The Effect of Social Entrepreneurial Behaviour Towards Organizational Performance: A Study on Bumiputera Entrepreneurs in Malaysia

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Abstract

It has long been acknowledged that SMEs contribute significantly to overall economic performance in Malaysia. However, the performance of SMEs still has not reached the stage of full potential. Although the number of SMEs hit more than 90% of the total establishments in most countries, including Malaysia, it does not show the strength of a company or industry. Furthermore, as the biggest ethnicity in Malaysia, the growth in Bumiputera entrepreneurial activity has not been in tandem with the pace of the overall development of the nation. Thus a transformation is needed for them to develop their organizational resources and capabilities that will move them to become more competitive. Meanwhile, social entrepreneurship is becoming a movement in Malaysia. The awareness and acceptance of social entrepreneurship is picking up its pace in the country. The ministers of Malaysia has urged for social entrepreneurship within the organizations and academicians has suggested that social entrepreneurial behaviour of an entrepreneur could contribute to organizational performance. Therefore this study aims to examine the effect of social entrepreneurial behaviour towards organizational performance of Bumiputera SME owners in Malaysia. This research employs quantitative analysis with 384 respondents participated in this study by implementing the systematic random sampling technique from a total of 645,136 SME owners in Malaysia. The result shows that social entrepreneurial behaviour had positive effect towards organizational performance.

INTRODUCTION

It has long been acknowledged that SMEs contribute significantly to overall economic performance in Malaysia. However, the performance of SMEs still has not reached the stage of full potential. Although the number of SMEs hit more than 90% of the total establishments in most countries, including Malaysia, it does not show the
strength of a company or industry. In fact, SMEs have been very fragile and more vulnerable to the external environment (NSDC, 2012). In addition, the literature also found that the failure rate of SMEs is extremely high.

Firms may fail at different stages. Some of the firms fail in their early stages while others fail after a few years of their establishment (Ladzani & Vuuren, 2002). For instance, a study by USA Small Business Administration noted that some 25% of small enterprises fail within two years, and 63% fail within six years. It was also reported that this similar rate of failure occurred in the UK, the Netherlands, Ireland, Japan, and Hong Kong. Meanwhile, Shepherd and Wiklund (2009) also disclosed that almost 50% of new firms survive up to six years and then die off. Similarly, in Malaysia, a report has revealed that the failure rate among SMEs was as high as 60% (Ahmad & Seet, 2009), and this figure is considered quite alarming (Jamaludin & Hasun, 2007).

It is acknowledged that SMEs are the backbone of Malaysia’s long-term industrial development programme. Recognising the vital role that entrepreneurship plays, Malaysian government has implemented various strategic initiatives and programs to provide the necessary support and create a climate in which these enterprises can thrive. In many aspects, the effort of the government has borne fruit and Malaysia as a nation has seen unprecedented development and economic advancement over the last decade.

Unfortunately, the growth in Bumiputera entrepreneurial activity has not been in tandem with the pace of the overall development of the nation. This is evident by the low Bumiputera equity ownership of 18.9 percent in 2005, falling short of the targeted 30 percent equity ownership by 2020. As the major ethnicity in Malaysia, this figure is alarming. A study commissioned by Perbadanan Usahawan Nasional Berhad (Bernama, 2006) indicated that about 13 percent of the entrepreneurs have failed in their business for the five year period from 2000 to 2005. If the problems contributing to this current state are not understood properly and remedial actions are not undertaken, Malaysia may face both economic and social consequences that could be detrimental to its long-term industrial development programme.

To improve the performance, the Bumiputera SMEs need to realize their full potential and seize any opportunities to upgrade them to become more competitive. To remain competitive, Bumiputera SMEs have to shift towards higher value added activities, and adopt best industry business practices. This is in line with the theme of "Transformation to the New Economic Model", which has enormous implications for Bumiputera SMEs (NSDC, 2010).

Bumiputera SMEs need to change their mindset to transform themselves to support the Malaysian strategies to become a high-income, developed country by 2020. This transformation requires them to develop their organizational resources and capabilities that will move them to become more competitive and innovative. These organizational resources and capabilities are more devoted to realize high performance and high value-added SMEs.

