

DETERMINANTS THAT ENHANCE RESILIENCE AND PERFORMANCE OF SOCIAL ENTERPRISES IN MALAYSIA: A CONCEPTUAL FRAMEWORK

Nawin Rajah¹, Azlan Amran^{1*}, Jeffrey Cheah¹

¹ Graduate School of Business, Universiti Sains Malaysia (USM), Malaysia.

ABSTRACT – Social enterprise movement has emerged as a forceful social innovation paths to eliminate or address social problems. Aligned with the 11th Malaysia Plan and Transformasi Nasional 2050, Malaysia is committed to building a sustainable and equitable people-centric economy. To achieve the goal, the Malaysian government had set up Malaysian Global Innovation and Creativity Social Entrepreneurship (MaGIC) Unit in 2013, to propel the social enterprise sector and bring significant societal well-being to the disadvantaged groups. However, it is still at the nascent stage. As most of the social enterprises in Malaysia are still confronted with critical survival and performance challenges, it has become imperative for these entities to formulate strategies to enhance their resilience and performance. Hence, the main research objective is to examine the role of internal capabilities (i.e., management vulnerabilities and situation awareness) and external capabilities (i.e., training and financial support) influencing social enterprise performance in Malaysia. A mediating variable adaptive capacity was adopted to reflect the relationship between the predictors and the level of resilience of social enterprises in Malaysia. Due to the borderless nature of challenges and fluctuating environmental and unpredictable market condition, this research focuses on how Malaysian social enterprises would be able to adapt to the turbulence condition by resilience build, from the lens of Resource Dependence Theory and Resource Based View Theory. This study will employ a quantitative analysis to establish an explanatory model and more comprehensive understanding of this emerging field. The findings would advise the social enterprise's practitioners on their organisation's strategic direction and offer a guiding model to the social enterprise investors, policymakers and future researchers.

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INTRODUCTION

The concept of social enterprise began gaining prominence back in the 1980s from work done by Bill Drayton's Ashoka Foundation Global that provided funding to social innovators from around the world and the microfinance initiative to poor farmers pioneered by the 2006 Nobel Peace Prize Winner Professor Muhammad Yunus, with the creation of the Grameen Bank in Bangladesh in 1983 (Cao, 2018). Social enterprises have gained international recognition as a way to address socioeconomic inequalities and sustain social wealth (Powell & DiMaggio, 2012). As it is labelled, a social enterprise is briefly an entrepreneurial activity that serves a social objective (Elder, 2013).

Over the last two decades, there has been an increase in the global community being plagued with emergencies and crises. One example is the current Covid-19 outbreak, first detected in Wuhan, China, in December 2019. History has proven that in time the unprecedented nature of this global health pandemic combined with other ongoing shocks such as turmoil in international politics, rapid technological advances, geopolitical conflicts and climate change have all combined with challenging the very existence and economic survival of ordinary people living around the world (Kuckertz et al., 2020). The only certainty that has unfolded from all these adversities is that it has just taken little time to expose and exploit overlapping inequalities and weaknesses within our economic and political systems, which has threatened a reversal in decades of progress made to human development (UNDP, 2015).

Thus, economic distortions created by emergencies such as the Covid-19 pandemic has been instrumental in the re-emergence of social enterprises as a 'third party' (after the public and private sector) in the real economy across various parts of the world. Usually formed out of frustration with the status quo and using innovative commercial models to address society's problems, social enterprises' meaningful contribution to solving economic and social issues (Lumpkin et al. 2018). The importance of social enterprises was further magnified by international bodies such as the United Nations, the concern of heightened the risk of the failure of world economies to meet the 17 Sustainable Development Goals (SDGs) that are needed to achieve decent lives for all on a healthy planet by 2030 (UNDP, 2015). Thus, the increased participation in social enterprise activity is being viewed as an alternative to providing significant opportunities to generate employment and support vulnerable and marginalised communities that are both viable and effective in nudging the world closer to attaining the SDGs (UNDP, 2015).

With social enterprises' gaining global recognition for their work done to address socioeconomic inequalities during the Covid-19 pandemic, in retrospect, their Malaysian counterparts have been plagued with various constraints and still struggle to survive (Cheah et al., 2019a). Furthermore, Lumpkin et al., (2018) research findings have highlighted that running a social enterprise in practice takes work, as social entrepreneurs need to build a successful and scalable business model whilst also thinking about the social and environmental impact of their product or service. However, within the Malaysian context, despite a growing number of social impact investors in the country, it still needs to meet the ever-increasing sector's requirements (Pless, 2012).

Social enterprises in underdeveloped markets need to look inside the company to maximise its use of its internal resources while sourcing external support to generate profits and sustain competitive advantage (Granovetter, 1985). However, the reality on the ground is that in most developing economies, such as Malaysia, nonprofit organisations lack both internal and external resources, and this problem of scarcity has caused these entities to take a more extended period to mature when compared to traditional business models (Santos, 2012).

