The Shared Value Concept in Social Business Model: Promoting Social Enterprise in Malaysia

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The Shared Value Concept in Social Business Model: Promoting Social Enterprise in Malaysia

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ABSTRACT
Nowadays, so many big companies in our country (Malaysia) implementing Corporate Social Responsibility (CSR) approach and charity activities. Unfortunately, a few reports show that inefficient CSR impacts to cope the social issues because of the purpose more on promoting to corporate image compare to solve the social problems overall and unsustainability impact to communities. These situations also happen to Non-Government Organisation (NGO). Furthermore, Malaysia government start to reduce the budget for public services and products delivery every year. By promotion of social enterprise, the government expected it could respond quickly to the needs of the public in the future. Recently the past study shows that existing entrepreneur seem do not ready to involve with the social business trend. Reflection from this situation, the researcher has attention to promoting social enterprise by proposing Social Value Business Model based on the core of business and social missions. To gather information, a researcher using Semi-structured and focus group interview. The researcher also plans to use qualitative data management Nvivo12 software for coding and developing the themes. Keywords: Social enterprise, social entrepreneur, shared value concept, social business model, social business model canvas

INTRODUCTION AND BACKGROUND OF STUDY
In Malaysia, the company's online business like Elevyn has been certified as a company fighting for its trade balance and fairness (fair trade) for the craft maker (Social Enterprise Malaysia 2017). This action was to motivate communities throughout the world on the role of social enterprise.
Another example two well-known companies like Grameen Bank and Ashoka demonstrate their strong social impact objectives (social mission) in their business model.

The first element according to previous studies found that shared value concept implementation made social enterprise difference from the profit-oriented traditional business model. To develop a suitable social business model in the social enterprise, it should begin with identifying the role of shared value concept. This concept was introduced by Porter and Kremer (2011) to overcome the social issue through business orientation, and business should provide social impacts values rather than profit-oriented (Porter & Kremer 2011; Gillis & James 2015). According to Kay et al. (2016), a social enterprise must be clear about its values and how it is implemented in their business operation. This recognition of distinct shared values makes a social enterprise different from other forms of enterprise. Kay indeed points out that a link between social, environmental and cultural impacts and the importance of a social enterprise’s value base and the way social enterprises run the business. Thus, this article proposing to develop suitable social business model need to combine those values from both economic (profitable) and societal (social) (Porter and Kramer 2011).

LITERATURE REVIEW
Social Entrepreneurship is one of a direct approach to overcome globally social issues through business activities. Nowadays, so many big companies in our country (Malaysia) implementing Corporate Social Responsibility (CSR) approach and charity activities (Ahmad, Sulaiman, & Siswantoro 2003). Unfortunately, a few reports show that inefficient CSR impacts to cope the social issues because of the purpose or attention more on promoting to corporate image compare to solve the social problems overall and unsustainability impact to communities. These situations also happen to Non-Government Organisation (NGO) in the same orders (Yap 2011).

Based on previous studies argue that social entrepreneurs able to provided sustain social impact through their business activities and focusing on the field of less giving profit (often involves the bottom of the pyramid) (Prahalad 2006). The areas are not given priority by the government (the cost of which is not useful) but have a value (profit and social impact) to the community (Muhammad Yunus & Weber 2010). At this standpoint, in past study in Malaysia show that existing entrepreneur seem do not ready to involve in the social business trend (MaGIC Social Entrepreneurship 2015). Currently, the Malaysian Government shows strong support to social enterprises development when the Former Malaysia Prime Minister, Datuk Seri Najib Tun Razak announced the establishment of the Social Business Fund amounting to RM20 million under Malaysian Global Innovation and Creative Centre (MaGIC) (Ahmed Syahril Zulkeply 2015).

Based on Malaysia Social Enterprise Blue Print (MSEBP) 2015 – 2018, the primary reasons government should promote social entrepreneurship is to reducing the cost and increasing quality of public services and goods delivery in this country. By promotion of social enterprise, the government expected it could respond quickly to the needs of the public in the future (MaGIC Social Entrepreneurship 2015). The purpose of existing social enterprise to provide solutions to a
plethora of social issues through operationalizing a social business model. They create new values to the society by pursuing new opportunities and fill the gaps in the efforts to tackle social problems that might have been overlooked by ordinary businesses and government (Elisha Nasruddin & Nur Aulia Fahada Misaridin 2014). Social enterprise is essential businesses with social and environmental objectives to provided sustain social impact through their business activities (offer innovative solutions by providing products and services which are aimed at solving related social challenges) and still able to generate profit for sustainability. Lately, the concept of social enterprise started to gain more interest among academics and policymakers in Malaysia (Kadir & Sarif 2016).