Meanwhile, social entrepreneurship is becoming a movement in Malaysia. The awareness and acceptance of social entrepreneurship is picking up its pace in the country. In March 2015, in the keynote speech during the International Conference of Young Leaders in March 2015, Prime Minister of Malaysia, Dato Seri Najib Razak has stressed the importance of leaders of organizations to have the social entrepreneurship spirit to help the country achieving its mission as a developed country (Razak, 2015). This notion was supported by the Minister of Youth and Sports, Khairy Jamaluddin. He stressed the need to build the DNA of social entrepreneurship among the leaders of organization (Jamaluddin, 2015).

In relation to the urges by the ministers in Malaysia, few previous studies have suggested that social entrepreneurial behaviour of an entrepreneur could contribute to organizational performance. An empirical study by Gandy (2012) proved that there is relationship between social entrepreneurial behaviour of organization leaders with organizational performance. In addition, from a local context, Mohtar and Rahim (2014) demonstrated the relationship of social entrepreneurial behaviour with organizational performance in their conceptual paper.

Unfortunately, empirical studies on the impact of social entrepreneurial behaviour of SMEs towards organizational performance have been less than encouraging. Even more scarce in the local context of Malaysia as well as Bumiputera SMEs. Therefore, this study aims to provide empirical work to overcome this shortcoming.
LITERATURE REVIEW

Entrepreneurship

In order to understand the term social entrepreneurship, one must start with an understanding of the word “entrepreneurship,” for the word “social” merely modifies “entrepreneurship” (Martin & Osberg, 2007). One needs to realize that the term social entrepreneurship is a subcategory of entrepreneurship, thus it is an extension of the entrepreneurial model used in the for-profit sector. In order to have a theoretical understanding on social entrepreneurship, the link between entrepreneurial theory and social entrepreneurship should be studied. The most common conception of entrepreneurship generally involves the creation of a new business (Dees, 2001).

However, it is a very vague explanation for a term that has long history and more significant meaning. The term entrepreneur was originated in French economics as early as the 17th and 18th centuries. In French, it means someone who undertakes to do a job (Dees, 2001). Though this explanation does not reflect the term entrepreneurship yet, it build up the foundation of understanding what is the meaning by entrepreneur.

In 19th century, a French economist by the name of Jean Baptiste Say defined entrepreneurs as the individual that shifts economic resources out of an area of lower and into an area of higher productivity and greater yield (Dees, 2001). He was the first to add a fourth actor and attribute a definite position to the entrepreneur as distinct from the capitalist (Schumpeter, 1954). Jean Baptiste Say believed innovation belonged to the entrepreneur. The entrepreneur was creative and combined resources in a revolutionary way as to bring about innovative change and added value. The entrepreneur was seen as distinct from the capitalist who merely managed the labor and the land to realize accrued capital (Say, 2001). His writing helped legitimize and secure the role of the entrepreneur, and the inclusion of entrepreneurship among the major facets of economic theory ensured the entrepreneur would be included in future research.

Later on in the 20th century, Joseph Schumpeter (1934), described entrepreneurs as the innovators who drive the creative-destruction process which is considered as the defining element of capitalism. Schumpeter described that entrepreneur reforms or revolutionizes the pattern of production. He further added that entrepreneurs are the change agents in the economy. By serving new markets or creating new ways of doing things, they move the economy forward.

The common understanding of the term entrepreneur was being laid out by Jean Baptiste Say and Joseph Schumpeter. Building from that understanding there are many researchers amplified the concepts by them. One of the most prominent modern theorists of entrepreneurship to do that was Peter Drucker. Though Drucker (2007) agreed on the basis of entrepreneur’s definition by Jean Baptiste Say and Joseph Schumpeter, he added that he does not sees entrepreneurs as the cause of change but he but sees them as exploiting the opportunities that change creates. He further described entrepreneur as a person that always searches for change, responds to it, and exploits it as an opportunity.

While Rahim and Mohtar (2015) operationalized the definition of entrepreneur “entrepreneur is an innovator that creates and exploits opportunity, consequently creating value and change towards the economy and society.”

