systems for funding SEs. It is based on four main criteria: social impact, beneficiaries, sustainability, and innovativeness. The potential SE must come up with a business model that demonstrates these traits, and has been successfully operating for 2 years. The grantees must also be located close to destinations that AA serves, so that it can serve the communities and leverage on their support other than funding. Other requirements include a justifiable timeline and budget, a discipline attitude towards meeting organizational goals and sincerity of founder(s) with a 2 year track record of operation³.

MyHarapan

Youth Trust Foundation - MyHarapan was set up in 2011 with a one-off government grant. It is an independent, non-partisan, non-profit organization dedicated towards empowering young Malaysians between the ages 16 to 30 years. It supports youth projects and initiatives that aim to

build social businesses. It sustains itself through profit reinvestment, and it generates revenue through services offered to private and public sector organizations.

MyHarapan mainly focuses on capacity building of youth through coaching, mentoring, and training. It conducts awareness campaigns through roadshows and competitions nationwide. MyHarapan operations currently consist of two units: 1. MyHarapan (Not for profit); 2. Social Enterprise Venture Fund (SEV) - For profit model to develop social businesses. SEV Unit invests in viable and sustainable social businesses and provides impact evaluation services to private corporations. MyHarapan has forged external links with organizations such as Muhammad Yunus Centre, MaGIC, Danabelia, IMDB, Rakan Muda/Youth and Sports Ministry, Hong Leong Foundation, and Khind, to promote social enterprises⁴.

Table 2: Selection Criteria for and Services Provided to Social Entrepreneurs by Selected BIs and IMs in Malaysia				
Criteria/Service	Tandemic	MaGIC	AA Foundation	MyHarapan
Selection Process	Open to public	<ol style="list-style-type: none"> 1. Must have a prototype to be selected for the accelerator programme. 2. Internal screening on eligibility 3. Leverage on the contacts provided by AIM, State Governments 	<ol style="list-style-type: none"> 1. Four main criteria: Social impact; Beneficiaries; Sustainability; Innovativeness 2. Additional criteria: located close to AA destination, Non-financial needs, concrete timeline and budget, Attitude and sincerity of founder(s), 2 year track record 	<ol style="list-style-type: none"> 1. Age 16 – 30. Youth. 2. Entrepreneurs (future or aspiring or already entrepreneurs) 3. Core skills of entrepreneur
Funding	<p>(a) Currently limited funding of SE incubation from revenues generated from other activities</p> <p>(b) It started Tandem fund to finance SEs, but discovered there were not many viable enterprises for investment. So, it shifted focus to promoting Social Innovation among NGOs.</p>	<p>(a) 75 early stage SEs incubated (4 months)</p> <p>(b) RM30k to the 25 SEs who have undergone the accelerator programme. Funds are retractable if an SE fails to meet the milestones set for the year. MaGIC monitors them during the 12 month period.</p> <p>(c) RM150k from the Amplify Awards Programme for SEs that show high growth / impact potential (15 SEs benefitted until</p>	<p>(a) It follows the budget presented by SE. Their targets will be monitored within the year.</p> <p>(b) If targets are not achieved, reasons for not achieving will be looked into.</p> <p>(c) On site visit will be conducted before and during funding period.</p> <p>(d) Funded 10 SEs, including 2 in Malaysia: Tonibung</p>	<p>(a) SEV – Social Enterprise Venture Fund for start-ups</p> <p>(b) Youth Action Grants – prototype/seed funding</p>

