SOCIAL ENTREPRENEURSHIP AND ORGANIZATIONAL EFFECTIVENESS: THE CASE OF URBAN POVERTY IN MALAYSIA

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Abstract

Malaysia has made great strides in eradicating poverty. Based on the latest figures of the 9th Malaysian Plan Mid-term review, the overall hardcore poverty percentage is down to 0.7%, and only 3.6% of the Malaysian population is living below the overall poverty line. While in the past significant efforts had been taken by the government through various developmental project to alleviate poverty in rural area had proven successful. Today, urban poverty in Malaysia is an increasingly visible phenomenon due to rural-urban migration and the natural population growth in urban areas. Given the changing dimensions and emerging new forms of poverty as a result of unwanted effects of development there is a dire need to re-examine and re-visit urban poverty in Malaysia. This paper provides a comprehensive literature review of the topic under this study. In particular it overviews the effectiveness of the social entrepreneurship initiatives that social entrepreneurs have pursued in solving urban poverty issues in the country.

Keywords— Social Entrepreneurship, Organizational Effectiveness, Urban Poverty, Malaysia.
I. INTRODUCTION

Malaysia had successfully reduced the incidence of poverty from 52.4 percent to 5.1 percent between 1970 and 2002. Total number of poor households had significantly fallen from 1.6 million to 267,000 over this period (Ahmad, 2005). This trend was however getting disturbed, unnoticed at the time, by the country’s fast economic growth and urbanization of the 1990s. The urban population swelled from 20 percent in 1960 to 40 percent in 1980 and to 60 percent in 2000 (World Bank, 2007). According to the United Nations Population Division, 78 percent of the country’s population will be urbanized by 2030. The acceleration of urbanization has been accompanied by increase of urban poverty together with crowding, uneven distribution of development benefits and change in the ecology of urban environment (Mok, Gan & Sanyal, 2011). Four mega cities in Malaysia in which consist of Kuala Lumpur, Johor Bahru, Penang as well as Kuching have experienced exponential growth in population as people throughout the countries have flocked to the cities to seek employment.

When the economic boom (in late 1980s and the early 1990s) ended with the Asian Financial Crisis (1997) that struck the whole Asia, the country found itself in economic hardship, characterized by low currency exchange, high unemployment and growing income inequality between the haves and the have not. The crisis of 1997 adversely affected the urban poor and migrant workers through job loss, rise of food prices and general inflation. Despite reduction of poverty throughout the country since Malaysia gained independent in 1957, overall, the incidence of poverty increased from 6.8 percent in 1997 to 8.1 percent in 1999. The number of poor households increased to 393,900 in 1999 (Nair, 2005). Unemployment rate increased from 2.6 percent to 3.9 percent between 1996 and 1998 as the number of retrenched workers rise up to more than double from 8,000 to 19,000 between 1996 and 1997. Most retrenched workers were those who worked as operators from manufacturing and low and semi-skilled labour from construction sectors, thus affecting female workers, the urban poor and foreign workers who make up large parts of the labour force in these sectors (Nair, 2005).

In the country as a whole, income share of the bottom 40 percent fell from 14.5 percent to 13.5 percent while that of the top 20 percent increased from
50 to 51.2 percent between 1990 and 2004 (Economic Planning Unit, 2006). The government now faced the renewed challenge of reducing wealth and income inequality among and between ethnicities and regions and particularly in urban areas.

Given the changing dimensions and emerging new forms of poverty as a result of unwanted effects of development there is a dire need to re-examine and re-visit urban poverty in Malaysia. This paper provides a comprehensive literature review of the topic under this study. In particular it overviews the effectiveness of the social entrepreneurship initiatives that social entrepreneurs have pursued in solving urban poverty issues in the country.

II. OVERVIEW OF THE LITERATURE

There is a belief that that the concept of social entrepreneurship is still new in Malaysia, and needs a bit of a push to become widespread. This was according to Sarif et.al (2013), in one of their respondent’s response in their research around Klang Valley, Malaysia. Therefore, this research in particular, helps scholars and practitioners to examine the effectiveness of “social” entrepreneurship in overcoming urban poverty in the country. In the next section of this literature review is focused on the concept of Urban Poverty from Global and Local Context, Social Entrepreneurship, Organizational Effectiveness, Relationship between Social Entrepreneurship and Organizational Effectiveness and the Impact of Organizational Effectiveness in Social Entrepreneurship to Overcome Urban Poverty in the country is thoroughly discussed.