Social Entrepreneurship

Entrepreneurship is a well-accepted field, both practically and theoretically. But while entrepreneurship is a very developed and matured field, it’s subcategory of social entrepreneurship is very much the opposite (Mohtar and Rahim, 2014). Social entrepreneurship is a very young concept and is very much sought off in the practical world, however it is still considered in its infancy stage in academic platform (Johnson, 2002; Roberts & Woods, 2005).

However, in recent times the field of social entrepreneurship research has gained much pace and attention due to the fact that there are numerous number of scholars are interested and have done research on the particular topic (Zahra et al., 2009). In addition, new journals were launched in relation to the social entrepreneurship topic (Halkias & Okpara, 2011) such as Social Enterprise Journal (Haugh, 2005). Even more established journals have shown interest on this topic, for example, Entrepreneurship Theory & Practice journal which published a special issue on social entrepreneurship in 2010 (Nicholls, 2010).
The term social entrepreneurship was firstly introduced by William Drayton, a MacArthur Fellow (Barendsen & Gardner, 2004; Dees, 2007). It is emerging in the world “given the new strategic environment where the social half of society’s operations is becoming as entrepreneurial, competitive, productive and powerful as business” (Ashoka, 2004). In terms of literature, social entrepreneurship is associated with few elements such as innovation, pro-activeness and risk-taking (Helm, 2007), innovation and inclusiveness (Jeffs, 2006), value-added and inclusiveness (Waddock & Post, 1991) as well as leadership (Henton et al., 1997; Dees, 2009).

Social entrepreneurs have the unique abilities of recognizing the complex social problems and working through it in a new way that raises public awareness of the problem through their vision, work and activities. They seek fresh opportunities and produce positive impact by using leadership and management methods (Dees, 2009). The social entrepreneurs work towards getting profit while creating change by providing community value (Ashoka, 2014; Dees, 1998; Johnson, 2000; Johnson, 2001; Johnson, 2001 b; Teakle, 2000), towards building a sustainable community (Johnson, 2000).

They believe that by inclusiveness and interdependence of the community (Ashoka, 2014; Henton et al., 1997), changes could be made that would bring the world forward (Henton et al., 1997) They connect sectors, stakeholders and diverse community networks (Henton et al., 1997; Teakle, 2000) by building a strong, resilient and productive relationship between the private, public and civil sectors (Henton et al, 1997). The networking relationship between communities is being used to get even bigger community relationship by creating bridges in order to pool resources (Henton et al, 1997; Dees, 1998; Johnson, 2001b).

Social entrepreneurs are problem solvers with innovative solutions for unsolved community needs (Dees 1998; Johnson, 2000; Johnson, 2001; Teakle, 2000) by mobilizing and using scarce resources in inventive ways (Dees, 1998; Henton et al., 1997; Johnson, 2000; Johnson, 2001). They are considered as leaders in enhancing the community and the world (Henton et al., 1997). They empower others by expressing their passion in order to create a better world and creating positive changes. (Johnson, 2000; Johnson, 2001). They are networkers, motivators, conveners, teachers, drivers and integrators, agitators and mentors (Henton et al., 1997).

“Social Entrepreneurs are the harbingers of change, devising new ways to provide support and development for those excluded from the opportunities of the new society” (Handy, 1997). It was also suggested that there is a pressing need to create a huge numbers of social entrepreneurs in the market (Yunus, 2008).

As the term social entrepreneurship is still in its infancy, there is still a huge debate on an agreed definition of it (Dorado, 2006). The most common definition of social entrepreneurship is that social entrepreneurs focuses primarily on its social missions while wealth creation is not a goal as it is deemed as a mean or tool to accomplish the social missions (Dees, 2007). The organization focuses on social value creation that differentiated social entrepreneurs from business entrepreneurs (Shane, 2003).

However, Rahim and Mohtar (2015) has challenged the believe of social entrepreneurship is only for non-profit organizations and not for wealth creation. They conceptualized a model of social entrepreneurship as shown on Figure 1. They argued that social entrepreneurship is categorized into two different categories: non-profit and hybrid (an organization with financial and social goals) organizations. Traditional NGOs (non-governmental...
organization) is categorized under non-profit. This is the kind of organization that is neither a part of a government nor a conventional profit oriented business. This type of organization is usually set up by ordinary citizens and may be funded by governments, foundations, businesses, or private individuals. Some has no funding altogether and operated primarily by volunteers.

