

## **Social Entrepreneurship as Medium to Growing Economy of Communities**

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### **Abstract**

Entrepreneurship is a multidimensional phenomenon and is shaped by the context in which it operates. The entrepreneurial process, generally defined as 'how, by whom and with what effects opportunities to create new goods and services are discovered, evaluated and exploited' (Shane and Venkatarman, 2000), it is very much conditioned by the level of economic development and the cultural, political and social contexts in which it appears (Atamer and Torres, 2008). The concept of social entrepreneurship (SE) is, in practice, recognized as encompassing a wide range of activities: enterprising individuals devoted to making a difference; social purpose business ventures dedicated to adding for-profit motivations to the nonprofit sector; new types of philanthropists supporting venture capital-like 'investment' portfolios; and nonprofit organizations that are reinventing themselves by drawing on lessons learned from the business world. Social entrepreneurship as a practice that integrates economic and social value creation has a long heritage and a global presence. The concept of social entrepreneurship is still poorly defined and its boundaries to other fields of study remain fuzzy. Social entrepreneurship has tended to spring up fastest in areas with underused assets, in particular high unemployment, and derelict or redundant buildings and land. Social entrepreneurs are often better able to discern the potential value of new activities, and can usually provide services and activities at much lower cost than public agencies that depend on professionals who live outside the area, and have to pay for overheads in more expensive city centres. However, although the potential of social entrepreneurship may be greatest in poor areas, its practice can be harder (Nicholls, 2006). This paper discusses how the social entrepreneurship concept can help to promote the growth of economy among the communities in Tumpat, Kelantan. The participants involved are working together with these industries, and thus making the industries grow. When the industries grow, henceforth, participants will create more new industries in the community that will further support the development of the community. The main key of the social entrepreneurship concept is heart, it means that the participants must come and work together with one purpose that is to help the community to grow and acquire economic stability. This entails that they should refrain themselves from making profit solely for themselves. This paper also describes the importance of the implementation of management strategy and the concept of industrial clusters as one of the strategies in developing the economy of a community.

**Keyword:** social entrepreneurship, working with heart, management strategic

## 1. Introduction

South East Asia has played a major role in the world-economy. It has supplied key raw materials, provided markets for developed world goods, received investment and, most recently, multinational manufacturing. To a certain degree, these roles have been sequential, reflecting the evolution of imperialism, the progressive incorporation of the region into the world-economy and the accompanying development of capitalist relations of production (Dixon, 1991). Production networks, comprising a number of nodes and links, have been and will continue to be the key device to transform globalizing forces into the forces to deepen economic integration and to narrow development gaps in East Asia (Eria, 2010). Southeast Asia forms the southern and eastern corner of the Asian continent, which includes the great adjacent Philippine and Indonesian archipelagos. For one thing, the modern country of Indonesia includes the eastern half of the great island of New Guinea (second only to Greenland in size) that, along with various adjacent islands, is considered a part of the Melanesian culture area of Oceania. And for another, various essentially Southeast Asian peoples and languages extend well beyond the named Southeast Asian countries, especially in northern Southeast Asia (Winzeler, 2011).

Social entrepreneurship (SE) concept is borrowed from the world of business, and is becoming popular among morally conscious people itching to solve a particular social problem and possibly make money in the process. In SE concept, social part is bigger than profit part. SE executes innovative solutions to what they define as social problems (local, regional, national or international). Social Entrepreneurship as a practice that integrates economic and social value creation has a long heritage and a global presence.

Social entrepreneurship makes significant and diverse contributions to their communities and societies, adopting business models to offer creative solutions to complex and persistent social problems.

The economic development, like community development, is also a process. Establishing and maintaining a good economic development program is not easy. Significant resources must be devoted to hiring staff, providing suitable office facilities, and marketing the community. Most communities that are successful in economic development have strong

support (financial and otherwise) from both the public and private sectors (Philips & Pittman, 2009).

Communities that are successful in economic development devote the appropriate resources to the effort, design good programs, and stay with them for the long-haul.

