

Enhancing Social Entrepreneurship Model for Social Entrepreneurs: A Case of AL-FALAH Foundation

Dr. Fakhrul Anwar Zainol

Faculty of Business Management and Accountancy, Universiti Sultan Zainal Abidin (UniSZA)
Gong Badak Campus, 21300 Kuala Terengganu, Terengganu, Malaysia.
Email: fakhgulanwar@unisza.edu.my

Associate Professor Dr. Wan Norhayate Wan Daud

Faculty of Business Management and Accountancy, Universiti Sultan Zainal Abidin(UniSZA)
Gong Badak Campus, 21300 Kuala Terengganu, Terengganu, Malaysia.
Email: wnhayate@unisza.edu.my

Associate Professor Dr. Zulhamri Abdullah

Faculty of Modern Language and Communication, Universiti Putra Malaysia (UPM)
43400 UPM Serdang, Selangor, Malaysia.
Email: zulhamri@upm.edu.my

Associate Professor Dr. Mohd Rafi Yaacob

Faculty of Entrepreneurship and Business, Universiti Malaysia Kelantan (UMK)
16100 Kota Bharu, Kelantan, Malaysia.
Email: rafi@umk.edu.my

To Link this Article: <http://dx.doi.org/10.6007/IJAREMS/v3-i5/1195> DOI:10.6007/IJAREMS/v3-i5/1195

Published Online: 02 January, 2014

Abstract

This study examines the importance of enhancing a social entrepreneurship model for social entrepreneurs on the context of urban poverty. This study begins with the introduction of brief background of AL-FALAH Foundation. A detail of AL-FALAH Foundation's organization structure, vision, mission and its functions are described thoroughly. The study documents the physical characteristics and environment of the social entrepreneurship of AL-FALAH Foundation. We measure three key characters of social entrepreneurship – innovation, proactiveness, and risk taking on the current practice of organization. We found that AL-FALAH Foundation is being proactively in achieving their mission. Specifically, AL-FALAH can be considered as innovation, proactiveness and risk taking in being efficient financially. The organization focuses on elevating their members' socio-economic living standard through shares and other profitable investments. This study implies that social entrepreneurship

model can be effectively practiced in the corporate setting which may leverage the networks in a moderate competitive business environment.

Keywords: Social Entrepreneurship, Urban Poverty, Social Entrepreneurs, Case Study.

Introduction

The concept of entrepreneurship is expanded to understanding of a NEW way of thinking and behaving rather than a business per se. It is easier to adapt this concept in the business context (Gibb, 2010). The idea is also to adapt and strengthen the entrepreneurship model in the non-business contexts, for example in public services such as human ecology, education, social sciences, local government and sciences.

Hj Daud Abdullah is one of the strong members of AL-FALAH Foundation. Currently he is the Director of the Foundation. The AL-FALAH Foundation was established in 1996 by Malaysian businessman-philanthropist Amin Al- Falah. Inspired by the Muslim values of Taqwa (Faith) and Ehsan (Compassion), the Foundation is modelled upon the belief that commerce and charity are interconnected. As a result, a portion of income earned from business is channelled to charity.

The AL-FALAH Foundation puts Islam's urges about the quest of knowledge for society to advance into practice. Its primary focus is education as a means to empower the poor as well as forge greater understanding between Muslim and non-Muslim communities. In addition to that, the Foundation is also committed to health & welfare programmes that are aimed at giving the poor the dignity of life.

Currently, the chairman of the foundation is Amin Al- Falah. The organization has 3 board of trustees' members. The foundation also consists of a second chairman, 2 directors and a few other staff. Since the organization is a very huge organization, it is divided into three sections which are Amin Al- Falah Head Office, the Islamic Museum and the Knowledge Complex. The three of them has their own administration system.

The existence of the foundation is to achieve the noble ambition of the founder, Amin Al-Falah. He wanted to show his gratefulness to the sustenance given by Allah. The constant contribution and assistance fulfils the obligation and for the people in need to complement their religion, social, education status. AL-FALAH Foundation is a well-established social organization. To date, they are executing 17 programs all over Malaysia especially in the northern part. The local programs are divided into four main divisions which are religion, education, health and welfare and also sports and heritage.