The second category is further divided into social hybrid and economy hybrid. Both are organizations with double bottom line goals which have financial and social objectives. What differentiates these two is the primary objective, either more inclined towards social or economy. For social hybrid organization, it focuses more on social missions, while income generation is secondary objective. Usually the financial gains are being used for sustainability of the organization. On the other hand, economy hybrid organization’s focal goal is profit. However, it is actively involved in social activities. In other words, socially-responsible business organizations are grouped in this category.

Organizational Performance

Organizational performance has been in the limelight in both profit and social sectors (Herman & Renz, 2004; Tucker, 2010). It is considered as an essential component in organizational analysis and organizational theory (Goodman & Pennings, 1977; Quinn & Rohrbaugh, 1983). Organizational performance is a complex, multi-dimensional phenomenon with little agreement as to how to define and operationalize the construct (Haber & Reichel, 2005; Dess & Robinson, 1984).

Ali (2003) has defined organizational performance as the actual output or results of an organization as measured against its proposed goals and aims. In short, organizational performance is defined as the capability of an organization to effectively achieve its goals and aims (Selden & Sowa, 2004). The aim of assessing organizational performance is to be able to compare the expected result with the actual results, examining whether there is any deviations from plans, individual performance evaluations and investigates the progress being made towards accomplishing the objectives (Hashim, 2007).

A review of the literature has identified that organization performance (business performance) has been measured using objective measures. Objective financial measures include profit, revenues, return on investment, return on sales and return on equity (Haber & Reichel, 2005). According to Dess and Robinson (1984), a majority of empirical studies equate "performance" with "success" when examining the relationship between strategic management practices and organization performance. Since firms exist to succeed at whatever venture they are engaged, defining performance places importance on only one dimension of performance. Firm performance is generally measured utilizing financial metrics such as profit, sales, cash flow, return on equity and growth (Haber & Reichel, 2005).

METHODOLOGY

This research employs a survey using standard questionnaire as a primary data collection technique. The questionnaire was presented in both languages, Bahasa Malaysia and English. 7-point Likert scales ranging from strongly disagree to strongly agree was used. Both measures were adopted from previous studies, social entrepreneurial behaviour from Helm (2007) and organizational performance from Gold et al. (2001). The samples in this study are the Bumiputera SME owners all over Malaysia. 384 respondents participated in this study by implementing the systematic random sampling technique from a total of 645,136 SME owners in Malaysia. Frequency, descriptive, reliability, correlation and multiple regression analysis were tested in this study. The objective of this study is to examine the effect of social entrepreneurial behaviour towards organizational performance among the Bumiputera SME owners in Malaysia.

ANALYSIS AND RESULT

Descriptive Statistic

The descriptive statistics of the respondents is shown in Table 1. The respondents are Bumiputera SME owners nationwide with mostly has the business period of 5 years and below (n=212, 55.2%), followed by 5 to 10 years (n=100, 26%) and more than 10 years (n=72, 18.8%). Most of the respondents have the business structure of sole proprietorship (n=218, 56.8%) and engaged in services (n=359, 93.5%). Majority of the respondents have 5-29 staffs (n=312, 81.3%) and the most common level of education is degree (n=134, 34.9%).
Table 1
Descriptive statistics of the respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Attributes</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Period</td>
<td>Below 5 years</td>
<td>212</td>
<td>55.2</td>
</tr>
<tr>
<td></td>
<td>5 to 10 years</td>
<td>100</td>
<td>26.0</td>
</tr>
<tr>
<td></td>
<td>More than 10 years</td>
<td>72</td>
<td>18.8</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>384</td>
<td>100</td>
</tr>
<tr>
<td>Business Structure</td>
<td>Sole Proprietorship</td>
<td>218</td>
<td>56.8</td>
</tr>
<tr>
<td></td>
<td>Partnership</td>
<td>109</td>
<td>28.4</td>
</tr>
<tr>
<td></td>
<td>Private Limited Company</td>
<td>57</td>
<td>14.8</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>384</td>
<td>100</td>
</tr>
<tr>
<td>Business Type</td>
<td>Manufacturing</td>
<td>25</td>
<td>6.5</td>
</tr>
<tr>
<td></td>
<td>Services</td>
<td>359</td>
<td>93.5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>384</td>
<td>100</td>
</tr>
<tr>
<td>No of staffs</td>
<td>Below 5</td>
<td>48</td>
<td>12.5</td>
</tr>
<tr>
<td></td>
<td>5 to 29</td>
<td>312</td>
<td>81.3</td>
</tr>
<tr>
<td></td>
<td>30 to 74</td>
<td>24</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>384</td>
<td>100</td>
</tr>
<tr>
<td>Education</td>
<td>High School</td>
<td>110</td>
<td>28.6</td>
</tr>
<tr>
<td></td>
<td>Certificate</td>
<td>40</td>
<td>10.4</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>85</td>
<td>22.1</td>
</tr>
<tr>
<td></td>
<td>Degree</td>
<td>134</td>
<td>34.9</td>
</tr>
<tr>
<td></td>
<td>Master</td>
<td>15</td>
<td>3.9</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>384</td>
<td>100</td>
</tr>
</tbody>
</table>