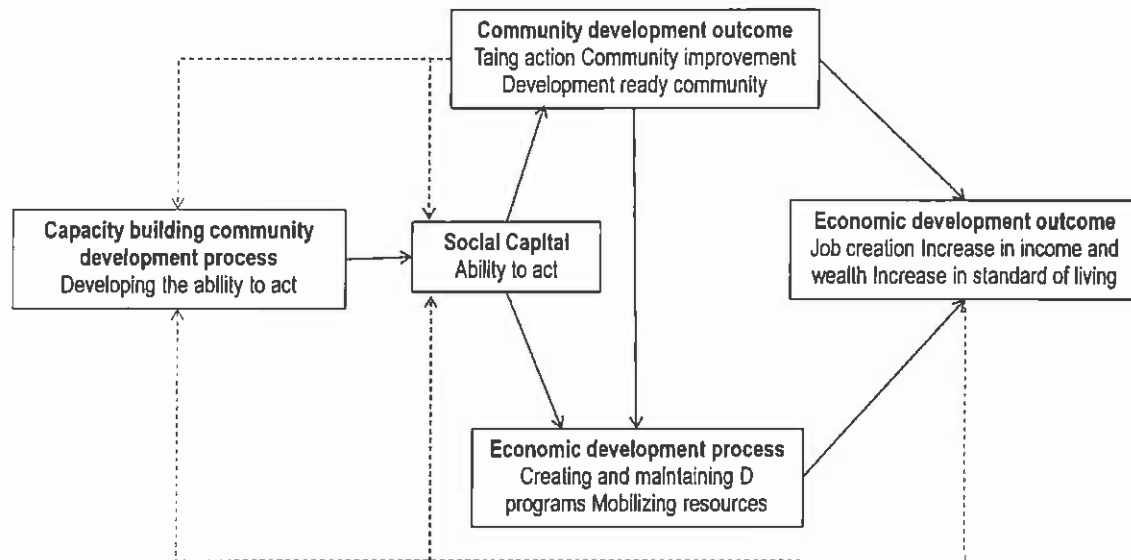


Figure 1. Community and Economic Development Chain (Philips & Pittman, 2009)

The Figure 1 shows the holistic relationship between the process and outcome of community development and economic development. The community development chain as depicted in Figure 1 leads to social capital which in turn leads to the outcome community development. The community with social capacity is inherently more capable of creating good economic development program should they choose to do so. When these communities take action (community development outcome), they create and maintain effective economic development programs that mobilize the community's resources. They also improve their physical and social nature and become more development ready, which leads to success in business attraction, retention and expansion, and start-up. We should understand the community and economic development chain in order to move their communities forward efficiently and effectively. While community developers might not believe they are practising economic development and vice versa, in reality, they are all practising community economic development (Philips & Pittman, 2009).

## **2. Social Entrepreneurship Concept**

In Social Entrepreneurship, people use the principles of enterprise for creating social change by establishing and managing a venture. Whether starting and running a nonprofit or for-profit social enterprise, these entrepreneurs are usually practical. Each entrepreneur has a mission, typically one that is powerfully felt with urgency and compassion, and each takes concrete action leading to solution of the problem targeted in that mission. How does one describe the scope of social entrepreneurship, or what social entrepreneurship do? SE is society, it refers to work with others; it is the whole idea, and not just internally within the organization itself. As with other organizations, social-enterprise leaders must adapt to and take advantage of the organization's external environment (Durieux & Stebbins, 2010).

The concept of Social Entrepreneurship is in practice, recognized as encompassing a wide range of activities: enterprising individuals devoted to making a difference. Social purpose business venture dedicated to adding for-profit motivations to the nonprofit sector. Social Entrepreneurship as a field of research on the other hand is a relatively recent phenomenon (Mair, Robinson & Hockerts, 2006).

There are three essential elements that related with SE: motivation, organization, and society (Durieux & Stebbins, 2010). SE is motivation; it refers to question like "why do people get involved in it in the first place?" Sure, they're trying to solve a pressing problem, one that bothers them and probably other people. Some entrepreneurs hope to develop a for-profit social enterprise, and for other entrepreneurs, eventually becoming a for-profit social enterprise may be a side effect, even an unexpected one, of their first efforts. And some are only interested in working toward building a successful nonprofit enterprise (Durieux & Stebbins, 2010).