		2016)	and APE Malaysia	
Market Intelligence/ Access	Provide consultation to SEs that seek Tandemic's services including market intelligence.	(a) Classes conducted by industry practitioners on specific knowledge i.e. Legal issues, risk management, branding, and product development. (b) Impact Driven Enterprise Accreditation (IDEA) initiated in 2017 to expand market access by facilitating public and private procurement systems for SEs,	Provides through AirAsia's network and partners (e.g. PWC and Designers)	Provides Training Workshops.
Mentoring	No pre or post selection mentoring for SEs. Mentoring (External) / Consulting 1. "Saurah industries", the water filtration. 2. Simply cookies	Mentoring is only provided post selection once these SEs enter the SE Accelerator programme.	Mentoring on budgeting and targets assessment Guidance through local organizations /NGO (e.g. Change Fusion in Thailand)	Accelerator/ Incubator (pre & post selection) Monitoring: ranges from 3 months to 1 year or more. Consultation offered to any entrepreneur, even someone who is just at 'idea' stage.
Monitoring	No monitoring. Internal project is usually approved after incubation is completed where it could be sustainable on its own.	For 12 months, in which they will be given RM30,000 to achieve certain milestones. But it can be retracted if milestones are not achieved.	After six months on site visit; after 12 months re-evaluation. If SE applies for something new to expand the project, there will be another visit.	Monitoring depends on the type of the SE.
Assessing Outcome of SE Programme	1. Measures differently according to different projects 2. Milestone based, not based on incubation period.	1. Target for at least 5 (out of 25) social enterprises to continue operating and meet breakeven in the next 12 months after the programme	There is no specific programme for SEs. Financial support given to SE will be monitored to ensure governance and efficiency through the final report.	Generating an idea, initiative and plan which will be presented in a workshop

Table 3: Various Projects and Activities by Selected BIs & IMs supporting Social Entrepreneurship in Malaysia

Tandemic	MaGIC	AA Foundation	MyHarapan
<p>1. Provides mentoring to external Social Enterprise on a walk-in basis.</p> <p><u>Main Activities:</u></p> <ol style="list-style-type: none"> 1. Training 2. Consultancy 3. Incubation (internal) <p>2. Incubation Projects:</p> <p>(a) Do Something Good (Largest Volunteering Platform) - internal</p> <p>(b) Collective Impact (on education) - internal</p> <p>(c) Diabetes Prevention programme (for Nova Nordisk and MOH)</p> <p>(d) Human Trafficking project with Telcos Internal</p> <p>(e) Hati.my –Database of Social Enterprises (completed).</p> <p><u>Specific Projects:</u></p> <ol style="list-style-type: none"> 1. Make Weekends 2. Bridging Workshops 	<p>1. Accelerate existing SEs through Accelerator programme and Amplify Awards programme.</p> <p>2. Creating Awareness and movement for developing Social Enterprise sector in the country</p> <p>3. Build the Malaysian SE ecosystem by developing:</p> <p>(a) Financial capital</p> <p>(b) Human capital</p> <p>(c) Procurement</p> <p>4. Developing policies and framework changes that is friendlier to social enterprises including incentive and legal structure</p> <p><u>Specific Projects:</u></p> <ol style="list-style-type: none"> 1. Accelerator Programme (4 months) – prototype needed with monitoring after programme. 2 rounds each year <ol style="list-style-type: none"> a. Mentorship b. Classes c. Events d. Network e. Funds RM30k (w/o equity holding) Monitor for 12 months. 2. Amplify Awards 3. Impact Driven Enterprise Accreditation (IDEA) to facilitate public and private procurement system for SEs 	<p>1. To bring about awareness of social entrepreneurship within ASEAN countries and to help develop social enterprises based on highly stringent criteria to ensure their success.</p> <p><u>Main Activities:</u></p> <ol style="list-style-type: none"> 1. Funding 2. Workshops 3. Mentoring 4. Facilitating market space and forum for social enterprises <p><u>Specific Projects:</u></p> <p>Annual Destination: GOOD events throughout ASEAN to facilitate market space and forum for SEs</p>	<p>1. Youth Engagement Work for Capacity Development through:</p> <ol style="list-style-type: none"> a. Workshops b. Bootcamps c. Roadshows d. Ad-hoc mentoring and coaching <p>Social Entrepreneurship boot camp (yearly)</p> <p>Workshop (by demand from specific institutions)</p> <p>(a) Project Management</p> <p>(b) Coaching and Mentoring</p> <p>(c) Roadshows, Competitions/Events</p> <p>2. Impact Evaluation on social initiatives for the corporate sector</p> <p><u>Specific Projects:</u></p> <ol style="list-style-type: none"> 1. Social Business Challenge Competition and Forums 2. Workshops 3. Nationwide Roadshows