Cheah et al., (2019b) work indicates that one probable reason for this is that the development of social enterprises in Malaysia is nascent and embryonic, posing a problem for these firms to obtain loans and advances from the banking system. This is the opposite scenario if we compare it to social enterprises in developed nations such as the UK. For instance, social enterprises in the UK thrive due to the vast opportunity it has to raise capital from the domestic banking system and venture capital companies (Elder, 2013). Furthermore, research notes suggest that around 100,000 social enterprises are contributing £60bil to the UK economy and employing 2 million people. Social enterprises are estimated to be worth around 3% of the UK's gross domestic product and 5% of all employment (Cheah et al., 2019a). However, within the Malaysian context, most social enterprises in Malaysia are constantly faced with critical survival issues and performance-related challenges, more specifically on issues about achieving financial sustainability (MaGIC, 2016). To add to these concerns, findings from a nationwide study indicate that more than half (55%) of Malaysian social enterprises are performing poorly and still unable to break even (MaGIC, 2016).

The definition of social enterprise brings different connotations to different people and researchers (Dees, 1998). Hence, the definition structure in this paper defines a social enterprise in Malaysia as a 'hybrid organisation' (MaGIC, 2016) where a firm will adopt a market-based approach to pursue a self-sustaining revenue model while simultaneously possessing a clear social or environmental mission. Thus, within the context of a "hybrid spectrum", – this study suggests that social enterprises lie somewhere between purely philanthropic organisations and commercial businesses (Santos, 2012). To clarify this study, social enterprises must focus on self-sustainment but never ignore their financial achievement while pursuing their social goals (Cheah et al., 2019a).

The impact of social entrepreneurship can be viewed from financial and social perspectives. Previous study measures a firm's success based on a triple-bottom-line approach (Powell & DiMaggio, 2012):

1. **People:** The human impact of the firm's business and its ability to affect social change, improve lives, and sustainably develops a community.
2. **Planet:** The firm's environmental impact—how it contributes to a sustainable planet or reduces the business's and its customers' carbon footprint (CO₂ emissions).
3. **Profit:** Like traditional businesses, social enterprises need to make money to sustain themselves, pay workers, and grow.

Social enterprises confront many challenges to growing or even just staying afloat. The main struggle of social enterprises is not only to secure a financial holding but also to keep their efforts aligned with their ultimate social goals. In an empirical study on the early challenges of nascent social entrepreneurs, pro-social motivation enterprises are less likely to be successful in establishing a viable enterprise compared with their pro-economic/financial-based counterparts (Kwong et al., 2017). The challenges intensify when coupled with underdeveloped or a severe lack of fundamental support infrastructure, including that from the public and private sectors.

For instance, more than half (55%) of Malaysian social enterprises still need to break even, and less than a quarter (24%) can survive more than 6 months without revenue (MaGIC, 2016). According to Ehon Chan, the Executive Director of MaGIC SE, most of the social enterprises in Malaysia still need to break even or move into the profitable stage (MaGIC, 2016). He explained that as it is a new sector, many social enterprises are still pivoting and exploring new business opportunities whilst trying to grow their competencies.

The low-performance issues of social enterprises do not only exhaust the valuable and limited resources that should be benefiting the needy. Moreover, sudden loss of social support (from social enterprises) may worsen the dilemma of underprivileged communities. This hampers the enduring and in-depth social impact sought by these organisations. For this reason, the significant factors surrounding the enhancement of performance and sustainability of social enterprises in Malaysia are viewed as a vital conundrum that needs to be addressed.

Still, little is known about how hybrid entities like social enterprises respond to disturbing environmental occurrences. Resilience is usually identified as the ability to absorb, recover and adapt from a disruption (Kuckertz et al., 2020). Being resilient is a complex undertaking for enterprises operating in a highly dynamic environment and striving for continuous efficiency and innovation. Although conventional enterprises developed the concept, it is a valuable approach to studying the survival of social enterprises in harsh market conditions.

This research proposes factors influencing social enterprise's abilities to adapt to ever-changing, dynamic, hostile and unpredictable environments in a developing country context. Specifically, it concentrates on understanding how social enterprises in Malaysia can exploit their social capital and social network to build resilience. Furthermore, the mediating

role of social innovation in the relationships between dimensions of social capital, social network and resilience of social enterprises, thereby positing an explanation for the divergent empirical results of the social capital, social network and resilience relationship in the existing literature. The theoretical framework for the study is grounded in the resource-based view.

This study differs from other social enterprise research done in Malaysia, which is more accustomed to adopting an approach of entities that are fully funded or grant-dependent nonprofit organisations. The outcome of a social enterprise in Malaysia enhancing its resilience will be a higher performing and sustainable entity that can transform into an agile and adaptable firm.