III. BACKGROUND OF THE STUDY – URBAN POVERTY

A. Global Context

Millions of people around the world live in informal urban communities where a lack of resources leads to degradation of the environment. Deteriorating environmental conditions, in turn, create more poverty (Dale, n.d). Research done by Yassin and Narimah (2011), deals with the issues of
urban poverty in the developing countries by taking Sudan as an example. In their paper, the practical definition of the urban poverty is quoted from Sen (as cited in UNESC, 2007). Sen defines poverty as the deprivation of basic capabilities that provide a person with the freedom to choose the life he or she has reason to value. These capabilities include good health, education, social networks and command over economic resources, and influence decision-making that affects one’s life. This appears to be similar to the national definition of poverty in Sudan. According to the Ministry of Welfare and Social Security shortly known as MWSS (as cited in Yassin & Narimah, 2011), poverty is defined as the inability to meet the minimum basic necessities of life for individual and family that preserve or conserve religion, mind, money, and soul. The basic necessities include access to food, clothes, public transportation, owning a house or the ability to rent, availability of potable water, health and educational services, and security of property and life.

Both definitions focus on respect to and dignity of the individual, access to income, and services- all of which serve as indicators for measuring poverty. This article considers income as an important variable for measuring urban poverty because it allows a person to develop his or her capabilities and ensures access to services particularly after the withdrawal of the state from engaging in service provision resulting from the introduction of privatization. The authors are of the view that measuring poverty in terms of income is preferable especially when dealing with the urban poor due to the fact that commanding financial resources enables individuals to access the basics of life like food, services, and housing.

Adviser and Godard (2010) raised a question on why urban mobility of the urban poor to city’s centers is important. They reported that high share of urban poor in (western) African cities is 30% to 40%. Thus, mobility is important as a mean to access to the city opportunities and as a mean to maintain and to develop a social network. In short mobility is a condition to escape from destitution and poverty.

B. Malaysian Context

Research done by Mok, Gan and Sanyal (2007) reported that since independence in 1950s, Malaysia has been recognized as one of the more
successful countries in fighting poverty: head count ratio came down to 5.7% by 2004. Undoubtedly Malaysia’s development model has gained recognition by the United Nation. However the recent process of rapid urbanization has led to an increase of urban poverty aggravated further by the 1997 Asian financial crisis. They of the view that it is important to understand the nature and scale of urbanization, the various driving forces that affect it and the determinants of urban poverty as linked to this process.

Their research identified the determinants of urban poverty in Malaysia using a logistic regression. Samples of 2,403 urban households from the 2004-05 Household Expenditure Survey (HES) were used in this research. They first estimated the probability of households with specified characteristics to fall below Malaysia’s official poverty line. Then they analyzed the sensitivity of the probability estimated to shift of the poverty line over a reasonable range. Results showed that human capital significantly reduced the chance of being poor while unskilled migrant workers are more prone to poverty. Household size, race and regions were also important determinants of poverty outcome in urban Malaysia. The findings had important policy implications for Malaysian government which had pledged to reduce overall poverty rate to 2.8% and eradicated hardcore poverty by 2010 under the Ninth Malaysian Plan.

Recently, Hatta and Ali (2013) in their conceptual paper of the view that Malaysia is a multi-ethnic religious country with a population of 28.5 million, it is characterized by mainly three ethnic groups-Malay and indigenous people, Chinese, and Indians. Ever since independence in 1957, Malaysia has successfully transformed itself from a poor country into a middle-income nation. The Malaysian economy has seen a periodic growth despite challenging external factors. It can also definitely claim its success of combat against poverty. Despite its poverty reduction success, there still remains a vulnerable group of people in the country experiencing poverty for some geographical and societal reasons. Therefore, social entrepreneurship has been observed as one of the way out.
IV. SOCIAL ENTREPRENEURSHIP

There are various research has been done pertaining to social entrepreneurship. Considerable debates have occurred over the definition of social entrepreneurship (Martin and Osberg, 2007). Dees (2001) provided the key ideas about social entrepreneurship by believing that it involves pursuing highly innovative approaches to addressing social problems and doing so in an opportunistic, persistent, and accountable manner. Innovative approaches are typically pursued by non-profits or NGOs, but they can also be launched by for-profits or government agencies.

One of another definition of social entrepreneurship according to Mariotti and Glackin (2013) is that social entrepreneurship is a for-profit enterprise that has the dual goals of achieving profitability and attaining beneficial social returns. It combines the passion of a social mission with an image of business-like discipline, innovation, and determination. Owing to this dual-targeted nature, social entrepreneurship often has to exist between three common sectors: non-profit, for-profit and governmental (Pa¨renson, 2011). Apart from that Pa¨renson (2011) also explained that there are two definitions for the term social entrepreneurship: the wider and the narrower. According to the wider concept everything that helps to solve social problems is social entrepreneurship. The narrower definition says that social entrepreneurship means the activity of social enterprises. He finds that many of the current study focused on the narrower concept.

