



**SOCIAL ENTERPRISE SUSTAINABILITY:
AN EXPLORATORY CASE OF SELECTED PRIVATE
ISLAMIC SCHOOLS IN MALAYSIA**

BY

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ABSTRACT

This research explores the issue pertaining to what social enterprise is. It specifically focuses on the notion of social enterprise sustainability and the factors that contribute to social enterprise sustainability. The main purpose was to acquire comprehensive understanding of how social enterprises are sustained as well as to investigate the factors that contribute to their sustenance from the context of private Islamic schools in Malaysia. This research reviewed three relevant literature streams; the business entrepreneurship, social entrepreneurship and Islamic education literature to conceptualize the elements of social enterprise sustainability and contextualized it with regards to private Islamic schools in Malaysia. The literature indicated that the discussion pertaining to sustainability in social enterprise is fragmented, underdeveloped and lacking of empirical evidence. Therefore, these gaps provide strong ground for this study which employed a qualitative methodology. A multiple-case study research design was used to discover the intricate details about this central phenomenon in order to gain beneficial insights about it. This method allowed the researcher to retain the holistic and meaningful characteristics of real life events – such as individual life cycles, small group behaviour, organizational and managerial process, neighbourhood change and school performance. Nine owners and/or founders representing nine private Islamic schools were chosen to participate in the study. They were interviewed in-depth and observed on multiple occasions. Documents related to their schools were gathered and photos of their schools and activities were taken as evidences. The data from these multiple sources of evidences were initially analyzed case by case and later across cases. Analysis based on the results from the individual case resulted in several themes and sub-themes that were also present across the nine cases. Those themes and sub-themes represent five interrelated sustainability factors namely financial, physical facilities, human, altruism and school system. In summary, the study found that for social enterprises to sustain, they must seek ways to have pertinent sources of fund, prudently acquire and develop their physical facilities, wisely retain the workforce, rightly nurture the culture of altruism and finally deliver the products and/or services to the patrons in a systematic manner. This model of social enterprise sustainability developed in the study might be beneficial not only to social entrepreneurs (e.g. owners of private Islamic schools) but also policy makers involved in the development of relevant guidelines as well as academics responsible to further enhance the research in the field of social enterprise. Therefore, this study definitely provides new knowledge and important insights with regards to the issue of social enterprise which gradually being acknowledged in Malaysia.