This conceptual paper attempts to present theoretical and practical contributions to enhancing the resilience and organisational performance of social enterprises (in terms of financial and social perspectives) in Malaysia. This study advocates that enhancing business resilience will positively contribute towards improved performance and longevity of social enterprises in Malaysia. This relationship correlates with the creative social enterprises and their corresponding "social objectives" or pledges, which is to continuously provide a more significant social impact while improving the livelihood of the marginalised communities. When viewed from a theoretical point of view, the novelty of this study can be dissected into four intended contributions (refer to Cheah et al., 2019a).

The first intended contribution of this research encompasses a structured overview that further refines the theoretical rationale for an existing relationship between variables by incorporating the Resource-Based View (RBV) (Barney, 1991, 2001) for constructing the research framework. The RBV theory stipulates that for an organisation to achieve robust performance. It first must be able to effectively and efficiently optimise the resources and capabilities it acquires, aptly defined as management of crucial vulnerabilities, both internal and external resource capability and capacity. (Elder, 2013) Within the social or nonprofit institution context, the theory justifies the transformation trends of the conventional charity organisation, which is fully funding-dependent, into the financially self-sustained model, in preventing power-dependence relationships with funders (e.g., government, foundation) and securing their performance and sustainability (Shi et al., 2012).

The second significance of this study is that it attempts to add value to the performance of social enterprises' by determining factors that can enhance the entity's resilience. This is helpful information for academics, business practitioners and policymakers alike as they will be able to identify "key success factors" that enable social enterprises in Malaysia to generate maximum social impacts on society by identifying predictors and the direct relationship between financial and social achievements of the social enterprise.

Thirdly, this research enhances the existing framework on social enterprise performance in Malaysia by examining the theoretical linkages between resilience and organisational performance with accompanying rationale and justification. Finally, the operational definition for all the variables under the lens of resource-based perspectives is enhanced according to the research context (i.e., the substance of social enterprises in Malaysia) and is also expected to be a significant contribution to the theoretical domain of both the RDT and RBV.

This study is proactive as it anticipates resilience outcomes that can have a significant future contribution to the social enterprise business field in terms of theoretical context. The practical implication of the research model and findings will furnish valuable references for social entrepreneurs, for-profit companies, nonprofit organisations, social investors and legal agencies. The multiple bottom lines (i.e., financial and social goals) business nature of the social enterprises required higher operational resources and management capabilities for sustainability. Hence, the findings from this study provide insight for social entrepreneurs to streamline and focus on their core resources and essential capabilities development, increasing their resilience and organisational performance.

On the whole, the framework of this study is an enabler to understanding how Malaysian social enterprises should prioritise investment for an eventual crisis or hazardous events such as the current Covid-19 pandemic. This is useful for entrepreneurs within a 'nonprofit' domain to develop a framework for improved internal organisational planning and facilitate the integration of crisis hazard planning to achieve a competitive advantage and become a self-funding entity. Finally, this research also contributes to the business case for organisational resilience and demonstrates a relationship between resilience and profitability.

LITERATURE REVIEW

Although the notion of social enterprise has been around since the 1950s (Powell & DiMaggio, 2012), it is only within the past decade that social enterprise research has become a significant and influential literature stream. Among the early studies on social enterprise that was widely undertaken in many developed countries have either generated mixed results or, due to the heterogeneity in definition and approaches, social enterprise literature took much work to grasp. However, within the context of developing countries, the research work still needs to be expanded, primarily where social enterprises are not governed by any specific legal framework (Salim & Ellingstad, 2016).

The RBV and RDT theories are used to develop a theoretical framework to analyse social enterprise performance in Malaysia. Evidence obtained from past literature has indicated the adoption of the RBV theory as means to explain the performance of conventional profit-based organisations (Meyskens et al., 2012). With the adoption of both the RBV and RDT theories in this study, the researcher refers to past studies that have similarly adopted this perspective to argue their case where resources (both tangible and intangible) are either internally owned or externally sourced to create an innovative process in which opportunities are exploited through bringing together a unique bundle of factors of production

(resources) within the context of a nonprofit firm to achieve competitive advantage (Pless, 2012). Hence, this research will replicate a similar methodology in the study.

As an emerging field of research, there have been many excellent reviews on social enterprises in developing economies as scholars are beginning to study the early-stage development of these entities (e.g., Lumpkin et al., 2018). However, most of these studies have been relatively concentrated on specific issues within the domain of social enterprises, such as the definitional variety of the social enterprise concept (Kickul and Lyons, 2016), how nonprofit organisations related to social innovation (McManus et al., 2007), the bibliometrics of the social enterprise literature (Cao 2018) and the measurement of the social impact construct (Stephenson, 2011).

