

THE SHARED VALUE AND STRATEGIES TOWARDS A SUSTAINABLE ORGANIZATION: A CASE STUDY OF A MALAYSIAN SOCIAL ENTERPRISE

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ABSTRACT

Organizational sustainability refers to the organisation's ability to sustain in a long-term, having the leadership, talent, global insights and agility to change should the need arises. The view on developing organizational sustainability emphasizes three distinct areas, namely the Triple Bottom Line or 3Ps; Profit, People and Planet. For a social enterprise (SE), the 3Ps indicate the ability to sustain financially, while meeting the objectives of delivering social and environmental benefit to targeted community in line with the initial objective of its establishment, for more than five years of its existence. This study adopts a qualitative approach using a SE operating in Malaysia. Inspired by the Blue Ocean Strategy, the firm states to be a leader in feminine hygiene products and services while contributing towards the socio-economic development. The firm's strategy towards developing a sustainable position was analysed using Porter's Five Forces Framework. Analysis indicate that the product of this firm can be easily substituted and other challenges were also identified regarding new entrants into the market, and maintaining quality suppliers specifically when the firm first face the uncertainty of COVID-19 pandemic. The firms integrated information systems, the shared value among partners and staffs, Pn AJ's emphasis into long-life learning indicate the underlying strength of this firm towards its sustainability. This study is limited to a single case study with a certain type of arrangement. Nevertheless, the ability of the firm to sustain for 11 years offers interesting insights to policy makers and practitioners on effective strategies and managerial actions that contributes towards a sustainable SE.

Keywords: Social Enterprise, Sustainability, Shared Value

INTRODUCTION

The social enterprise (SE) model has been rapidly emerging over the last few years, and interest in social entrepreneurship continues to increase (Boulven et al., 2018). In a 2016 survey, the Thomson Reuters Foundation ranked Malaysia as the ninth of 44 countries to create the best environment for social entrepreneurs (Thomson Reuters Foundation, 2016).

Researchers noted that SEs have an outstanding role in condition when government, charities, and for-profit businesses failed to address important social issues (Briar-Lawson et al., 2021; Jamburia, 2013). The social entrepreneurs are then described as change agents who have pattern-breaking ideas and address root causes of the problems (Kuratko, 2009).

Sustainability of SEs is an area that has not been adequately studied on a scientific level. Thus, little is known about the way an SE survives and the factors associated with its sustainability. Understanding how SEs manage their way to the top is important for supporting the growth of this third sector of the world's economy.

Porter's (1980) five forces model provide a framework to study factors that shape the SE industry and determining SEs' weaknesses and strengths. It is expected, Porter's model may be applied to analysing SEs and hence identify values contributing towards their sustainability. The aim of this paper is, therefore, to identify strategies and practices that enhanced value of the SEs and eventually contribute towards its sustainability. Analysed within the Porter's model, the research questions are:

RQ1: What are practices undertaken by the SE to achieve social and economic objectives?

RQ2: How do the SE strategize to sustain?

The remainder of the paper is structured as follows. The next two sections present the literature review and conceptual framework used in this study. Following this is a section on the methodology and the case background. The analysis and discussion of the findings are then presented. The final section provides the conclusions of the study along with the research limitations and avenues for further research.

LITERATURE REVIEW

SE can be defined as an organisation with social objectives, where fund surpluses are principally reinvested for the business or the community, rather than being driven to maximise shareholders' wealth as in the private sector (Spear et al., 2019). Jamison (2006) defined SE as an organisation with a combination of products and services, and combined operational methods to generate income. Put simply, SE can be defined as an organisation assuming public activities using entrepreneurial strategies (Zappala, 2001). The Ministry of Entrepreneur Development and Cooperatives Malaysia defines a SE in its *Social Enterprises Accreditation Guideline 2019* as a business organisation registered in the country under any written law that produces a positive social and environmental effect proactively and financially sustainable at the same time (MEDAC, 2019).

SE is focusing on providing goods and services that relate directly to the benefit of the community and society (Defourny & Nyssens, 2008; Nguyen et al., 2012). Accordingly,

economic activities undertaken are aimed to support its social objectives. An SE should not be mistaken with companies' Corporate social responsibilities (CSR) activities. CSR are social activities undertaken by private sector companies with profit motives (Cornelius et al., 2008). SE should also be distinguished from social business as the latter is a profit-oriented entity. Nevertheless, SE is an organisation that involves with both social and economic activities for the public.