PACOS Trust

PACOS Trust or Partners of Community Organizations in Sabah (East Malaysia) is a community-based organization that has been championing the welfare of the indigenous communities in Sabah for more than 25 years. In 1997, PACOS was registered under the Trustees Ordinance (Sabah) and it is governed by a Board of Trustees. PACOS was originally started as a NGO and it evolved into a social enterprise by 1999, mainly driven by the need to overcome the dependence on outside funding. Over the years, it not only transitioned to become a social enterprise but also like a BI or IM for social entrepreneurship.

PACOS was establishing pre-schools centres across Sabah which was funded by Bernard Van Leer Foundation. It used a commercial centre (Sunshine) run by a friend which trains kindergarten teachers to train its own teachers and also to seek managerial advice. When Bernard Van Leer Foundation informed PACOS that they will not be able to fund the project forever the latter decided to start its own commercial centre to train their own teachers (1999-98). Since then, the centre generates revenue from student fee and it provides training to teachers who are sent out to manage pre-schools (kindergartens) or community learning centres (CLC) in the rural community across the State. Thus, PACOS has developed 22 learning centres/kindergartens. In other words, PACOS created its own kindergarten model and scaled it down to suit small villages and meet local community needs. When the teachers leave the training centre to open up their kindergarten, they have to open it under PACOS and will be a part of its network.

Furthermore, the teachers are trained to teach kids and also become social entrepreneurs. The kindergartens are managed by the communities in which the teachers will gather a group of women, the mothers of the kindergarten kids and will work with them to start a small enterprise like farming. For example, PACOS teach them how to do food processing such as making banana chips. Each CLC must have at least one good product. PACOS help them to improve the quality or design of their product and also find market. The student fee and the revenue from selling the product help sustain the CLC⁵.

Over the years PACOS emerged as an intermediary fostering and supporting community organizations and projects which aim to create social impact. It acts as an intermediary between community organisations and foreign entities whether government agencies, private companies or NGOs. It selects and nurture community organizations which show ability to sustain themselves financially. PACOS supported community organizations operate in 17 districts within 23 geographical areas in Sabah. Each community organisation independently execute its social programmes and PACOS provides various supports such as training, mentoring, and networking⁶.

Yayasan Sabah (Sabah Foundation)

Yayasan Sabah (Sabah Foundation) is a State Government Statutory Body that was established under the initiative of Tun Datu Haji Mustapha Bin Datu Harun in 1966 and it was brought under the direct control of the government in 1975. It runs diverse portfolio of assets to generate revenue. Its overall objectives are: (i) provide education and educational facilities for all in Sabah; (ii) create opportunities for a more equitable distribution of economic wealth among the

people in Sabah; and (iii) provide aids to charitable institutions and victims of natural disasters. It runs Community Development Programmes (related to agriculture, fisheries, handicraft, homestay, branding and packaging of homemade products) targeting socioeconomic development in cooperation with of the State and Federal government agencies, private sector, non-governmental organisations and fund providers. These programmes are implemented through its office in six zones, which target “especially housewives, retirees, unemployed youths and single parents and train them through workshops and seminars on how to start small businesses”⁷.

The strategic thrust of Yayasan Sabah is the development of local industries, such as handicrafts, bakery, sewing, fisheries and eco-tourism, which are main economic activities of the indigenous communities in Sabah. Through the Desa Cemerlang Berinovasi programme started in 2011, the foundation aims to uplift the household income of participating communities to RM1,500 per month. The assistance comes in the form of programmes like handicraft trainings, product and market development support. For this, Yayasan Sabah acts as an intermediary between participating communities and the corporations, public institutions, and NGOs, to assist the development and promotion of products domestically and internationally.