From a social enterprise perspective in Malaysia, researchers have acknowledged that entrepreneurs are embedded in larger systems of forces. However, studies have been slower to examine performance-related issues, which has left substantial research gaps or critical issues yet to be answered (Starr et al., 2003). Kickul and Lyons (2016) study on the hybridity in social enterprises was a genuine attempt to combine the characteristics of profit-based companies with nonprofit ones within a developing economy setting. Using a case study methodological aspect, their results have been mixed as it was based on interview transcripts and organisational documents (Lumpkin et al., 2018). Thus, an in-depth empirical study based on core literature which exposes the most prevalent variables, including the predictors, interventions and criteria, needs to be conducted (Tracey et al., 2011).

Furthermore, past literature has revealed that studies are increasingly focused on the social enterprises within the UK, European and the United States that are already in the growth or mature stages, garnering more studies to be conducted in developing economies (Yulius et al., 2015). These studies find that, in general, there are critical differences between social enterprises in emerging and advanced economies (e.g., Cao, 2018). For instance, Mansour, Sedita, and Apa (2018) studied Egypt's entrepreneurial ecosystem, which is both an early-stage ecosystem and one located in an emerging economy. Therefore, strategy researchers and practitioners have needed help finding information on social enterprises in emerging regions, in which most are still in the nascent or growing stages (Yulius et al., 2015).

Although social enterprises are established for purposes other than profit (McManus et al., 2007), the financial field should also consider the entity's resources and capabilities, which focus on the activities conducted and, therefore, on the goods and services produced, and performance realised. Thus, it is essential to measure the efficiency of social enterprise to assess the firm's overall performance (Starr et al., 2003). At present, researchers are producing a robust stream of studies built on the insight that entrepreneurial activities issues on social enterprise research in Malaysia are mainly concentrated on an open-ended exploratory analysis and primarily focused on developing theories (Cheah et al., 2019b). Even fewer articles in the present literature attempt to examine and construct hypotheses (Cao, 2018). In the case of Malaysia, the majority of past literature is mainly focused on the enterprise itself or centred on an individual-level perspective (Cheah et al., 2019a). Thus, it is sufficient to say that organisational-level studies on social enterprises' performance in Malaysia are scarce and require further examination.

To assess the intensity of scholars' interest in nascent social enterprises', researchers have begun to adopt new constructs to explain its activities that have contributed towards new social value creation to meet unfulfilled social needs and create social values (Zahra et al. 2014) management-related issues (Salim & Ellingstad, 2016), studies related to topics such as ethics, power and emancipatory aspects of social enterprises' (Meyskens et al., 2012). This transformation has been a positive shift in social enterprise research that was traditionally embedded around reducing social ills, providing social goods that the marketplace will not supply, and supplementing government activities through the actions of private citizens (Pless, 2012).

Thus, this study's novelty is that it adopts three new predictors, namely situation awareness, management vulnerabilities and external support, to explain the performance of social enterprises in Malaysia. Furthermore, the justification for this study is that within the context of hybrid social enterprises in Malaysia, the analysis of its performance still needs to be developed. More specifically, this research aims to fill this gap by conducting a nationwide quantitative study to measure the factors influencing social enterprise performances and sustainability in Malaysia. Thus, it can be deduced that similar to a profit-based organisation, and social enterprises will utilise similar bundles of resources and capabilities to develop their competitive advantages, reduce resource dependency, and subsequently increase their organisational performance (in terms of financial and social performance).

Situation Awareness

Situation awareness can be defined as how an organisation understands its business landscape, its awareness of what is happening around it, and what that information means for the organisation now and in the future (Stephenson, 2011). Situation awareness was first used in connection with the military, where pilots must understand, assimilate and act on large volumes of information to perform their roles (Salim and Ellingstad, 2016). The importance of efficient management of crucial vulnerabilities can be explained in simple economic terms. In normal market conditions, efficient and effective resource management (internal and external) will enhance resilience and lead the firm to achieve more robust business performance (McManus, 2008).

Within the context of social enterprise performance in Malaysia, one of the most significant concerns for social entrepreneurs is making a profit. The reality is that social businesses have to make enough money to support their ongoing operations before they can effectively benefit society (Lumpkin et al., 2018). Hence, situation awareness is vital for social enterprises to build a sustainable business model, the first step towards enjoying profits (Austin et al., 2006). (McManus,

2007) the study has identified seven indicators of situation awareness: roles and responsibilities, analysis of hazards, connectivity awareness, insurance awareness, recovery priorities, situation monitoring and informed decision-making.

When combined, these indicators can provide organisations with information on their strengths and weaknesses before a crisis happens, improving their performance in the long run (Alter, 2003). For instance, this study has chosen situation monitoring as a dimension for situation awareness. Situation monitoring encourages organisations to identify foreseeable events and consider how they might cope with the outcomes they cannot foresee (McManus, 2008). Situation monitoring could present opportunities for the firm to gain market share (Starr et al., 2003), but for less resilient organisations, this can lead to decline and failure.