SE is motivation; it considers the feelings of urgency and compassion that inspire social entrepreneurs. It comes up when we explain SE as either a special form of leisure (the nonprofit form) or a special form of work (the for-profit form), and also it comes up when we look at commitment and obligation (Durieux & Stebbins, 2010).

SE is organization; it refers to legally incorporated. The organization needs a mission statement, which set out its vision, and a clear set of goals toward which to work. The nature of organization requires that there be leaders and followers. The principles of good leadership apply as much to social enterprises as to any other kind of organization. The same word may be said for managing the people who participate in them. In for-profits, these people, or staff,

are paid; whereas in nonprofits, they're either paid or serve as volunteers. Some non-profits rely on both paid staff and volunteers (Durieux & Stebbins, 2010).

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## **2.1 How do it started SE programme?**

There are three-phase process as basically for starting SE programme like (Durieux & Stebbins, 2010):

### **a) Recognizing and stating objections to the problem**

This step refers to how we have to see the problem clearly enough to determine what action to try to take. Why is it important as first step? Because we aren't going to be able to effectively fight against something until you have a decent idea of what you're fighting against (Durieux & Stebbins, 2010).

### **b) Taking action to try to solve the problem**

After our objection is clarified and galvanized by urgency and compassion, we make some initial attempts to solve the problem. In practice, the first trying to solve the problem through existing arrangements. It may mean that we learn that appropriate governmental, private-sector, or nonprofit organizations for solving the problem either don't exist or are inadequate for the job.

Trying to solve the problem by taking action through ordinary, existing channels is an important step. One reason for doing little other than objecting to the problem is that, the objector is unable to answer the questions about what should and can be done about it.

### **c) Starting a social enterprise.**

Social entrepreneurship is any innovative initiative to help people like said Muhammad Yunus, winner of the Nobel Peace Prize and pioneer of the idea of microcredit (Durieux & Stebbins, 2010). For starting a social enterprise is needed a concept, and we offer the concept of enterprise like this below

## **2.2 The Strategic of Social Entrepreneurship to Combating Poverty**

The SE program will identify the state of a society through social mapping. Data obtained from the social mapping will be used to plan the development of entrepreneurial strategies in the area concerned. After the data collection will be done to understand the situation of entrepreneurship and business development plans appropriate to run in the region.

In general, the SE program involves a community, especially in poor communities or communities that have entrepreneurship programs, but not developed or not developed. Plan the SE program conducted entrepreneurship will affect the target community. Changes that occurred in the community will have a major impact on the surrounding community, as a result of the poor communities will change (drop out of poverty). For a successful program SE is required to apply management strategic. Strategic management is fundamentally about setting the underpinning aims of an organization, choosing the most appropriate goals towards those aims, and fulfilling both over time (Karami, 2007). David (1995) holds that strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives.

Strategic management is a process which needs to be understood more than just as a discipline. It is the process by which organizations determine their purpose, objectives and desired levels of attainment; decide on actions for achieving these objectives in an appropriate time scale, and frequently in a changing environment; implement the actions; and assess progress and results. The strategic management process can thus be claimed to consist of three stages: awareness, strategy formulation, and strategy implementation (Karami, 2007).

### *a. Awareness*

In order to formulate effective strategies, strategists need to diagnose the firm's internal strengths and weaknesses and the opportunities and threats of the firm. The strategists employ different techniques such as SWOT analysis to analyse the internal factors such as

culture, structure, resources, leadership style and external factors of the firm such as economical and social factors, technology, and competitors (Zajac, 1995).

*b. Strategy Formulation*

Strategy formulation includes developing a business mission, deciding both short term and long term objectives, and prioritizing strategies to pursue. Strategy formulation is concerned with resource allocation, decisions about diversifications, entry into international markets, merging with suppliers or sales agencies, and participation in joint ventures (Karami, 2007).

*c. Strategy Implementation*

Strategy implementation seeks to create the right circumstances within organization so that formulated strategies can be executed. Implementation of strategy is achieved by developing a strategy-supportive culture, creating an effective organizational structure, and motivating individuals to learn new ways of contributing to improve performance (Karami, 2007).