Based on the previous study, focusing is more on changing the role of customer value proposition to social value proposition in Social Business Model (Muhammad Yunus et al. 2010; Michelini & Fiorentino 2012). It is begun with Share Value Concept introduced by Porter and Kremer (2011) and another similar concept was introduced by Emerson was known as blended value concept (Emerson 2003; Bellostas et al. 2016). The share value concept mention specifically combination the values come from both areas economic (profitable) and societal (social) in business operation. By the way, business should not provide product and services to fulfill the demand only, but it also provides critical public assets and a supportive environment. There are need each other (business and society) (Porter and Kramer 2011; Gillis & James 2015). The benefit from the implementation of this shared value concept able to improve the way how their design business strategies that deliver tangible social benefits and using the role of business to help solve fundamental global problems. This concept is distributed not only social impacts but also provide significant opportunities for innovation and company growth (Porter et al. 2011).

Meanwhile, the social entrepreneurs must have the ability to integrate resources, including people, assets, intellectual properties, equipment, and cash, etc., to create the social value creation process based on shared value concept (Yung & Cheng 2014). This value proposition proposes that, as the goal of the joint efforts, the products or services stand out in the service process structure to achieve profits, including expected profits, and to become a business model that could effectively solve or alleviate the social problem. According to Byerly (2014), social entrepreneurs have the ability to creating social value can also create economic value in the companies (social enterprise). Also, Porter and Kremer (2011) were stated that economic value could be generating by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company’s locations.

A study about social value creation done by Jespersen (2011) mention that social value is output comes from creating value process by new combinations of resources or factors that generate it, thereby stressing the innovation. Several studies done by Austin et al. (2003), Sud et al. (2009), Feli’cio et al. (2013) and Bellostas, et al. (2016) found that social value creation is essential elements to achieve the social mission and social changes. It is also a part of procedure within social enterprise management structure (organization) and output (product or service) (Bellostas et al. 2016). On another hand, the social value can be identified by answer the questions what is
“new” and what is “good” and “valuable” in the concept of positivity (Lautermann 2013). Refer to Table 1.

**Table 1**: List of Resources and Social Values Based on Literatures.

<table>
<thead>
<tr>
<th>Resources</th>
<th>Social Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business &amp; Management Approaches</td>
<td>• Clear social enterprise purpose. Suitable business planning &amp; strategy based on Social Mission. Targeting to lower the cost as possible &amp; proper business model. Risk Management.</td>
</tr>
<tr>
<td>• Leadership</td>
<td>• Leadership skills &amp; Flexible Techniques. Keep the motivation level up every management levels.</td>
</tr>
<tr>
<td>• Communication &amp; Information</td>
<td>• Clear by using all channels &amp; effective information channels.</td>
</tr>
<tr>
<td>• Technology &amp; Innovation</td>
<td>• In every aspects &amp; updated (Input, process, &amp; Output)</td>
</tr>
<tr>
<td>• Networking</td>
<td>• Involve with every levels start with individual, group, communities, NGO, Private Sector &amp; Government Agencies (formal &amp; Informal social network)</td>
</tr>
<tr>
<td>• Human Resources</td>
<td>• High skills</td>
</tr>
<tr>
<td>• Cultures</td>
<td>• Shared norms of behaviour, commitment and belonging.</td>
</tr>
<tr>
<td>• Rules and Legislation</td>
<td>• Flexible with external forces political &amp; legal or regulatory environment</td>
</tr>
</tbody>
</table>

Referring to Bellostas, et al. (2016), economic values represent directly financial sustainability by focusing on keeping and distributing accurate financial records. It is involve with increasing profit by managing resources to reduce the cost and increase the sale (financial returns) (Urban 2015). Like already mention early by creating societal value automatically creating economic value through positioning back again (redesign) the product and service intention based on real needs (bottom of the pyramid) before this focusing more on the high end users (Muhammad Yunus, et al. 2010 ; Michelini & Fiorentino 2012). Secondly implementing societal values within social enterprise management structure (organization) and operating processes (Edgeman 2013). Last not least, managing network and distribution process by shared knowledge to reduce costs (Porter & Kremer 2011). In the simple word, everything must work to maintain the growth of company (Alhaddi 2015). Refer to Table 2 for detail, meanwhile Fig. 1 is an illustration conceptual framework for this study based on literatures.
Table 2: List of Resources and Economic Values Based on Literatures