With the assistance of the federal government, Yayasan Sabah provided 1,380 grants to women, amounting to RM354,000 to assist their social businesses (as of April 2016). It has built Handicraft Centre in Keningau (at the cost of RM30 million) to cater to the entrepreneurship development. In the area of social and education development, Sabah Foundation established the Human Capital Fund, to assist students in need through scholarships and schooling expenditures⁸.

Data Analysis

Table 2 shows the selection criteria for and services provided to social entrepreneurs by the selected BIs and IMs, and Table 3 highlights various projects and activities by the selected BIs & IMs supporting social entrepreneurship in Malaysia. We present discussion of data gathered on various aspects of SE ecosystem in Malaysia in the following sections.

Governance of SEs: Diverse origins and Weak management

The organizations involved in fostering and supporting social enterprises can be categorized as business incubators, accelerators, and other intermediaries. Tandemic and PACOS trust can be described as incubators. MaGIC and Yayasan Sabah (both government organizations) act more like accelerators. Air Asia Foundation and MyHarapan falls in the category of intermediaries. What is interesting is that Tandemic, PACOS Trust and MyHarapan themselves function like social enterprises. They generate revenue through their programmes and training activities such as CSR training programme for corporate funded projects and reinvest some of that into incubating social enterprises. MyHarapan started Social Enterprise Venture Fund, which facilitates impact investments for start-ups and largely provides seed funding or grant for youth entrepreneurs to develop prototypes.

All BIs and MIs provide various training activities and run workshop for potential and existing SEs. They also provide some market intelligence, but it appears to be not treated as central or core service. They also provide different levels of mentoring (mostly post selection) and monitoring support. However, these activities do not appear to be well organized or implemented. Similarly, there is little performance measurement system in place, except in the case of AAF. As AAF operates not only in Malaysia but also across other ASEAN countries, it has strong links with both government and non-government agencies involved in the SE ecosystems in these countries. This appears to have helped it to bring in best practices for nurturing SEs in Malaysia.

The BIs and IMs operating in the social enterprise sector in Malaysia are a mix of public and private funded actors. For example, MaGIC is wholly funded by the government, while MyHarapan exists on partial government funding. The others are largely privately funded. Because MaGIC is heavily funded by the government, it is understandable that it has very strong links with various ministries and departments and national agencies. This has led to MaGIC establishing a predominant presence in the sector. As a result it appears that some other IMs who were emerging as strong actors in the SE sector such as Tandemic and Scope either have to re-orientate their core focus or scale back their range of programmes and activities.

MaGIC has links with Innovation Agency of Malaysia (AIM), Ministry of Finance, Youth and Sports Ministry (KBS), and State Government agencies (e.g. Sabah, Sarawak etc.). As MaGIC is government supported organization, it receives financial resources and also support in executing initiatives at the national level (with the help of NBOS – National Blue Ocean Strategy Committee). It has forged a wide ranging network and links with both public and private sector organizations. For example, it has strong links with two other IMs covered in this study, Tandemic and MyHarapan. Tandemic conducts training for MaGiC. Tandemic believes that one of MaGIC's plans to develop the SE ecosystem is by creating more intermediaries. As Tandemic is an intermediary, it expects MaGIC to provide strong support to their activities and growth. MyHarapan has worked with MaGIC since 2015 and it is heading the capacity development workshop run by MaGIC. Among the selected cases, only the AA Foundation has established links both within and outside Malaysia. It has links with organizations from other ASEAN countries such as Change Fusion in Thailand, an NGO that works closely with the Thailand government. As a foundation run by a leading budget airliner in the region it is not surprising that its social enterprise support activities are based on region-wide links.