Within the context of social enterprises, situation monitoring will provide the firm with the opportunity to expand it is about the range and scope of different hazard types and their potential consequences (i.e., for instance, the current Covid-19 pandemic) rather than just focusing on a few high profiles, previously experienced or well-known hazards (Stephenson, 2011). This can prove to be a valuable way for policymakers in Malaysia which constantly seek new and innovative ways to assess and train social entrepreneurs to adapt to events outside of their expected outcomes (MaGIC, 2016).

Situation awareness also expands on the organisation's knowledge about recovery priorities' range and scope and potential consequences (Stephenson, 2011). A business strategy focusing on factors about recovery priorities can be a valuable alternative for social enterprises to adapt and react to situations outside their expected outcomes. Planning for recovery priorities involves a structured method to improve a firm's performance (McManus, 2008). Formulating recovery priority strategies consists of an entity establishing a system that enables it to be aware of what is happening around it and understanding what that information means to its current and future operations (Rahdari et al., 2016). Thus, for a social enterprise in Malaysia that tends to struggle to survive, it is necessary to promote recovery priorities strategies to build resilience and a sustainable business model that can enable the firm to endeavour when faced with crises.

Management Vulnerabilities

The term vulnerability has many different definitions and applications depending on the objectives of the researchers or practitioners and the situation within which it is applied (McManus, 2008). The concept of vulnerability originated in natural hazard research but has since expanded into other disciplines. For this study, management vulnerability is considered necessary for social enterprises as it helps the firm to identify organisational vulnerabilities (both internal and external) which can contribute towards organisational losses or failure during and after disasters.

When we examine recent developments within the "social economy" domain, it is evident that the relationship between a firm's internal and external resource capabilities will influence its strategic decision-making, which in turn impacts its effectiveness and long-term performance (Kwong et al., 2017). Based on past research, attempts have been made to identify indicators to explain the concept of management vulnerabilities. For example, Carthey et al. (2001) determine organisational size as a vulnerability when they discuss how small businesses suffered more severe losses during the South American currency crisis in the late 1980s. From the perspective of Malaysian social enterprises, due to its small size and lack of publicity makes it difficult for these businesses to perform well as it struggles to gain support from the Malaysian community (Smith, 1990).

Furthermore, a study by Alesch and Holly (1998) identified a need for entrepreneurial skills and imperfect knowledge of the ecosystem as another type of vulnerability. MaGIC (2016) identified these management vulnerabilities among Malaysian social entrepreneurs. The plausible cause for this is that most social businesses in Southeast Asia (namely in Malaysia and Singapore) are either in a pilot or growth phase where social entrepreneurs' businesses either lack the necessary skill or knowledge about issues consulting, legal advice, recommendations for co-working spaces, and networking opportunities with others in their industries (Cheah et al., 2019a) thus if social businesses stand any chance to improve its overall resilience and performance level, social entrepreneurs' first needs to concentrate in improving their skill and knowledge competency pertaining running a social enterprise for the firm to build a strong market presence through the creation of a sustainable business model.

Thus, firms must manage their critical vulnerabilities, enabling them to respond and recover from emergencies and crises (Stephenson, 2011). In the case of nonprofit organisations, there is a tendency for firms to ignore or be financially unable to prioritise the need to build their resilience (Cheah et al., 2019a). To conclude, many organisational leaders strongly agree with improving organisations' resilience. However, most argue that they need more time or resources to address issues about building resilience (Stephenson, 2010).

External Support

Within the context of social enterprises in Malaysia, it is vital to facilitate small enterprises through external support, such as financing, to promote their set-up and expand their operations (Rahman et al., 2013). Usually, the financial income for social enterprises can be divided into two areas. The first is commercial revenue generated from selling products and services, and the second is from the financial support obtained through donations, grants, subsidies or earnings from fundraising activities. According to the study by Chang and Falit (2003), financial support can be defined as "... the furnishing of monetary resources about donations, grants or funding from various sources, which is more relevant to organisations' non-commercial revenue."

Furthermore, past literature has sighted that external support, such as training, can improve managerial skills. Enhanced managerial skills have been demonstrated as a significant entrepreneurial attribute relating to organisational performance, especially in nascent and small enterprises, where entrepreneurs must be engaged in all activities (Meyskens et al., 2012). However, new and small social enterprises in developing countries such as Malaysia usually need more formal managerial practices and standardised working processes due to the lack of training (Rahman et al., 2016). However, due to their financial constraints, commercial training or consulting firms' access to professional training facilities might be a low priority for these nascent enterprises (Santos, 2012). Thus, supportive bodies' formal and structured training provision has been found to strengthen their business competencies effectively. In Malaysia and Singapore, training support for social entrepreneurs is provided by local government agencies, namely MaGIC (e.g., MaGIC Accelerator Program) and other nonprofit organisations, such as the British Council (e.g., Skills for Social Entrepreneurs) (Cheah et al., 2019a).