ملخص البحث

هذا البحث يستكشف قضية تتعلق بمهية المؤسسات الاجتماعية. وهو يركز تحديدا على مفهوم الاستدامة المؤسسات الاجتماعية والعوامل التي تسهم في استدامة المؤسسات الاجتماعية. وكان الغرض الرئيسي هو لاكتساب الفهم الشامل نحو كيفية استدامة المؤسسات الاجتماعية وتحقيق في العوامل التي تسهم عليها في كسب قوتهم من الناحية المدارس الإسلامية الخاصة في ماليزيا. ويقوم هذا البحث بمراجعة ثلاثة تيارات من خلال الدراسات السابقة ؛ روح المبادرة التجارية، والمؤسسات الاجتماعية والتربية الإسلامية لوضع التصور عن عناصر الاستدامة المؤسسات الاجتماعية وعلاقتها بالمدارس الإسلامية الخاصة في ماليزيا. وقد أشارت الدراسات السابقة إلى أن المناقشة المتعلقة بالاستدامة في المؤسسات الاجتماعية مجزأة، متخلفة وتفتقر إلى أدلة تجريبية. لذلك، توفر هذه الفجوات سببا قويا لإجراء هذه الدراسة التي استخدمت المنهج النوعي. تم استخدام تصميم دراسة متعددة الحالة في هذا البحث لاكتشاف التفاصيل المعقدة حول هذه الظاهرة المركزية من أجل اكتساب الفوائد حول هذا الموضوع. سمحت هذه الطريقة للباحث باحتفاظ على الخصائص الشاملة وذات مغزى من أحداث الحياة الحقيقية - مثل دورات الحياة الفردية، وسلوك المجموعة الصغيرة، والعملية التنظيمية والإدارية، والتغير البيئي والأداء المدرسي. وقد تم اختيار تسعة أصحاب و/ أو مؤسسي تمثل تسع مدارس إسلامية خاصة للمشاركة في هذه الدراسة. وأجريت عليهم مقابلات دقيقة، ومقربات خاصة في مناسبات متعددة. جمعت الوثائق المتعلقة بمدارسهم وتم التقاط الصور من المدارس وأنشطتها كأدلة. البيانات من هذه المصادر المتعددة من الأدلة تم تحليلها حالة بحالة على حدة وبعد ذلك عبر جميع الحالات. وأسفر التحليل استنادا إلى النتائج من الحالة الفردية في العديد من الموضوعات وكذلك الموضوعات الفرعية التي كانت أيضا موجودة في جميع الحالات التسعة. هذه المواضيع والمواضيع الفرعية تمثل خمسة عوامل مترابطة للاستدامة وهي المالية والمرافق المادية والبشرية والإيثار والنظام المدرسي. وباختصار، وجدت الدراسة أن الاستدامة المؤسسات الاجتماعية عليها أن تبحث عن موارد مالية وثيقة، واكتساب وتطوير المرافق المادية، وإبقاء القوى العاملة بحكمة، ورعاية ثقافة الإيثار بحق وأخيرا تقديم المنتجات و/ أو الخدمات للزبائن بطريقة منهجية. هذا النموذج لاستدامة المؤسسات الاجتماعية الذي طور في الدراسة قد يكون مفيدا ليس فقط لأصحاب المؤسسات الاجتماعية (مثل أصحاب المدارس الإسلامية الخاصة) ولكن أيضا لوضعي السياسات المشاركين في تطوير المبادئ التوجيهية، وكذلك الأكاديميين المسؤولين لمواصلة تعزيز البحوث في مجال من المؤسسات الاجتماعية. وبالتالي، فإن هذه الدراسة يوفر بالتأكيد معارف جديدة ومعلومات هامة فيما يتعلق بقضية المؤسسات الاجتماعية التي تعترف تدريجيا في ماليزيا.

APPROVAL PAGE

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DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Mohd Ali Bahari Bin Abdul Kadir

Signature.....

Date.....

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

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LIST OF ABBREVIATIONS

AIM	Amanah Ikhtiar Malaysia
CCM	Companies Commission of Malaysia
CAQDAS	Computer Aided Qualitative Data Analysis Software
JAKIM	Department of Islamic Development Malaysia
EMES	European Research Network
SRI	Sekolah Rendah Islam (Islamic primary school)
SMI	Sekolah Menengah Islam (Islamic secondary school)
JAIS	Jabatan Agama Islam Selangor
MQA	Malaysia Qualifications Agency
MoU	Memorandum of Understanding
KKMM	Kementerian Komunikasi dan Multimedia Malaysia (Ministry of Communications and Multimedia Malaysia)
MOE	Ministry of Education Malaysia (MOE)
KPWKM	Kementerian Wanita, Keluarga dan Masyarakat Malaysia (Ministry of Women, Family and Community Malaysia)
SAR	Sekolah Agama Rakyat
SMAP	Sekolah Menengah Agama Persekutuan
SMAR	Sekolah Menengah Agama Rakyat
SEED	Social Entrepreneurship of Economy Development
UMK	Universiti Malaysia Kelantan
SMAN	Sekolah Menengah Agama Negeri
TEKUN	Tabung Ekonomi Kumpulan Usaha Niaga
TBL	The triple bottom line

CHAPTER 1

INTRODUCTION

1.0 INTRODUCTION

This chapter provides an overview of the study concerning sustainability of social enterprises. It presents the key elements of the chapter namely; (a) background to the study, (b) problem statement, (c) objectives of the study, (d) research questions, and (e) overview of research methodology. Figure 1.1 illustrates the key sections included in the chapter.