The founder is very concerned about the well-being of Muslim minority in a non-Muslim country. Therefore, the foundation has been conducting 19 programs in 12 countries all over the globe. All of the programs adhere to the core mission of the organization which are religion, education and health.

The Management of the Social Entrepreneurship Organization

As Freeman (2007) stated that there are two key properties of innovation. First one is making resources mobile in changing the ways we utilize them. Second element is aligning incentives with a great deal of initiatives in deploying the resources particularly financial capital. The

emphasis on a social institution – aligning societal interests with business interests. Six facets of institutional logic are a common purpose, a long-term view, emotional engagement, community building, innovation, and self-organization (Kanter, 2011).

This social entrepreneurship organization is located at AL-FALAH Foundation, Kuala Lumpur, Malaysia. The foundation obtains their funding partly by the income of its founder Amin Al-Falah. In addition, the foundation receives financial contributions from companies in which Amin Al-Falah is a substantial shareholder. The contributions are made via the corporate social responsibility programmes of these companies, which also make contributions to other community welfare and charitable initiatives. The amount of Amin Al-Falah's income allocated for charity along with the CSR budget from Al-Amin Corporation, DB Berhad and TA Berhad will be combined to fund all of the foundation's activities.

The foundation spends their fund for programs and financing each of their division. Each division requires different percentage from fund because each division is somewhat more costly than the others. As stated above, AL-FALAH Foundation does not distribute the expense for each division equally. It all depends on the participants and the size of the division. The education division has the biggest percentage which is 35.8 percent because AL-FALAH Foundation manages its own university. Health, welfare and sport need a high expenditure due to the funding of the dialysis centre which cost a lot. Although the main division is the religion division, it has the lowest percentage because of its activities. The activities such as sponsoring Hajj Pilgrim only happens once a year and in term of renovating mosques, not all mosques need a daily face lift thus making religious to have the lowest percentage in utilizing expenses.

Identification of Relevant Indicators/Descriptors of the Social Entrepreneurship Organization Effectiveness

According to Hall et al. (2010), "the fundamental transformation is needed to reduce detrimental environmental and societal impacts created by our currently unsustainable business practiced". This organization can be characterized based on the descriptors below:

- **Innovation:** AL-FALAH Foundation has managed to become a giant foundation in Malaysia. The ability to create so many programs that are effective to assist people in need locally and internationally has turned this foundation into a very innovative organization.
- **Proactiveness:** The total number of their active programs is 36. This shows that AL-FALAH Foundation is very proactive in their effort to help their target participant. The staggering numbers of budget that AL-FALAH Foundation has spent show that they are dedicated to the Muslim who are in need be it in Malaysia or around the world.
- **Risk taking:** As a very stable foundation with adequate amount of internal fund AL-FALAH Foundation do not take any risk to collaborate with any external social organization. They prefer to execute their activities by themselves with a minimal collaboration. They have assigned proper manpower for specific division without needing external help from foreign organizations.

This social entrepreneurship organization can be considered effective. Some of the criteria that determine the organization's effectiveness are:

- Innovation in achieving mission: The activities conducted by AL-FALAH Foundation tackles the areas that are not explored by others yet. For example the funding of poor students from countries that have minority Muslim community is one of them. They believe that by assisting such students in need to pursue their study be it locally or internationally will create a generation that will help their family from poverty in the future.
- Proactiveness in achieving mission: As a giant foundation in Malaysia, AL-FALAH Foundation has gone all the way to help others who are in need. They have their own university, orphanage, old folks house and a scholarship fund to assist Muslim who are in need. This proves that the foundation is very proactive on their quest to fulfil their targeted mission.
- Risk taking in achieving mission: Being established for 18 years now, the foundation has distributed and creates an effective system to run the activities and select their participants. They do not take risk by collaborating with other organizations. All of the gathered funds from their subsidiary company is distributed by the foundation itself. The selection of participants for each activity is also done thoroughly so that only the eligible participants will receive the proper aid. Thus making the foundation achieve their mission with minimum risks.
- Innovation in being efficient financially: One of the differences of this foundation from others is that they do not manage its own fund. The foundation depends on Amin Al-Falah Financial department to handle their fund. All of the cheques were issued by this department. Therefore they are being financially efficient by having to adhere to the requirement of the financial department before they can obtain any money to be spent for the activities.