Adaptive Capacity

Adaptive capacity can be defined as a measure of the culture and dynamics of an organisation that allows it to make decisions in a timely and appropriate manner both in day-to-day business and in crises (Stephenson, 2011). Within a management context, this concept is clearly defined at all levels of the organisation, as well as an understanding of the organisation's minimum operating requirements is among the vital information a business (both profit and nonprofit firms) will need to have to achieve resilience (Collins, 2003). McManus's 2008 work describes factors that can be categorised as an adaptive capacity aspect of an organisation may include (but not be limited to):

- Leadership and decision-making structures,
- The acquisition, dissemination and retention of information and knowledge,
- The degree of creativity and flexibility that the organisation promotes.

Stephenson (2011) has stressed the importance of having leaders who are creative and have a flexible business structure that has the potential for an organisation to enhance its current resilience level and organisation performance. Thus, from a social enterprise perspective in Malaysia, there is an urgent need for social organisation-wide awareness to adopt a structured decision-making process as it enables the firm to prioritise its business objectives following a crisis (Parker & Ameen, 2017). Thus, adaptive capacity allows the firm to develop new strategies, address gaps in its own firm's resilience, and subsequently increase its resilience (Stephenson, 2011). Finally, measuring and benchmarking organisational resilience is about two things, firstly, asking 'as an organisation, how resilient are we and what do we need to work on,' and remembering that what gets measured gets done!

Thus, the literature review aims to address these gaps, serving as a starting point to investigate the determinants that enhance resilience and performance from the perspective of social enterprises in Malaysia. Furthermore, there is a need for a more comprehensive study to determine the factors that influence the effectiveness of internal auditors from the perspective of the government entrepreneurs within the domain of in Malaysian social economy. Therefore, it is crucial to understand research work done on social enterprises to assess its overall contribution to the development of the Malaysian economy. Hence, the effectiveness of a social enterprise will help ensure that public and private budgets, policies, and achievements are more transparent and accountable to the public. In this way, social enterprises in Malaysia will get their "value for money" in their administrative and operational services.

UNDERPINNING THEORIES AND PROPOSED FRAMEWORK

Drawing from the Resource Dependency Theory (RDT) and taking social enterprises as our unit of analysis, this conceptual paper proposes that nascent social enterprises in Malaysia face unique resource challenges that make them more dependent on their external environments than mature nonprofit organisations (Alter, 2003). In doing so, this paper's theorising makes one primary contribution: the researcher draws attention to issues faced by nascent social enterprises and the insights generated by considering an ecosystem that is early in its lifecycle and not located in munificent, resource-rich and advanced economies such as Malaysia.

This paper proposes that a more efficient and effective way of handling critical internal and external resources should positively influence social enterprises' abilities to adapt to an ever-changing, dynamic, hostile and unpredictable environment in a developing country context such as Malaysia. However, this study suggests that the RDT theory must be used in collaboration and that the additional aspect of internal resources and how it jointly influences social enterprise performance needs to be included. Therefore, the Resource-Based View (RBV) theory is used, which highlights that efficient use of internal resources enhances the ability of nonprofit firms to achieve competitive advantage (Kickul and Lyons, 2016).

Resource Dependency Theory

The RDT is grounded in the insight from economic sociology that organisations are embedded in networks of economic interdependencies and social relationships (Granovetter, 1985). Thus, within the context of social enterprises

in Malaysia, which are either micro or small, the biggest constraint for most firms still needing help to economically self-sustain is due to the nature of operating independently rather than interdependently (MaGIC, 2016). Hence, RDT is suitable to theorise the dilemma faced by nonprofit entities in Malaysia, drawing from the notion that they should forge interdependence to maximise resources available and suggest that they also should not be entirely dependent on external resources as means to develop their sustainable business models (Alvord et al., 2004). The RDT justifies the change envisioned by a conventional charity organisation in Malaysia that seek financial independence to transform into a self-sustaining business model that prevents a power-dependence relationship with external funders such as the public and private sector (McManus et al., 2007).