Recognising SE as having both social and economic objectives, issues arise regarding the inherent economic risk and whether one objective should be emphasised over another. Arguments exist as to whether SE belongs to any of the traditionally known sectors. SE is believed to adopt some of the elements and characteristics from the previous three sectors. From the private sector, several elements and characteristics are derived such as socially responsible investment, corporate philanthropy, social auditing, stakeholder accountability, ethics, CSR, community relation and cause-related marketing. Meanwhile, from public and non-profit sectors, several elements and characteristics shifted into SE as the fourth sector such as accountability, transparency, effectiveness, privatisations, social investing, measurable impact, social sustainability, market discipline and new public management (Feiss, 2009; Sabeti, 2009).

Sustainability refers to organisations' ability to meet the needs of the present without compromising the needs of the future generation. It is a holistic approach that considers environment, social and economic dimensions together to find lasting prosperity. In the context of SE, sustainability has to consider all these dimensions. The SE needs to be able to survive and endure financially over time while maintaining the social purpose or deepen its impact over time. In other words, for an SE, impact and financial sustainability cannot be separated. Further, it is important that we start to understand sustainability as something that can only evolve after an enterprise can establish that it is viable. Buckett (2010) outlined SEs sustainability spanning across a continuum of viability and sustainability as summarized in the Figure 1 below.

Figure 1: Continuum SEs Viability and Sustainability

Impact Viability	Operational viability	Operational sustainability	Financial sustainability	Balance sheet sustainability	Impact sustainability
Ensuring best fit for impact	Ensuring a viable business	Covering costs/break even	Generating a surplus	Building equity	Maximising enduring impact

Source: Burkett (2010)

Understanding SEs sustainability may include understanding the strategy undertaken in satisfying various stakeholders' expectation in fulfilling the environment, social and economics' objectives. Porter claimed that companies operate under constant pressure by these different stakeholders who wanted to maximize their values. Thus, knowledge on the environmental influence outside the organisations' boundary would provide support towards sustainability. A significant and dominant paradigm in the literature of industry analysis is Porter's (1980) competitive forces model.

Porter's Five Forces framework (FFF) identifies and analyses five competitive forces that shape industries thus, helps determine an industry's weaknesses and strengths. FFF can be applied to any segment of the economy to understand the level of competition within the industry and enhance a company's long-term profitability. It is expected, FFF may be applied

to analysing SEs and hence identify values contributing towards their sustainability. Porter's (1980) five forces are:

1. Competition in the industry
2. Potential of new entrants into the industry
3. Power of suppliers
4. Power of customers
5. Threat of substitute products

Figure 2: Summary of the five forces



In their article 'Creating Shared Value', Porter and Kramer (2011) emphasized on the link between competitiveness of a company and the health of the communities surrounding it. They claimed that a business needs a successful community, not only to create demand for its products but also to provide critical public assets and a supportive environment. They popularized the concept of shared value that can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.

Based on the above discussion, it is believed that the FFF and shared value concepts can be viewed as most appropriate in examining the factors contributing towards SEs sustainability.

METHODOLOGY

This study undertakes the qualitative research design, which attempts to provides answers to "why" something has occurred using data analysis that is largely interpretive, that has been used extensively in management and accounting studies (Quattrone & Hopper, 2005). It adopts an interpretive case study approach (Walsham, 2006; Yin, 2014) of an SE in Malaysia. The lack of evidence in the literature about SEs sustainability issues provide the opportunity to

examine the practices with “the focus on contemporary phenomenon within some real-life context” (Yin, 2014).

The nature of a case study also allows the extension of knowledge in situations where few studies exist in a research area. Data collection involved an online unstructured interview and documents review. No specific interview protocol was used, but the first stage of the interview covered fact-finding on the backgrounds of the company involved. The second stage of interviews covered detailed issues related to practices, and discussion of the challenges encountered.