<table>
<thead>
<tr>
<th>Resources</th>
<th>Economic Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business &amp; Management</td>
<td>• Smooth operation to reduce the costs. Managing procurement resources.</td>
</tr>
<tr>
<td>Approaches</td>
<td></td>
</tr>
<tr>
<td>• Leadership</td>
<td>• Managing the cost &amp; sale for company.</td>
</tr>
<tr>
<td>• Communication &amp; Information</td>
<td>• Sharing about business &amp; management approaches to maximum the profit</td>
</tr>
<tr>
<td>• Technology &amp; Innovation</td>
<td>• Tools to managing the cost</td>
</tr>
<tr>
<td>• Networking</td>
<td>• Managing profits &amp; cost through distribution social or value networks</td>
</tr>
<tr>
<td>• Human Resources</td>
<td>• Manpower must have strong knowledge in Financial &amp; Accountancy Field,</td>
</tr>
<tr>
<td>• Cultures</td>
<td>• Focusing to comment needs involve with individual, group, communities, NGO, Private Sector &amp; Government Agencies</td>
</tr>
<tr>
<td>• Rules and Legislation</td>
<td>• Clear policies &amp; Social Return on Investment (SROI)</td>
</tr>
</tbody>
</table>

Fig. 1: Conceptual Framework

Social Business Model today is going to be phenomena interest study recently. Social Business Model describes how an organization creates and delivers the value including the way how the business model captures the value. It is also able to explain every single the element and relationships that plan and how a company or firm create the market value (Smuda & Dorn 2015).

Agafonow et al. (2015) stated that social business operation could be divided into three types of the social enterprise according to their location in the value chain. First in the procurement phase of the process of production, like fair-trade organizations that Agafonow categories as a social-input business.; Next, social enterprises that make a difference in the way these companies
transform inputs into outputs, like work integration social enterprises or social process business; and third, social enterprises that create social value producing a distinctive good or service, like microcredit or low-cost solar lights, also termed social-output business. Meanwhile, Alegre (2015) has the same idea with Agafonow, and she studies using supply chain management (SCM) theory to explain the framework that classifies social enterprises into three categories according to their social mission. Start with social – input, follow by social - process, and social – output organizations. Refer to Table 3

Table 3: Types of Social Business Model

<table>
<thead>
<tr>
<th>Author/s</th>
<th>Types of Social Business Model</th>
</tr>
</thead>
</table>
| • Agafonow et al. (2015) & Alegre (2015) | • Three type of business based on supply chain management (SCM) theory  
1. 1st categories - Social-input business  
2. 2nd categories - Social process business  
3. 3rd categories - Social enterprises based on output |
| • Spiess-Knafl, Mast & Jansen (2015) | • Six type of social business model innovation  
1. Opportunity creation model  
2. Smart distribution model  
3. Ecosystem engineering model  
4. Cheap sourcing model  
5. Smart pricing model  
6. Inclusive production model |
| • Santos, Pache & Birkholz (2015) | • Four hybrid social enterprise model  
1. Market hybrid model  
2. Blending hybrid model  
3. Bridging hybrid model  
4. Coupling hybrid model |
| • Hahn & Spienth (2014) | • Hybrid business model design based on social or ecological with purely economic |
| • Smuda & Dorn (2015) | • Social Business Model based on Business Operation - B1G1 (Buy One, Give One) business model |
| • Dohrmann, Raith & Siebold (2015) | • Four social business model based on monetisation approach  
1. Model 1: the one – sided social mission  
2. Model 2: the two – sided social mission  
3. Model 3: the market – oriented social mission  
4. Model 4: the commercially utilised social mission |
| • Alter (2014) | • Introduced 3 bigger categories of Social Enterprise Model based on level of integration between social programmes & business activities;  
1. Embedded Social Enterprise  
2. Integrated Social Enterprise  
3. External Social Enterprise |

Business Model Canvas (BMC) was explained the business to discover their planning in the future. Introduced by Osterwalder & Pigneur (2010), BMC is an approach to visualize the elements of the business model and interrelatedness and is used as a tool to replace old business by design a
new one (Gorissen et al. 2014). The social business model was inspired by BMC to improvise a value proposition to a social value proposition (Social Innovation Lab 2013). It is was state clear by Yung and Ching (2014), the primary plan to a valid business model in social enterprise is based on the social value proposition process for solving or alleviating of a social problem and develop a social mission. For this proposed study, social value process is a part of the process where the shared value concept introduced by Porter and Kremer (2011) play the role (combination social value and economic value). Meantime, Social Business Model Canvas is going to be the medium to explain the new model proposed by this study.