*d. Evaluation*

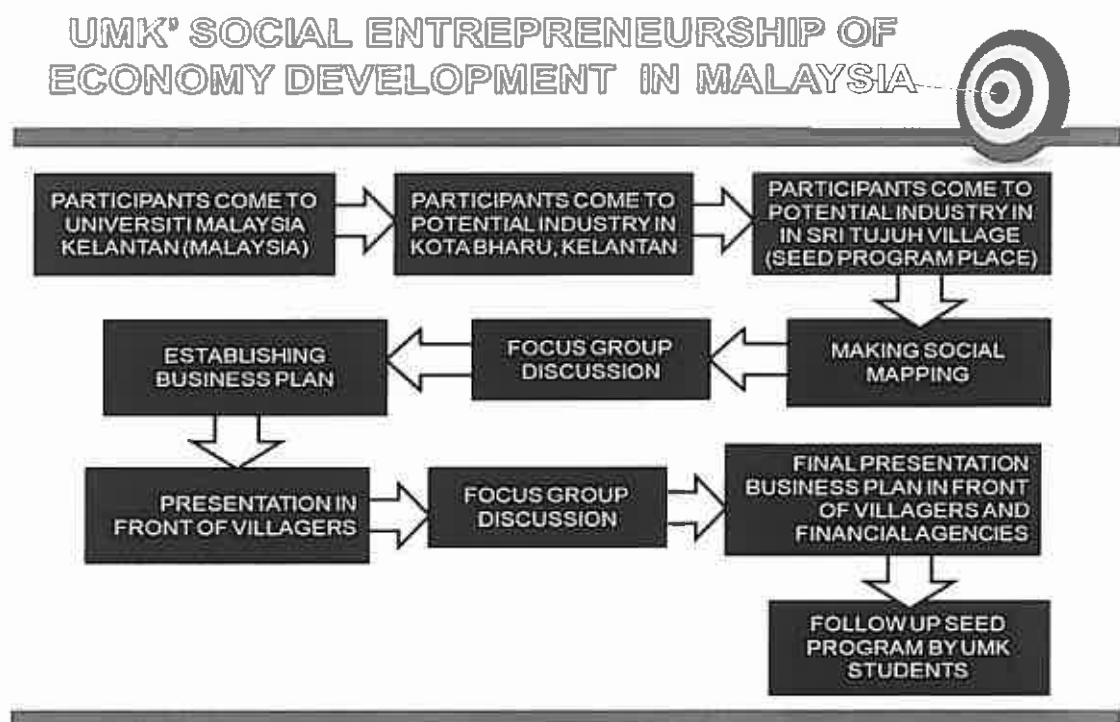
Strategy evaluation culminates the activity inherent in the design, application and eventual assessment of strategy. Strategy evaluation is needed because current success does not guarantee that such success will continue in the future: an organization which becomes complacent loses the drive required for survival in an increasingly competitive environment. Essential to realistic evaluation of company performance is the development of performance indicators linked to key improvement factors and attributes that influence improvement of people, product, and process elements of organizational performance (Karami, 2007).

**3. Social Entrepreneurship Change the Face of Community**

SEED is an abbreviation for Social Enterprise for Economic Development and is an international programme aimed at changing the mindset of the villagers through social enterprise. This programme was one of the initiatives under the Asean Learning Network Council (ALNC) which started in Bandung in 2008. The Asean Learning network Council is an NGO that unanimously agrees to work together to foster good relationship among ASEAN universities in various programme. The SEED programme was the

product of the Social Entrepreneurship from St. Gallen University, Switzerland that is Prof Dr. Chong Li Choy. Prof Chong and his counterparts Prof. Dr. Surnaya Djaja Djajaningrat from School of Business Management of Institut Teknologi Bandung started the First SEED programme in Cisondari, Indonesia which was later on extended to the second and third SEED programmes in Garut, Indonesia. After witnessing the success of SEED in Indonesia, the programme spread its arms to Universiti Malaysia Kelantan through the fourth SEED programme. The fifth SEED programme is in Ho Chin Minh City, Vietnam, and the sixth SEED programme is in Prince of Songkla, Narathiwat, Thailand.

FIGURE 1. UMK' SEED Concept



### 3.1 How is the SEED programme change the face of Small Industry in Tumpat, Kelantan?

This paper liket to discuss about “successfull” of small traditional cake industry (owner: Mrs Zubaidah Bt. Yusof, a single mother) to upgrade her industry become better than last. The first time SEED participants came to this industry; it is a small industry and run its production from a small rental house (Picture 1).