Resource-Based View Theory

In the past, the RBV theory has been used to examine the efficiency and competitive advantage implications of firm-specific resources such as entrepreneurship, culture and organisational routines (Barney et al. 2011). However, it is also valuable for the social enterprise context (Cheah et al., 2019b). The resource-based view (RBV) theory stipulates that when optimally managed, the firm's specific resources can facilitate its business continuity and enable it to gain and sustain a competitive advantage (Barney et al., 2011). From the perspective of the RBV theory, if a resource exhibits VRIN (Valuable, Rare, Imperfectly Imitable, and Non Substitutability) attributes, these resources impact the firm's strategic decision. As sustainable business models are the key to better performance, the RBV theory considers that business success depends on the company's capacity and capability to efficiently manage its resources (both tangible and intangible) to achieve competitive advantage. (Burt, 1983). For instance, resources can create a competitive advantage by enabling firms to exploit opportunities or neutralise environmental threats to improve their efficiency or effectiveness. Thus, within a social enterprise perspective in Malaysia, the RBV theory can explain to a degree how efficient and effective nonprofit organisations are in managing specific core resources (this means that not all resources provide a firm with a competitive advantage). Resources may include but are not limited to all assets, capabilities, organisational processes, firm attributes, information, and knowledge controlled by a firm that enables it to conceive of and implement strategies that improve its efficiency and overall performance (Adib et al., 2014). The resulting outcome will be the creation of sustainable nonprofit organisations in Malaysia that are more than capable of controlling their internal and external resources by creating interdependency industry linkages (with both the public and private sectors) which finally drives it to achieve competitive advantage (Burt, 2004). In conclusion, the RBV theory of a social enterprise offers new directions for strategic management and has shifted attention towards the firm and its unique characteristics. In this vein, the RBV theory redirects organisational innovation research, especially regarding the factors that determine firm-level performance.

Hypotheses Development

The importance of having leaders who are both creative and make timely decisions while operating a flexible business structure improves situation monitoring (ability to scan both the internal and external environment), thus serves as an advantage for any organisation (profit and nonprofit) to enhance its current resilience level and its long-term organisation performance (Collins, 2003). The RDT proposes a positive relationship between the resource dependence of a social enterprise capable of assessing its operating environment. It will ensure more robust economic performance by transforming into reactive, adaptive and agile firms (Powell & DiMaggio, 2012).

H₁: Comprehensive situation monitoring has a positive influence on the performance of social enterprises

Both academics and practitioners have tended to emphasise how both the RBV and the RDT are applicable to explain the behaviour of entrepreneurs and organisations within the social enterprise domain that are successful due its competency to manage and preserve their resources rather than focusing entirely on the deployment of aspects of it (Choo, 2008). This can lead towards the creation of sustainable operations and secure the firm from unscrupulous resource providers present in the external system. MaGIC (2016), in its study on the future of social enterprises in Malaysia, has highlighted the need for nonprofit organisations to operate like a conventional profit-oriented business and incorporate risk management strategies to ensure it achieves a sustainable business model.

H₂: Strong recovery priority strategies have a positive influence on the performance of social enterprises

Within the context of social enterprises in Malaysia, (Adib & Muin, 2014) study indicates that one of the most significant constraints faced by these entities is the inability to effectively optimise the use of their resources (both tangible and intangible). Furthermore, social enterprises in Malaysia need to enhance their interdependence with other economic agents (public and private sector) as means to build a sustainable business model by harnessing the strength from its external resources (Burt, 2004). Hence, drawing from the RBV theory, Shi et al., (2012) study introduced the concept of combinative capabilities, which emphasised the importance of combining and managing both internal and external resources as it enhances the organisational understanding of the resources the organisation possesses internally or the need to access external resources during a crisis to ensure its competitive advantage it has sustained.

- H3:** Capability and capacity to manage internal resources have a positive influence on the performance of social enterprises
- H4:** Capability and capacity to manage external resources have a positive influence on the performance of social enterprises

Cheah et al. (2019b) study on social enterprises' performance both in Malaysia and Singapore has indicated that external support, such as financial (grants or donations) and training support are essential prerequisites for social enterprises to record robust performance. Within the social or nonprofit institution context, the RDT is indeed applicable and justifies the transformation trends of the conventional charity organisation, which is fully funding-dependent, into the financially self-sustained model, in preventing power-dependence relationships with funders (e.g., government, foundation) and secured their performance and sustainability (Barney, 2012)

- H5:** Financial support has a positive influence on the performance of social enterprises
- H6:** Training support has a positive influence on the performance of social enterprises

Building on the ideas of the RBV theory, Austin et al., (2004) explained that competitive advantage arising could arise from the confluence of decision-making processes, especially for firms whose resources are heterogeneous across firms the need develops a structured decision-making system that can serve as prime determinants to achieve competitive advantage. From a social enterprise perspective in Malaysia, it has become imperative for social organisation-wide awareness to adopt a structured decision-making process as it enables the firm to prioritise its core business objectives following a crisis (Mair et al., 2012).