But still there is a wider definition of social entrepreneurship stated by Katz and Green II (2009). They believe that it involves creating new charitable civic organization with are financially self-sufficient or for profit companies that use much of their profit to fund charities. They believe that the key elements in social entrepreneurship involve creation, efficiency and customer focus.

V. ORGANIZATIONAL EFFECTIVENESS

Organizational effectiveness is the ability of an organization to effectively accomplish its goals and objectives as stated by Selden and Sowa (2004). During the symposium of the Academy of Management which occurred more than two decades ago the organization effectiveness models were
argued and Cameron and Whetten (1996) had listed the models in their book Higher Education; Handbook of Theory and Research. They are, goal model (organization’s successful accomplishment of the goals), resource dependence model (organization’s successful acquirement of needed resources), internal congruence model (organization’s consistency in internal functioning without strain) and the last one is strategic constituency model (organization successfully satisfy strategic constituency).

Although they have list down the models, Cameron and Whetten (1996) stated that multiple models of organizational effectiveness are actually the product of multiple, often arbitrary models of organization. There have been no model of organizational effectiveness has an advantage over any others. They also believe that the conceptual boundaries of effectiveness is not clear. This is because there are no specific indicators, specific criteria predictors and criteria of effective outcomes that can determine an organizational effectiveness. Lastly, the best criteria for assessing organizational effectiveness are unknown and unknowable because individuals often cannot identify their own preferences and expectations. It change over time and sometimes there are contradictory preferences and expectations held by different constituency group. Therefore, a stable set of effectiveness criteria simple are not available for organization.

In addition to that Gandy et al. (2012) in his study had proved his hypothesis that organizational effectiveness has significant positive relationship with social entrepreneurship. If social entrepreneurship proved to be an effective approach that helped organizations become more effective, leaders would have a solid foundation on which to base decisions about strategy adoption, organizational direction, and resource allocation. Therefore, based on the listed model, the main model studied by this paper are, Goal Model and Resource Dependence Model. These models along with Gandy et. al (2012) hypothesis is main guideline for this paper to find out how organizational effectiveness in social entrepreneurship can overcome urban poverty in Malaysia.
VI. SOCIAL ENTREPRENEURSHIP TO OVERCOME URBAN POVERTY – EMPIRICAL RESEARCH

Research by Hoogendoorn (2011) stated that, at the level of the firm it is found that social ventures are less likely to survive the early stages of setting up and running a business. Factors identified that explain this underperformance include socially motivated entrepreneurs perceiving more financial and informational barriers to starting a business. In addition, it is found that fear of bankruptcy and personal failure is more common among social entrepreneurs than commercial entrepreneurs. At the individual level results indicate social entrepreneurs to have a deviating entrepreneurial profile that tends to be, in some respects, vulnerable in terms of effort put into the organization or activity, self-confidence in capabilities to start a business, ambition in terms of employment growth and funding from the sale of products and services. Finally, it is found that social entrepreneurs can be found in lower and higher age categories, are more likely to be female and highly educated than are their commercial counterparts.

In other research, Alvord et al. (2004) run a study that provides a comparative analysis of seven cases of social entrepreneurship that have been widely recognized as successful. The purpose of this research has been to identify common patterns across a small set of successful social entrepreneurship initiatives. The data suggests several patterns, which we have framed as preliminary hypotheses. The paper suggests factors associated with successful social entrepreneurship, particularly with social entrepreneurship that leads to significant changes in the social, political and economic contexts for poor and marginalized groups.

Giannetti and Simonov (2004) reviews the literature on the determinants of entrepreneurial activity and investigates to what extent differences in population, business environment and cultural values contribute to explaining differences in entrepreneurial activity across Swedish municipalities. They found that individual characteristics and business environment are the most important factors in explaining entrepreneurial choice. However, the result indicates that cultural value and, most likely, social norms also matter. The data suggest that individuals are more likely to become entrepreneurs where there are more entrepreneurs, even if entrepreneurial income is lower. It seems social entrepreneurs not only
measure bottom line of their efforts on financial return on investment, but also social and environmental causes.