GAPS AND PURPOSE OF STUDY

Several gaps in this study is a required supplemental social business model categories and extended the conceptual framework in the business model. Firstly, all the types of the social business model proposed must be useful for practitioners (Alegre 2015). Secondly, based on previous studies show that need for a wide variety social business model and expanding the scope and types of basic needs (Hahn & Spieth 2014, Goyal et al. 2014, Spiess-Knafl et al. 2015 & Agafonow 2015). Thirdly, the social business model in the future must have a strong value proposition and a clear connection between mission and program (social impacts) (Jespersen 2011). Lastly, needed for further studies using social business model canvas to transfer to ideas and theory into practices (Aure et al. 2014). Based on the all limited ideas deliberate by previous studies, the purpose of this study is to propose Social Value Business Model based on the core of the business. Next, to design a Social Value Business Model based on social missions.

METHODOLOGY

A study was designed to carry out in the form of overview and descriptively by implement semi-structured interview with the participants. The rhetorical paradigm for this study is more on an informal and personal voice. Follow by methodological paradigm, this study also using combination inductive and deductive approach to answer the research objectives. This study will focus on the company or firm that has the characteristics of the social enterprise only.

The sampling technique using in this study based on purposive sampling technique and using key informants (MaGIC and Malaysia SEA) to helping the researcher to identify the potential participants and gain access. Based on the record in Malaysia Social Enterprise Blue Print 2015 – 2018 (MSEBP 2015 – 2018) and Social Enterprise 101, total pool number of SE in our country is approximately 100 potential companies. Referring to Morse (1994) and Bernard (2000), the total number of participants from the selecting company for achieving saturation in qualitative interviews fell within the range of 30 to 50 participants. Meanwhile, Creswell (2009) in Merriam (2009) is proposed range between 10 to 12 participants at least.

To get clear input from the interview, this study also conducted a focus group involved with people who are engaged directly with subject matter such as MaGIC and Malaysia SEA to review the outcome or output from this study. The selected participants come from social entrepreneur,
CEOs and directors of the company under the Social Enterprise category listed under MaGIC and winners for MaGIC Amplify Awards from 2014 to 2016. In this proposal, the researcher has a plan for using qualitative data management Nvivo12 software to coding and developing the theme or Nodes (Thematic Coding Analysis or Code – Based Analysis).

SIGNIFICANCE AND EXPECTATION RESULTS OF STUDY

Researcher expected the addition of a few elements in the shared value concept to improve the impact of social value creation on the social business model. Furthermore, the researcher hopes that the findings able to stimulate future empirical research that builds on these qualitative findings. The researcher expected outcome of this study will able to offer a visual framework to help practitioners for a better understanding of the social business model. It can be able to be a tool and devise strategies for their social enterprise to fulfill a social mission and achieve their target at the end (Triple Bottom Line).

Moreover, the researcher hopes that social value creation will able to help practitioners or entrepreneurs to develop their new social business model. On the other hand, hopefully, the outcome of this study can aid practitioners or entrepreneurs to convert or redesign their previous business model to social business oriented. In the end, based on output researcher expected to design three (3) Social business model. It based on social value creation according to product, service, and the combination both core of business (product and service category) and with another three (3) social business model based on social value creation according to social mission represent social elements (people and culture), environmental (planet) and economic impacts (Triple Bottom Line).

This study also can provide and essential inputs and ideas to support Malaysia Social Enterprise Blue Print 2015 – 2018 in promoting a “social enterprise” and the same time to improve the social function under National Key Results Areas (NKRA) based on the Government Transformation Program 2.0. Lastly, the promoting social entrepreneurship can reduce the cost and increasing quality of public services and goods delivery in this country.

CONCLUSION

Even though this is only concept idea but hopefully it can help the researcher to design Social business model based on social value creation and helping practitioners or entrepreneurs to convert or restructuring their previous business model to social business oriented. Also, those all positively efforts can spark more inspiration ideas to spur a variety of social business model in the future.
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