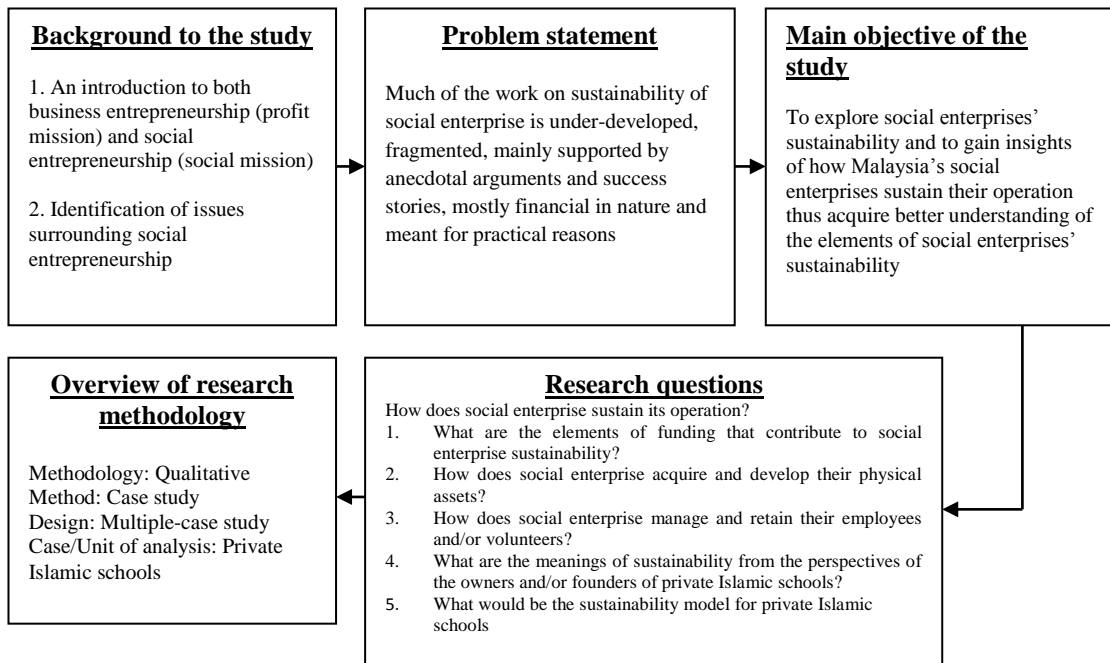


Figure 1.1
Overview of the key sections in Chapter 1

1.1 BACKGROUND TO THE STUDY

The field of entrepreneurship (known as business or commercial entrepreneurship if discussed with regards to social entrepreneurship) mainly revolves around the process

of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them (Shane & Venkataraman, 2000). This process involves profit generating activities (such as selling of products or services at prices higher than the production cost) that ultimately would help entrepreneurs to gain personal wealth (Certo & Miller, 2008). Dees (1998a) in discussing business entrepreneurs asserts that wealth creation is about how entrepreneurs measure value creation aimed at customers who are willing to pay more than what the business entrepreneurs pay for the resources they acquired and utilized in the production. He further added the failure of the firms to create value certainly leads to inability to acquire adequate resources or raise capital in order to survive. On the other hand, business ventures that create the most economic value definitely possess enough capital to acquire the resources needed to survive. Obviously, the aforesaid explanation demonstrates that business or commercial entrepreneurship puts higher priority on capturing the economic value to achieve the ultimate goal of wealth creation.

Nonetheless, it is certainly not the same case for social entrepreneurship which gives higher priority to social value rather than economic value (Mair & Marti, 2004). Frequently defined as entrepreneurial activity with an embedded social purpose (Austin, Stevenson, & Wei-Skillern, 2006), social entrepreneurship is considered as an innovative approach for dealing with complicated social needs (Johnson, 2000). Its main objective is to deliver social value to its clients rather than profit gained through sales of products and/or services to customers that eventually increase shareholders wealth (Weerawardena, McDonald, & Sullivan-Mort, 2010). In their quest to deliver much needed social values to customers, social enterprises are facing increased competition for traditional funding (i.e. government funds) which over the time continues to diminish. As a result, many of them are starting to involve in income

generating activities that presumably may contribute to the sustainability of social enterprise. This situation however has sparked a debate among the scholars as well as practitioners with regards to sustainability. On the one hand, there are strong advocates of a view that emphasizes social enterprise as an entity that should earn its income from entrepreneurial activities and social entrepreneurs must have economic independence in order to continue their operations (Alter, 2003; Boschee & McClurg, 2003), thus achieve organizational sustainability. On the other hand, there are those who advocate a view that locates social entrepreneurship in the not-for-profit sector and discards the appropriateness of earned income activities in social entrepreneurship (Dees, Emerson & Economy, 2002; Dees & Battle Anderson, 2003).