Lack of funding

The general perception of the SE ecosystem in Malaysia is that it is at a very nascent stage and needs extensive development starting from creating general awareness in the country. According to MaGIC although their programmes are helpful in creating such awareness, it is facing a number of challenges in developing the social enterprise sector. The single biggest constraint faced by many SEs is achieving financial viability. According to Ehon Chan, Executive Director of MaGIC, "What is needed is really about supporting the people realising that they have the whole journey in front of them and helping them look into business viability"⁹. However, it is also felt that there is significant overlapping of operations of different organizations in the SE ecosystem, which resulted in declining number of intermediaries. Partly because of the

dominance of MaGIC, other IMs are finding it difficult to sustain their business operations in this sector¹⁰. MaGIC also acknowledges this problem. According to Ehon Chan, MaGIC: "There are various organisations both private and public operating in the ecosystem. At the moment they serve their respective missions/objectives which may not necessarily serve or be in line with what the SE sector needs. We all need to understand more about their needs".

Another problem highlighted by AA Foundation is the weak link with the universities and lack of awareness and lack of interest among universities towards fostering social entrepreneurship. It argues that other ASEAN countries such as Thailand have far more advanced ecosystem compared to Malaysia, and the universities are playing a major role. MyHarapan points to the slow participation of private sector and universities in the SE ecosystem. It also believes that there is an under development of the entire ecosystem across the spectrum due to problems of funding and especially long term funding, lack of regulations, and negative perception of NGOs that are trying to transform into profit making social enterprises. It argues that there is less need for structural change and more focus should be on cultural change in order to overcome the negative perception on social enterprises in general.

Mindset: Weak public perception on SE

Tandemic opines that overall there is a lack of participation from the public, the number of SE intermediaries are declining, personal egos preventing SEs from working with each other, rote learning education system is preventing innovation among students, and universities are not playing strong role in SE ecosystem. There is a need for a good bridging programme and serious investors to attract top talent into the sector, and also a need for a procurement market. The government should create and support such a market through its procurement programmes.

MaGIC's view is that there is not enough demand for social enterprise accelerators and incubators. Furthermore, there is not enough people who understand SE needs and run an incubator or accelerator. Also, because the concept of SE is so new in Malaysia, the risk involved is extremely high. There is a high failure rate among start-ups, mainly due to inadequate competencies among the SE founders.

AA Foundation asserts that it is difficult to change community's attitude created by a handout culture, as Malaysia has a strong existing welfare network and crowding out of private sector IMs by government agencies. Also, it highlights lack of involvement by the universities and lack of interest by university students because SE sector is less appealing. AA Foundation suggests that it is better to foster a common ASEAN ecosystem and Malaysia will benefit from such a regional ecosystem. MyHarapan argues that due to poor participation of private sector the entire ecosystem across the spectrum is suffering from under development.

Absence of Legal definition & Weakness of Institutional and Policy Framework for SE

Although MaGIC has produced a blue print for the government to come up with policies to help develop SEs in Malaysia, there are many uncertainties and challenges which are affecting the development of the SE sector. The major problem is the absence of any legal recognition for the social enterprise. All IMs have highlighted this issue as one of the major obstacles in developing

the SE sector. For example, Tandemic argues that formulating a clear and legally bound definition of social enterprise will help to come up with strong policies that will support and create more social enterprises and intermediaries. It has set up the Social Enterprise Policy Working Group to develop a legally sound definition of 'social enterprise' in Malaysia.

MaGIC feels that there is no policy focus, although the blue print has specified certain actions that are essential to develop the SE ecosystem in Malaysia. It suggests that government needs to introduce policy framework changes that are friendlier to social enterprises and provide incentives and legal structure to help develop the SE ecosystem. However, AA Foundation opines that although Malaysia is on track to create awareness about the SE movement, it is trying to achieve too much within a short period of 3 years. It argued that creating awareness will take time and it needs long-term strategy and consistent effort towards creating a strong SE sector.

Similarly, these are two views about policy learning from other countries. While MaGIC advocates that Malaysian policy development should follow and emulate successful policies from countries like UK, the AA Foundation asserts that learning from ASEAN countries such as Thailand which share common socio-economic conditions and needs will be more appropriate and effective.