**PICTURE 1. Before Social Entrepreneurship Programme**



Two days while the SEED was just walking, she moved to new place in Lembaga Lings, P. Jember Masaya (LKIM) (Picture 2). The participants helped her for get that new place.

**PICTURE 2. After Social Entrepreneurship Programme**



After movign to the new processing factory, the SEED participants began to help her in the form:

- a. Making company name card
- b. Create a banner produced products company
- c. Make a proposal to get the help of equipment / machinery as well as financial
- d. Help obtain information about the halal logo and good manufacturing practice

- e. Teaching the management of the company
- f. Help improve the product packaging
- g. Help take care of product marketing

The guiding and mentoring process conducted by participants and facilitators SEED UMK to the factory traditional cake Mrs. Zubaidah has been going on for 6 months to date. Several government departments have helped this small industry including: department of agriculture, fisheries department, the ministry of women and Universiti Malaysia Kelantan provide guidance and training of enterprise management.

To assist in the development of small industrial enterprises Mrs. Zubaidah Bt. Yusof, strategic management should be used and taught to Mrs. Zubaidah Bt. Yusof. Strategic management is a field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments

It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives. Recent studies and leading management theorists have advocated that strategy needs to start with stakeholders expectations and use a modified balanced scorecard which includes all stakeholders.

Strategic management is a level of managerial activity under setting goals and over Tactics. Strategic management provides overall direction to the enterprise and is closely related to the field of Organization Studies. In the field of business administration it is useful to talk about "strategic alignment" between the organization and its environment or "strategic consistency." "Strategic management is an ongoing process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly [i.e. regularly] to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed

circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment.” (Lamb, 1984:ix).

For this initial stage, we start from the simple such as:

1. Organize and clean the cake processing plant so that products are able to penetrate the local market and international
2. Identify and learn about competitors
3. Improve the finishing of the product
4. Search, analyze and produce effective marketing system
5. Close relationships with government departments related to production and marketing of cake
6. Help organize the company management system, HRD, and the company's product development Mrs. Zubaidah Bt. Yusof

A first step we do to upgrade this cake is to improve industrial finishing products. Before the SEED program began, this company is using the packaging from plastic, but after a few months since the SEED program, this company has been using a special plastic packaging better and attracts buyers (PICTURE 3).

**PICTURE 3: The Comparing Product Packaging before and after SEED programme**

**Before programme**



**After programme**



From the profits before and after the program SEED SEED program is a significant difference of the gain is less than RM 1,000 per month to RM 4,000 per month. This occurs because of improvements in the finishing of the product, marketing system, and changes in product flavor (some taste test participants SEED helps to improve the quality of the resulting cake).

The key outcomes and the success of these entrepreneurs is that he has a very high motivation to change and achieve success. This was shown also by his diligence entrepreneurship courses and workshops conducted by government departments and Universiti Malaysia Kelantan.

Although the economic consequences of the SEED program has seen significant in the life of Mrs.. Zubaidah Bt. Yusof, but some things should be noted for this cake industry development can be realized and controlled the local and international markets. There are some important points must get attention like:

- Understand the customer likes:
  - Why do they buy?
  - Is there a real need for the product?
  - Correct marketing research and planning
- To predict environmental reaction like:
  - What will competitors do? Fighting brands or price wars
- To understand resource competence likes:
  - Can the staff, equipment, and processes handle the industry strateg?
  - Plan to develop employee and management skills
- Failure to coordinate
  - Reporting and control relationships
  - Organizational structure must be flexible enough
- To follow and monitor the business plan
  - To follow through after initial planning
  - The tracking of progress industry and business plan
  - Motivate and grow the high consequences
- To manage change likes:
  - To understand the internal resistance to change
  - Increase of vision on the relationships between processes, technology and organization
- Rich communication likes:
  - To increase information sharing among stakeholders

#### 4. Conclusion

SEED program is a program suitable to be carried out in Malaysia. Based on experience in Tumpat, Kelantan, this program will provide the maximum influence and revenue to the community when managed correctly. The key to success SEED program to change the face of small entrepreneurs in the village is the motivation and development of strategic management.

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