- H7:** Adaptive capacity significantly mediates the connection between the predictors and the performance of social enterprise

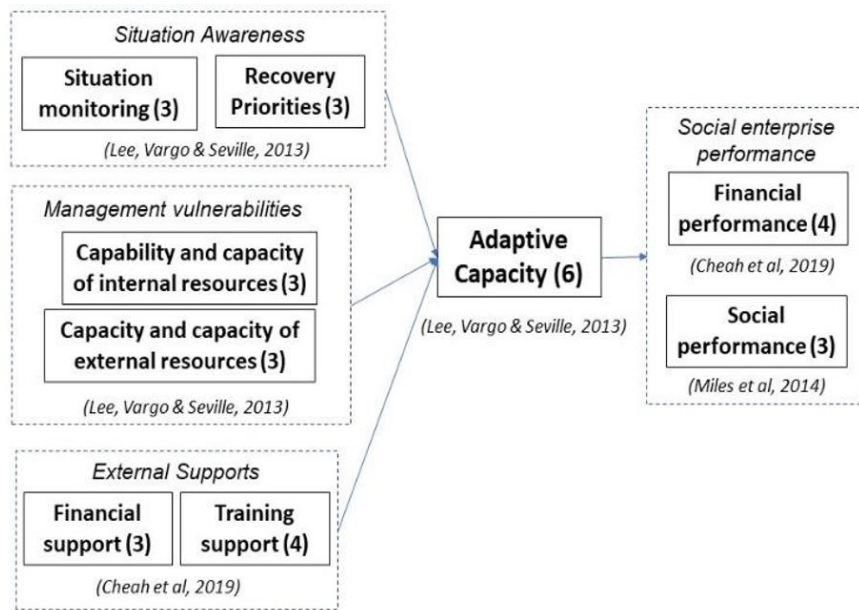


Figure 1. Proposed Conceptual Framework.

CONCLUSIONS

The social enterprise movement has emerged as a forceful social innovation path to eliminate or address social problems in Malaysia (Abdul Kadir & Sarif, 2015). As it stands, social entrepreneurship programs in Malaysia affect the social impact on community development; economic access and poverty eradication; environmental sustainability and energy; education; youth development; differently abled; health care and nutrition; art, media and culture; animal welfare and conservation; water and sanitation and rural development (Abdullah, 2012). However, the reality is that social enterprises in Malaysia still need to be confronted with a host of challenges to grow or even stay afloat (MaGIC, 2016). The low-performance issues of social enterprises do not only exhaust the valuable and limited resources that should be benefiting the needy. Moreover, sudden loss of social support (from social enterprises) may worsen the dilemma of underprivileged communities. This has resulted in these firms needing more help to achieve their social impact in Malaysia.

To conclude, this conceptual paper aims to understand the influence of three vital constructs, i.e., situation awareness, management vulnerabilities and external support, in enhancing resilience and organisation performance in Malaysia. This study hopes to accomplish its primary objective: to conduct empirical research on hybrid organisation performance in

Malaysia under the lens of the RDT and RBV theory. Finally, this study will involve three constructs (i.e., situation awareness, management vulnerabilities and external support) and their respective dimensions, a mediator (i.e., adaptive capacity) and how it enhances its organisational performance (i.e., both financial and social).

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CONFLICT OF INTEREST

The author(s), as noted, certify that they have NO affiliations with or involvement in any organisation or agency with any financial interest (such as honoraria; educational grants; participation in speakers' bureaus; membership, jobs, consultancies, stock ownership, or other equity interest; and expert testimony or patent-licensing arrangements), or non-financial interest (such as personal or professional relationships, affiliations, expertise or beliefs) in the subject matter or materials addressed in this manuscript.

AUTHORS' BIOGRAPHY



Author's Full Name: Nawin Tharumarajah

Author's Email: nawin.rajah@srintst.my

Author Professional Bio: Nawin Tharumarajah is a dynamic, passionate, data-driven economist and researcher with extensive experience leading research projects on economic issues across academia, governmental, and business consulting areas. Nawin is an Economist with Selangor Research Institute, and his research and career interests lie in the connection between social innovation and human rights. He has been fortunate to pursue related opportunities in China, Brunei, Vietnam, Cambodia and Malaysia.



Author's Full Name: Professor Dr Azlan bin Amran

Author's Email: azlan_amran@usm.my

Author Professional Bio: Azlan Amran started his career as a lecturer at the School of Management, Universiti Sains Malaysia, in 2006. He is now a Professor at the Graduate School of Business at the same University. He has published many articles in the area of CSR in both local and international journals. Before joining USM, he worked as an accountant for several years.



Author's Full Name: Jeffrey S.S. Cheah

Author's Email: jeffrey_cheah@usm.my

Author Professional Bio: Jeffrey Cheah, PhD is a senior lecturer at the Graduate School of Business (GSB) at University Sains Malaysia (USM), Penang, Malaysia. He is also the unit coordinator for Yunus Social Business Centre (GSB-YSBC). His research focuses on social entrepreneurship and corporate social innovation in Southeast Asia, as well as the Asia region. Previously, he was the Head of Department (HOD) of the corporate division in a leading regional social enterprise for over 10 years. He looks forward to expanding his social network within the local and international social entrepreneurship scenes.