MaGIC submits that the major challenge for the future prospect SE ecosystem is its ability to foster and develop a critical mass of SEs. The general perception about the future of SE sector is that the growth will happen if there are good examples or role models who will inspire more people to become social entrepreneurs. AA Foundation intends to reach out to universities from 2016 and intends to organize Destination GOOD events across ASEAN countries to spread more awareness of social entrepreneurship. It intends to put focus on developing channels to sell their products, offer sustainable tourism activities. It is planning to bring in external partners such as legal consultants to support SEs under its programmes. It is also taking effort towards harmonizing the legal status of social enterprise at ASEAN level (e.g. common legal status for SEs). MyHarapan intends to develop further its Social Enterprise Venture Fund to provide strong support for growing social businesses.

Lack of legal definition appears to have constrained formulation of coherent national policy and institutional framework linking the SE sector to overall economic development programmes for achieving social inclusion and inclusive growth. As the SE sector is still emerging, it is slow in incorporating social inclusion and inclusive growth strategies. Although the BIs and IMs follow a non-discriminatory approach towards promoting social entrepreneurship, they do not appear to have proactive measures to integrate the concepts of social inclusion and inclusive growth in their programmes. Furthermore, it is clear that the sector is not well linked to the regional or national innovation system.

Key characteristics of SEs and Challenges faced by them

A total of 20 social enterprises from four regional clusters were interviewed for the study. Of these, 7 were from Kuala Lumpur (Klang Valley), 3 from Penang, 6 from Sabah and 4 from Sarawak. They were categorized as (i) start-ups (organizations incorporated after 2010); (ii)

mature organizations (established before 2010); (iii) NGOs in transition (originally NGOs, but they are trying to become SEs seeking financial sustainability).

Table 4: Profiles of Sample Social Enterprises (Malaysia)

Table 4: Profiles of Sample Social Enterprises (Malaysia)					
Cluster	Typology	Experience	Age Group (years)	Social Enterprise Name	Beneficiary Sector
Kuala Lumpur (7)	Start-up (4)	Multi-background (1)	< 30	Biji-Biji	Upcycling & Recycling
		Corporate (3)	> 30	<ul style="list-style-type: none">• Build for Tomorrow*• Batik Boutique*• 100% Projects	Sustainability Women Empowerment Education
	Mature organisations (3)	Corporate (3)	> 30	DIBS Coffee	Hearing Impaired
			> 30	<ul style="list-style-type: none">• APE Malaysia• Leaderonomics	Wildlife Welfare Education
Penang (3)	Start-up (3)	Fresh graduates (1)	< 30	Arus Academy	Education
		Corporate (2)	> 30	<ul style="list-style-type: none">• Loo Urban Farming• ANB Agrotainer	Sustainability Welfare
Sabah (6)	Start-up (2)	NGO (4)	> 30	<ul style="list-style-type: none">• BC Initiative• Borneo Conservancy	Indigenous Welfare
	NGO model transition (3)		< 30	WWF	Indigenous Welfare
			> 30	SAWO	Women and Children Welfare
	Mature organizations (1)	Entrepreneurial (2)	> 30	Tonibung	Basic Facilities
			> 30	PACOS	Entrepreneurship, Education & Agriculture
Sarawak (4)	Start-up (4)	Fresh graduates (2)	< 30	<ul style="list-style-type: none">• WormingUp• Backyardtours	Waste Management Cultural Tourism
		Corporate (2)	> 30	<ul style="list-style-type: none">• Heart Treasures• Tanoti	Handicrafts Fashion

Note: * Foreign Ownership

Analysis of data gathered from sample SEs reveals that the nature of the SEs and their sustainability are reflected by their past professional experiences. Evidently, diverse backgrounds of SEs have influenced their perception of various issues, challenges and future outlook of the sector. Founders with corporate or entrepreneurial experiences displayed more flexibility; opening them to opportunities and adopting innovative ideas. This is reflected by their source of income streams from a variety of activities and social networking. Founders of NGOs transitioning into SEs were more conscious of the ethical aspects of their income sources, their operations and social programmes.