Documents such as the organization chart and other documents related to work procedures were reviewed. Interview data collected were cross-checked where possible against company documents. An interview was conducted with founder of ATN, Pn AJ. The field study was conducted online due to restrictions of movement order and lasted in two hours. All three researchers were present during the interview to enhance the reliability of the interview material and the conclusions drawn.

CASE BACKGROUND

ATN was established in 2015 with a vision to be the leading and most innovative company specializing in feminine hygiene products while contributing towards socio economic development. This SE is headed by three women functioning as business development director, community impact director and chief executive officer.

While ATN was established in 2015, the history went back in 2008 when research was undertaken and studies were made including visits to learn experiences in other countries of similar business. The concept of blue ocean strategy motivates the initial establishment of the business.

As producer of reusable pads, ATN is committed towards saving the environment. They estimated the environmental impact to be 467,100 pieces of disposable pads can be reduced from landfills per year. While the disposable pads and tampons may appear cheaper per unit, but in long run, these could cost more in total as the expenses recurs for an average of 400 hundred cycles for a normal woman. The economic impact is expected to be RM317,333 in cost saving from buying disposable pads.

Apart from producing women hygiene products and washable diapers, ATN is also involved in community development program. The program starts with awareness and followed by action program. The company supports women and youth entrepreneurs by providing digital literacy, supply chain and management training to the underprivileged communities. ATN engagement then call for subscribers, volunteers and associates.

ATN provide continuous services involving these social engagements. Starting from the girl empowerment program, ATN continues with Rural women economy empowerment specifically to train women in remote areas to be financially sustainable. ATN then proceeds with social factory program for *orang asli*.

ANALYSIS AND DISCUSSION

The case study was analysed based on values of SE model and related as themes identified in Porter's (1980) five forces framework (FFF). The following section elaborates the practices and strategies undertaken by ATN.

Balancing the Social and Economic Objectives

As SEs, there are necessities for these firms to attain social impact while simultaneously achieving long-term viability. SEs provide multiple possible benefits, such as reducing poverty, creating markets for locally produced products, retaining community trust and strengthening local networks, making communities self-sufficient which enhances their self-esteem, self-worth, and confidence and increasing the local tax base to support public services (Miesing, 2021). As such, interest of various stakeholders with varying needs are to be considered. It is almost correct to claim that the complexity of SE model requires strong leadership with appropriate belief of achieving the often conflicting objectives.

ATN begins with Pn AJ's ability to visualize problems as opportunities. While women population is significant in any community, the problem of the basic differentiator between women and their counterpart i.e. the monthly menses was easily ignored. Yet this was not the case when they introduced reusable pads to overcome some women's allergy towards disposable pads. Pn AJ has made proper investigations in studying the product's potential before fully engaging in the new business. She regards knowledge as an asset, and considers proper network in order to achieve her objective. During the interview, it was specifically emphasised that as least one of the partners of the now, ATN, should take turn attending workshops or seminars as opportunities arises.

She begins with getting involve with women entrepreneurs' association and attending necessary seminars and workshops. She grabbed every opportunity to learn and thus get the appropriate network for her future business. The business was unfamiliar at that time yet a year later she also introduces online business selling the feminine hygiene product. According to Pn AJ,

"As I was still working full-time at the time the product was introduced, doing online sales was the best way that I could keep up with". Surprisingly, this method becomes a factor of today's business survival.

The request to sponsor the pads to remote area Sabahan teenagers was probably the turning point of ATN into fully engaging into business with SE model. Pn AJ mentioned the interview by the New Straits Time could be what initiates the call. Not to mention that ATN's product won Product Innovation Award in 2010. Pn AJ was initially sceptic about the business ability to sponsor. She stated that

"I was unsure if we could sponsor 33 sets as we have just started business. Yet the happy look the teenager receiving the pads, lead us to investigate the community problem. Specifically, the female teenagers' problems".

The first campaign that follow was the 'girl empowerment' emphasizing that every sale made, a girl will be sponsored. Specifically, ATN's effort has reduced these teenagers' school absenteeism due to menses problems. Since then, the engagement with the community became part of ATN social activities and it follows for the rest of the years to come.