Proactiveness in being efficient financially: The proactiveness of AL-FALAH Foundation in managing their finance efficiently can be seen from their willingness to create a specific department to control the funding. The department itself also have a lot of requirement before the foundation can execute any activities so that the fund can be managed efficiently.

Identification of Social Entrepreneurship Model in Overcoming Urban Poverty That Currently Being Practiced In Malaysia

For this organization, their main focus is to help people in need through specific division. The organization believes in eradicating poverty by providing adequate education to poor people's children so that those children will help to bring their own families out of the poverty line. AL-FALAH Foundation did this by building orphanage, universities and also by providing scholarship.

Since the foundation has 4 different divisions that do not really focused on eradicating poverty, there is no major model utilized by the foundation. Overall, the foundation runs by fulfilling the objectives of each division separately until the targeted goal is achieved. They are doing very effectively since all division work area is divided accordingly.

According to Zook and Allen (2011), a differentiation strategy is vital for entrepreneurs to gain competitive advantages. Specifically, great business model must be focused on how to create different products or services to attract target customers in a highly competitive business environment. The better entrepreneurs understand the source of differentiation, the greater entrepreneurs generate the sustained growth (Zook and Allen, 2011). Importantly, Sinfield, et. al, (2012) are concerned with how to build the organizational competency in business model innovation which is aligned with their target customers' needs.

AL-FALAH Foundation exists because of the founder's willingness to share his wealth and profit back to the society. It has become one of the mega foundations in Malaysia. Their ability to create four divisions that have totally different goal provides diversity in the foundation activities. Such condition could not be achieved if the foundation does not have an effective ways to run their activities. By dividing the foundation into four different divisions, the task to achieve the targeted mission of each division can be achieved effectively. Each division will have more focus on what they have to achieve. For example, for those in education department they will focus on producing a high quality graduates so that they can help their parents back and come out of the poverty line.

In addition to that having a separate financial department also prevent risk and help the foundation to manage their funds effectively. Although the foundation still utilizes the bureaucratic style in managing their fund, it has proven to serve the foundation well. No activities are funded hastily especially the costly activity. All of it will be filtered through the Financial Department. If the proposed budget is sensible then the activities can utilize the suggested fund. That is how financial efficiency runs in the foundation.

Therefore, by utilizing what they have been executing today, AL-FALAH Foundation should have a brighter future. Malaysia can look forward to the output from the foundations' university. Those generations will work hard to help their families to escape from the poverty line and at the same time creating the economic boost to the nation. As stated by Battilana, et al., (2009), "an institutional entrepreneur acts as a change agent to initiate divergent changes, that is, changes that break the institutional status quo in the field of activity there by possibly contribute to transforming existing institutions or creating new ones".

Conclusion

The study attempts to examine of how social entrepreneurship can help to eradicate urban poverty through organizational effectiveness. AL-FALAH Foundation is purposefully chosen as an organization in this study. The outcomes of this study will be useful to social entrepreneur organization to help those who live below the line of poverty to enhance their income and upgrade their entrepreneurship strategies. The research should include other part of the country as well since each state of Malaysia has unique variation of entrepreneurship ventures.

References

Battilana, J., Leca, B., & Boxenbaum, E. (2009). How Actors Change Institutions: Towards a Theory of Institutional Entrepreneurship. *The Academy of Management Annals*, 3 (1), 65-107. doi:10.1080/19416520903053598

- Freeman, J., & Engel, J. S. (2007). Models of Innovation: Start-ups and Mature Corporations. *California Management Review*; 50 (1), 94-119.
- Gibb, A. (2010). 'Towards the Entrepreneurial University', The National Council for Graduate Entrepreneurship (NCGE).
- Hall, J. K., Daneke, G. A., & Lenox, M. J. (2010). Sustainable Development and Entrepreneurship: Past Contributions and Future Directions. *Journal of Business Venturing*. 25, 439-448. doi:10.1016/j.jbusvent.2010.01.002
- Kanter, R. M. (2011). How great companies think differently. *Harvard Business Review* 89 (11), 66-78.
- Sinfield, J. V., Calder, E., McConnell, B., & Colson, S. (2012). How to identify new business models. *MIT Sloan. Management Review*, 53 (2), 85-90.
- Zook, C., & Allen, J. (2011). "The Great Repeatable Business Model". *Harvard Business Review*, 89 (9), 107-114.