SE start-ups find the social networking, accelerator programme and seed funding provided by MaGIC and other intermediaries very effective and helpful. In contrast, the mature social enterprises and the NGO transitioning into social enterprises feel they require different assistance, such as legalization and recognition to enable them to grow their operations and access new markets. Social entrepreneurs who are foreign nationals hope that some form of legalization of social enterprises by the government will help ease problems they face with visa applications and ownership. It is evident that different types of SEs require different types of support from the IMs and other institutions in the sector, although they all face some common problems such as legalization.

All sample social enterprises strongly feel that the absence of legal status for social enterprise is the biggest obstacle for the growth of the sector. They argue that legal status is the key to the growth of number of SEs, as it will facilitate access to funding and help attract talents. They also assert that this will help in the formulation of specific policies and incentives by the government to develop the social enterprise sector in the country.

At present due to the absence of legal provision SEs operate as companies, or trusts, or foundations, or NGOs. In some cases they operate a hybrid legal form whereby they operate both as company and trust or NGO in order to overcome the legal vacuum. This way they are able to access private sector funding such as CSR and also access funding and support from IMs such as MaGIC. Interestingly, a number of NGOs are in transition towards social enterprise business model and they feel the current legal limbo is not helping this transition. It appears that the problem of generating funding from donors is the main reason behind this trend. As Malaysia is a middle income country, aid agencies are cutting back their funding and this is forcing many NGOs to transform into social enterprises. Another major reason is the difficulty in attracting new generation of young talents by NGOs. The younger generation are not attracted by the traditional NGO model and they are more attracted by innovative challenges and opportunities offered by the social enterprise business model. This trend of NGOs trying to become social enterprises or adopting social enterprise business models in Malaysia conforms to the global trend, which is driven by two factors: (i) social enterprise as a funding model; and (ii) social enterprise as a tool for poverty alleviation. As NGOs are reliant on constant fundraising, they see sustainable funding model that helps to generate income sustainably as a viable alternative. Also they find it attractive as rather than perpetuating dependency, social enterprise models enable poor people to develop their own opportunities (Steed and Corbin, 2010).

The general view of the programmes run by the SE intermediaries such as MaGIC is that they are not appropriate or useful for the social enterprises already operating for number of years, as these programmes are mainly targeting potential and new social enterprises. Unlike the BIs and IMs who argue that lack of funding is one of the major problems in the SE sector, majority of the sample SEs do not put greater emphasis on the need for government funding. Instead, they argue that government policy enabling legal status for social enterprise will help access to private sector funding such as CSR related funding, which will help rapid growth of the SE sector¹¹.

Conclusions

This study explored the eco-system for social enterprises in Malaysia, by focusing on the attributes (features) of business incubators and intermediaries; perceptions of business incubators and intermediaries about various aspects of social enterprise ecosystem; and the role of business incubators and other intermediaries in fostering social entrepreneurship and meeting the inclusive growth objective of the country.

The study revealed that the social enterprise ecosystem in Malaysia is weak and still emerging and yet to take a concrete shape. The organizations involved in fostering and supporting social enterprises can be categorized as business incubators, accelerators, and other intermediaries. The BIs and IMs operating in the social enterprise sector in Malaysia are a mix of public (fully or partially government funded) and private funded actors. The main agency promoting SE sector is MaGIC, which is fully funded by the government. It is interesting to note that some of the intermediaries (e.g. Tandemic, PACOS Trust and MyHarapan) themselves function like social enterprises. They generate revenue through their programmes and training activities such as CSR funded projects for corporations and reinvest some of that into incubating social enterprises.

As a result of the emergence of government funded MaGIC which has become the predominant player within the sector, it appears that other IMs who were emerging as strong actors such as Tandemic and Scope either have to re-orientate their core focus or scale back their range of programmes and activities. It appears the number of intermediaries have declined during the last three year period.

Almost all IMs provide some sort of funding for the development of social enterprises, but the level of funding is grossly inadequate to develop the SE sector to a critical mass and enable it to grow faster. All BIs & IMs provide various training programmes and run workshop for potential and existing SEs. They also provide varying degree of market intelligence, but it is not treated as central or core service. Although they provide different levels of mentoring (mostly post selection) and monitoring support, they do not seem to be efficiently organized or implemented. Similarly, they do not follow any performance measurement system to measure the social impact of SEs (except AAF).