Nevertheless, Peredo and McLean (2006) emphasized that in recent years scholars have come to an agreement on the use of earned income strategies that combines non-profit with for-profit organization features to achieve organizational sustainability. In discussing the issue, Mair and Marti (2006) contended that social entrepreneurship can also occur in a for-profit venture as proved by Sekem Chemicals of Egypt, Aravind Hospital, India and Grameen Bank, Bangladesh. These social ventures are operated on a for-profit basis. This is supported by Weerwardena et al. (2010) who asserted that the choice of set-up for social enterprise should be determined by the nature of the social needs addressed, the amount of resources needed the scope for raising capital, and the ability to capture economic value. These criteria clearly indicate that social enterprises can combine both non-profit and for-profit features to sustain and continue to deliver social value to clients.

In summary, there are three different views of social enterprise advocated by different scholars and all of them are financial in nature. These views according to Dees (1998b), spread across a continuum from completely philanthropic to completely

commercial and a mixture of commercial and philanthropic elements in a productive balance. Apparently, the divide of opinions among scholars on the terms of social enterprise, the funding issues and how it contributes to organizational sustainability is indeed noticeable and is considered as one of the most pressing issues in the field (Nicholls, 2006). Nevertheless, the discussion on funding and organizational sustainability revolves merely around the financial aspects of social enterprise. Little is known about other factors that could influence organizational sustainability such as those suggested by Haugh (2005) which are human and physical aspects of organization. This is further supported by Weerawardena et al. (2010) who asserted that the discussion pertaining to social enterprise sustainability is under developed and discussed in a fragmented manner; thus, making it one of the potential areas for research.

Therefore, in view of significance contributions of social entrepreneurship, combined with the lack of research in this area, it is so timely that the research is conducted to better explore the field and consequently would assist not only the stakeholders but also the community at large to better understand social entrepreneurship. Therefore, this research in particular, explores the issue of social enterprise's sustainability from the context of private Islamic schools. The selection of private Islamic schools is considered appropriate due to its "fee-for-service social enterprise model" characteristics shown by those schools.

1.2 PROBLEM STATEMENT

The literature reflects that much of the work on sustainability that dominates the literature in social enterprise is largely financial in nature (Wallace, 2005). This is indicated by the major debate among scholars of the inherent issue of 'dependency' –

complete reliance on subsidies, grants and philanthropy, ‘self-sufficiency’ – absolute dependence on earned income (i.e. selling of products and services), and ‘mixed revenue’ – a combination of funds from philanthropy and earned income as an integral part of financial sustainability. Undoubtedly, these financial resources are extremely central to social enterprise sustainability. Almost every social enterprise would strive for it in order to continuously create and deliver social value to its clients (Dees, 1998b; Nicholls, 2006; Weerawardena et al., 2010). Nevertheless, there are other factors that are equally important to social enterprises in achieving sustainability. They are physical facilities and human resources. However, little is known about these two elements due to limited number of research in social enterprise domain (Haugh, 2005). This is supported by the literature that notes the absence of well developed discussion of social enterprise sustainability. Most of the contributions to the research stream are primarily supported by anecdotal arguments, success stories and meant for practical reasons, and very little has been done empirically (Battle Anderson & Dees, 2006; Light, 2008; Mair & Marti, 2006; Haugh, 2005; Weerawardena et al., 2010).

The development of social entrepreneurship outside the academic sphere is not new. Roberts and Woods (2005) asserted that social entrepreneurship practitioners have always existed, everywhere in the world. The practice of social entrepreneurship is believed to be far ahead of the theory (Alvord, Brown, & Letts, 2004). Only in 1990s, its development started to ignite academic interest both in the United States (Drayton, 2002; Thompson, Alvy, & Lees, 2000; Dees, 1998a) and in the United Kingdom (Leadbeater, 1997; SSE, 2002 as cited in Bacq & Janssen, 2008).

As for the concept of social enterprise, it surfaced for the first time in Italy in the late 1980s (Defourny, 2001). The concept since then has been widely used in the Europe in the middle of 1990s due to the works of European Research Network