Coming back to Malaysia, Malaysians recently believe that the concept of social entrepreneurship is still new in Malaysia, and needs a bit of a push to become widespread. This was according to Sarif et.al (2013), in one of their respondent’s response in their research around Klang Valley, Malaysia. There are social entrepreneurship activities that happens in Malaysia, such as obligation for hypermarkets to allocate spaces in hypermarkets to sell products of small businesses (Bernama, 2009). It was done by the Deputy Minister of Entrepreneur and Cooperative Development during that year Datuk Saifuddin Abdullah.

"We encourage hypermarkets to change their operations framework from using corporate social responsibility at the end of their business cycle to social entrepreneurship. It is a total new framework," he said.

To Sarif et.al (2013) based on their study, they believe that there is a dire need for social entrepreneurship to build up the society in the long run. It has been an overlooked area in the past. However, acknowledging this might create confidence with regard to choice and usage of the available facilities among the social entrepreneurs. Moreover, social entrepreneurship in Malaysia is in its very early stage. There is a need of proper policy to be implemented in Malaysia.

VII. THE IMPACT OF ORGANIZATIONAL EFFECTIVENESS IN SOCIAL ENTREPRENEURSHIP TO OVERCOME URBAN POVERTY

Scholars from social entrepreneurship research Alvord et al. (2004), suggest that factors associated with successful social entrepreneurship, particularly with social entrepreneurship that leads to significant changes in the social, political and economic contexts for poor and marginalized groups would be innovation, initiatives capabilities for bridging and adaptive leadership. This is where organizational effectiveness has to be implemented. Further, Giannetti and Simonov (2004) found that individual characteristics and business environment are also important factors in explaining entrepreneurial choice. Social entrepreneurship is a for-profit enterprise that has the dual
goals of achieving profitability and attaining beneficial social returns. (Dees J., 2001). Herman and Renz (2004) share the same believe that the effectiveness of social entrepreneurship should be seen as a construct of multiple variables just as it is in the profit seeking ventures. Therefore, because organizations often have multiple goals, a single factor is inadequate for measuring organizational effectiveness.

Researchers agree that for social entrepreneurship organizations, two of the most important factors related to effectiveness are; how well the organization achieves its specific mission and how financially efficient it is in doing so (Duncan, 2007; Levy & Brennan, 2006). Gant et al. (2012) state that leaders may want to think about proactively seeking ways to implement programs, policies, and services before other organizations in the same field. Proactiveness emphasizes timing, and social organizations are often not thought of as fast-paced. Organization leaders may want to focus on how well they are leading their organizations with regard to those practices. Leaders who push their organizations to find and develop new methods for delivering services, coordinating volunteers, raising money and for accomplishing other related tasks will be more effective.

Research made by Gandy et al. (2012) support above stand by illustrating the existence of positive relationship between social entrepreneurship and organizational effectiveness. They conclude in their finding that, as social entrepreneurship behaviour increases, organizational effectiveness tends to increase as well. This positive relationship would help organizational leaders develop strategies and adopt practices that could potentially have a significant impact on outcomes and the ability of the organization to achieve its mission. The study further suggest that leaders may want to think about proactively seeking ways to implement programs, policies, and services before other organizations in the same field do. Their organizations tend to standout and attract more financial support rather that social entrepreneurship that lacks in this aspect thus sometimes making it hard to address urban poverty issues.
VIII. THE DEBATES AND DIFFERENCES IN LITERATURE

Siwar and Kasim (1997), two local reputable academicians in their writing noted that although there are numerous studies on urban underdevelopment, most of them focused on squatter problems. A comprehensive study on urban poverty is relatively limited. Among others they are, first; Onn’s in Siwar and Kasim (1997) study focuses on the state of urban poverty in four urban centres comprising Kuala Lumpur, Penang, Kota Bharu and Johor Bharu representing four different regions of West Malaysia. The study found out that unlike rural areas, the presence of poverty in the urban areas transcends ethnicity and the main causes of urban poverty were low level of education, lack of job opportunities, large family size, and lack of access to social facilities.

While Hassan and Salleh (in Siwar and Kasim, 1997) which focuses on the magnitude of urban poverty in the six Malay Reserve Areas (MRAs) of the Federal Territory of Kuala Lumpur, namely Gombak, Selayang, Sungai Pencala, Segambut, Kampung Baru and Datuk Keramat offer similar to Onn’s finding whereby they of the view that the poor not only have low level of income and wealth, but also lack access to public utility.

Johari and Kiong (also in Siwar and Kasim, 1997) attempt to develop a rough profile of the urban poor in Sabah. Their findings more or less similar to Onn’s and Hassan and Salleh’s findings where urban poor are found in all ethnic groups; the urban poor are wage earners and concentrated in low wage sectors, they have low level of education, limited access to employment opportunities, social facilities and services.