Reliability Test

Table 2 describes the reliability of the constructs. The Cronbach’s Alpha value ranges between 0.863 and 0.922, which is within the recommended value. (Hair et al., 1998). The result shows that the measures used in this research are reliable.

Table 2
Reliability of the constructs

<table>
<thead>
<tr>
<th>No</th>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Social Entrepreneurial Behaviour</td>
<td>.863</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Organizational Performance</td>
<td>.922</td>
<td>5</td>
</tr>
</tbody>
</table>

Pearson Correlation

Pearson correlation coefficient analysis has been conducted to determine the strength and direction of relationships of each construct. Table 3 indicates that there is a strong positive relationship between social entrepreneurial behavior and organizational performance (0.544).
Table 3

Pearson Correlation Coefficient Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Social Entrepreneurial Behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Performance</td>
<td>0.544**</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)

Multiple Regression Analysis

Further analysis was performed using multiple regression analysis. In Table 4, the adjusted R square result is 0.295 which means that this model explained 29.5% of variance in organizational performance based on the independent variable (social entrepreneurial behaviour). The Durbin-Watson value (1.724) indicates independence of residual and there is no problem of serial correlation.

Table 4

Model Summary

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std Error</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.544</td>
<td>0.296</td>
<td>0.295</td>
<td>0.88343</td>
<td>1.724</td>
</tr>
</tbody>
</table>

DV-Organizational Performance; IV-Social Entrepreneurial Behaviour

Next, the Table 5 shows that the model studied is deemed as statistically significant (p<0.000).

Table 5

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>65.113</td>
<td>1</td>
<td>65.113</td>
<td>160.913</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>154.576</td>
<td>382</td>
<td>0.405</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>219690</td>
<td>383</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DV-Organizational Performance; IV-Social Entrepreneurial Behaviour

Table 6 indicates that social entrepreneurial behaviour positively influence organizational performance (β = 0.544, p<0.00).

Table 6

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.666</td>
<td>.162</td>
<td>16.456</td>
<td>.000</td>
</tr>
<tr>
<td>Organizational</td>
<td>.392</td>
<td>.031</td>
<td>12.685</td>
<td>.000</td>
</tr>
</tbody>
</table>

IV-Social Entrepreneurial Behaviour

DISCUSSION AND CONCLUSION

The study shows that social entrepreneurial behaviour of an entrepreneur, positively affects the organizational performance. This result could explain why successful entrepreneurs are proactive in giving back to the community. If we look upon this study as a bigger context, one could conclude that by increasing the social entrepreneurial behaviour such as helping and assisting the under privileged, the community will then contribute back to the organization, hence creating a circle of flow. Thus it is not surprising that many corporates are
engaging in social entrepreneurship and many studies have proved that CSR (corporate social responsibility) do affect organizational performance positively. Therefore, this study has empirically proven that it is the same scenario for Bumiputera SMEs as well. This study could lead to change of practice in organizations in seeking to improve their performance. SMEs should engage in social entrepreneurship as it could bolster the organization performance. This study has proven that, organizations could benefit by doing good and becoming socially responsible.

REFERENCES