The External Forces and Challenges

A quick look into the industry places ATN in a comfortable position. There are several competitors of reusable women pads but they do not stand as an SE. As SE, several benefits was available to ATN, specifically the continuous support by the government. In fact,

“ATN officially becomes an SE after attending a program organized by Malaysian Global Innovation and Creativity Center (MaGIC)”, says Pn AJ. Notably, the benefits and advantages only arrives as ATN has performed to the necessary level.

The materials for ATN’s product came from China. The challenge faced recently was during the unforeseen movement restriction due to the COVID19 pandemic. However, quick measures were undertaken to switch production into products that uses local fabric. Puan AJ turn to ‘plan B’ and ask for their clients’ support to buy face mask as their alternate product. They also sub the job to other SEs doing tailoring, and eventually give them the necessary job. This quick action is in line with the suggestion made by Farhoud et al. (2020) as social entrepreneurs need to move fast from situating their crisis experience and reflecting on their business needs (bouncing back) to the identification of new opportunities and roles in their operating environment (bouncing forward). From the social and economic goals perspective, it is a shift from mission drift to mission agility. This uncertain time requires a focus on creating economic value that sustains organisations throughout the pandemic and beyond (Weaver, 2020).

ATN has a strong team that meets frequently to update their engagement. Puan AJ specifically emphasised,

“you need to have a strong team, who agreed on the same vision, focus on company’s timeline”.

They have invested into strong integrated IT system to support the internal management and the online business transactions. Accounting reports was available and provide the necessary data for the business planning and control. According to Pn AJ,

“As all of us (the three ATN founders) have worked in multinational companies, we believe if a company is to sustain and strong, it must be backed by a good system. As we have invested a substantial amount to develop this system, we must use it”.

Unnecessary expenses were consciously avoided to enable long term stability. During the interview, Puan AJ also commented on younger generations spending behaviour as they get involved in business.

IMPLICATIONS AND CONCLUSION

The purpose of this study is to identify strategies and practices that enhanced value of the SEs and eventually contribute towards its sustainability. Within the boundary of Porter’s FFF, the research questions posed earlier are:

RQ1: What are practices undertaken by the SE to achieve social and economic objectives?

RQ2: How do the SE strategize to sustain?

The history of ATN’s establishment provides a strong pillar towards its following achievement. As knowledge becomes a foundation of the SE’s establishment, the balancing between social and economic objectives receive its necessary attention. Porter and Kramer (2011) consider the challenge of business models to (1) create value and (2) share that value. ATN create economic value through having integrated IT system that was consistently monitored by one of the partners, expert in using accounting data for management and

planning. The value for society proceeded through ATN's engagement with the community. Sustainability was achieved for ATN ensures its objectives are well internalized by partners, involvement with community that understands and support their mission, clients and government support, and underlies all, is an integrated well managed IT system. Notably, ATN's ability to respond quickly to environment i.e. agility to changes, has continue to let ATN survive during unexpected occurrence of the recent pandemic.

Table 1: Summary of Findings

The Forces and ATN as an SE with sustainability aim	
Competition in the industry	Competitors exists among producers of similar products (disposable and reusable pads) Yet Position as SE gives and advantage to ATN as Leader of reusable pads
Power of suppliers	ATN has strong relationship with their suppliers in China with green factory certificate, fulfilling the sustainability mission of the company. ATN outsource the work to other SEs, thus, creating job opportunities during the hard times of the pandemic
Power of customers	ATN has strong relationship with Customers, specifically those who support zero waste concept
Threat of substitute products	Disposable pads in the market can always be a substitute, yet ATN is holding their mission towards contributing to environmental health.

The result of this study should help in understanding factors that influence sustainability of an SE, or one survive longer while others do not. The understanding could provide useful insights into the growing industry specifically when SEs have the potential to fill in the gap where government, charities and for-profit businesses have failed. It would be useful for various practice oriented stakeholders including, regulators, law enforcement agencies, as well as SE managers.

Future research should focus on in-depth analysis and proceed with relevant quantitative study in this area. It appears that investment into technology, apps, online marketing and new delivery system is necessary in to build strong business and face the challenge of unpredictable future of the COVID-19 pandemic crisis. Based on the case, the government also have a significant role in ensuring the sustainability of the SEs, and thus, proper policies would provide guidance and monitoring mechanisms for the industry.

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