Mok, Gan and Sanyal (2007) however offer additional view. Their research had come out with a results where household size, race and regions were also the important determinants of poverty outcome in urban Malaysia. Same goes to Hatta and Ali (2013) where both of them suggest some geographical and societal reasons might be the cause for a vulnerable group of people in the country had to experience poverty despite its poverty reduction success.

To sum up, it is clear that the “causes” of urban poverty are multidimensional. They include structural, institutional and cultural factors. At present, as mentioned by Siwar and Kasim (1997) there is no explicit or
specific national policy which directly addressed problems of the poor in the existing urban centres. However, as implicitly stated in the five-year development plan, policies and programmes for the urban poor may be classified into four components, namely employment creation, provision of housing and social amenities, development of growth centres and special programmes called NADI.

As regards to antecedents of social entrepreneurship outcomes, there are various findings reported. First, Dees (2001) of the view that social entrepreneurship involves pursuing highly innovative approaches to addressing social problems. While Ashoka (2006) suggests financial support as well as funding efforts for knowledge development and dissemination in this nascent field will help make a significant dent in poverty around the world.

In contrast, Hoogendoorn (2011) concludes that social entrepreneurship is a wealth-driven phenomenon. At the level of the firm it is found that social ventures are less likely to survive the early stages of setting up and running a business. Factors identified that explain this underperformance include socially motivated entrepreneurs perceiving more financial and informational barriers to starting a business. Fear of bankruptcy and personal failure is more common among social entrepreneurs than commercial entrepreneurs. Apart from that, Alvord et al. (2004) suggests factors associated with successful social entrepreneurship, particularly with social entrepreneurship that leads to significant changes in the social, political and economic contexts for poor and marginalized groups would be innovation, initiatives capabilities for bridging and adaptive leadership.

Further, Giannetti and Simonov (2004) found that individual characteristics and business environment are the most important factors in explaining entrepreneurial choice. However, the result indicates that cultural value and, most likely, social norms also matter. Last but not least, Veysel et al. (2008) in their study aiming to examine and determine the effects of some selected socio-economic, politic, financial, and administrative factors on the entrepreneurship performance of countries found that economic instability caused by political instability and uncertain conditions did affect entrepreneurs or investors negatively.
IX. GAPS AND UNRESOLVED QUESTIONS IN LITERATURE

Although past literatures have discussed urban poverty and social entrepreneurship outcomes from various angles, as far as the social sciences concerned, there are still gaps in the literature. In fact, most of the works presented discuss various antecedents of social entrepreneurship outcomes. Since the discussion on literatures above shows a mixed result, it is the basic premise of this research to examine possible antecedents of social entrepreneurship in overcoming urban poverty in Malaysia. A case study research of urban poverty in Malaysia will provides insights to this alarming phenomenon that warrants plausible solution through social entrepreneurship.

X. CONCEPTUAL FRAMEWORK

This study is conducted to examine the relationship between social entrepreneurship and organizational effectiveness in Malaysia. The past researches have proven that organizational effectiveness can give impact on social entrepreneurship in overcoming urban poverty. Thus these are the propositions:

Table 1. A propositional framework of the relationship between social entrepreneurship and organizational effectiveness

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<th>SOCIAL ENTREPRENEURSHIP</th>
<th>ORGANIZATIONAL EFFECTIVENESS</th>
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<tbody>
<tr>
<td>Innovation</td>
<td>Mission</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>Achievement</td>
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<tr>
<td>Risk-taking</td>
<td>Financial Efficiency</td>
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Proposition 1: Through innovation in social entrepreneurship, mission of the organization can be achieved to curb urban poverty

Proposition 2: Through proactiveness in social entrepreneurship, mission of the organization can be achieved to curb urban poverty

Proposition 3: Through risk-taking in social entrepreneurship, mission of the organization can be achieved to curb urban poverty
Proposition 4: Innovation in social entrepreneurship requires financial efficiency to curb urban poverty

Proposition 5: Proactiveness in social entrepreneurship requires financial efficiency to curb urban poverty

Proposition 6: Risk-taking in social entrepreneurship requires financial efficiency to curb urban poverty

XI. CONCLUSION

The literature attempts to understand the relationship of how social entrepreneurship can help to eradicate urban poverty through organizational effectiveness. The past study agrees that organizational effectiveness create positive impact in creating effective social entrepreneurship organization. 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. Most of the studies reviewed were conducted outside of Malaysia, therefore there is a dire need for future research to be conducted locally to enhance further understanding to local entrepreneurship scholars and practitioners. The research should include other part of the country as well since each state of Malaysia has unique variation of entrepreneurship ventures.
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