The current programmes and activities of business incubators and intermediaries are mainly focused on developing new social enterprises and not designed to support already existing social enterprises. The matured SEs and the NGOs that are trying to become SEs feel that the intermediaries need to come up with innovative services and support programmes for them, while they are trying to develop new social enterprises. Although there are some initiatives from MaGIG to address this problem (e.g. Amplify Award, IDEA), these initiatives seem to be still inadequate in terms of scope and volume.

The absence of legal status for social enterprise is perceived by most of the BIs, IMs and SEs as the single most important obstacle in unlocking the potential growth of this sector and is seriously affecting the private sector participation such as coupling of CSR related funding with the development of social businesses.

As the SE sector is still emerging, it is slow in incorporating social inclusion and inclusive growth strategies. The study also found that the SE sector is not well linked to the regional or national innovation system due to lack of clear understandings of what are the social enterprises' needs and weak linkages between major stakeholders involved such as government agencies, financial institutions, universities, private sector actors and social enterprises and also due to overlapping operations between IMs, lack of funding and supportive regulations. Particularly, there is a lack of participation by universities which play a major role in an innovation system.

It appears that MaGIC has been trying to follow and emulate successful policies from developed countries like UK to develop the SE ecosystem in Malaysia. However, the study revealed that a number of IMs and SEs feel that it may be more effective and useful also to learn from other ASEAN countries such as Thailand, as Malaysia shares some common socio-economic conditions and needs.

Drawing from the findings we propose the following policy recommendations:

- (i) The government introduces policy measures to accord legal status to social enterprises in the country in order to develop the SE ecosystem rapidly and facilitate greater participation of both public and private sectors.
- (ii) BIs and IMs need to come up with more innovative services and support programmes for matured SEs and the NGOs that are trying to become social enterprises.
- (iii) BIs and IMs need to focus on studying the needs on the ground through innovative multi-stakeholders engagement. As the lead actor in the sector MaGIC needs to take initiative to bring about multi stakeholders engagement and generate more innovative ideas in partnership with other IMs so that the outcomes can be more effective.
- (iv) Links with universities and their role in strengthening the SE ecosystem need to be stronger. For this, universities need to play a proactive role in incorporating social entrepreneurship in their teaching programmes and entrepreneurship courses and training. Also, IMs need to seek active partnership with universities to foster SEs and MaGIC should play a greater role in this than what it is doing currently.
- (v) To build a robust and efficient SE ecosystem in the country there is a need to map the SE sector in the country through a national survey of various stakeholders including the social enterprises.

As this study is based on mainly the business incubators and intermediaries in the SE ecosystem and a small sample of SEs, we suggest future research should focus on a large scale survey of social enterprises, including those NGOs who are in transition towards a social business model and also include depth case studies of social enterprises.

Notes

1. Interview with Kal Joffres, CEO, Tandemic. 18th August 2015.
2. Interview with Ehon Chan, Executive Director, MaGIC, 17th August 2015.
3. Interview with Yap Mun Ching, Executive Director, AirAsia Foundation, 19th November 2015.

4. Interview with Nurfarini Daing (CEO), Jamali Samsuddin (General Manager), Yusuf Jaffar (Head of Social Enterprise Ventures), MyHarapan, 24th November 2015.
5. Interview with Anne Lasimbang, one of the Founders of PACOS, 16th April 2016.
6. See: <https://pacostrust.com/about/vision-mission-strategies/>
7. See: <http://www.yayasansabahgroup.org.my/>
8. Interview with Stephen Jilimin (Senior Executive of Corporate Communication), Sabah Foundation, 19th April 2016.
9. Interview with Ehon Chan, Executive Director, MaGIC.
10. Interview with Kal Joffres, CEO, Tandemic.
11. From the interviewees of 20 SEs from four regional clusters (Klang Valley, Penang, Sabah, and Sarawak).

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