Social entrepreneurs are considered to be at the heart of inclusive growth due to their emphasis on people and social cohesion that help effect social and economic transformation. In the Tenth Malaysia Plan (2011–2015), two out of ten objectives are on achieving inclusive growth. In this context, this article explores the ecosystem for social enterprises in Malaysia, raising the following research questions: (a) what are the attributes (features) of business incubators (BIs) and intermediaries (IMs) operating in the social enterprise sector in Malaysia? (b) What are the perceptions of BIs and IMs on various aspects of the social enterprise ecosystem in Malaysia? (c) What is the role of BIs and other IMs in fostering social entrepreneurship (SE) in Malaysia in general and meeting the inclusive growth objective of the country in particular? This study employs the qualitative approach and primary data gathered through interviews of six BIs and IMs and twenty social enterprises. This study found that the current social enterprise ecosystem is weak and still emerging and has yet to take a concrete shape. The absence of legal status for social enterprise is the single most important obstacle in unlocking the potential growth of social enterprise sector. This study suggests that the government initiates policy measures to...
give legal status to social enterprises in the country, in order to develop the ecosystem and facilitate a greater participation of the private sector.

**Keywords:** Business incubator, inclusive growth, social enterprise, social entrepreneurship, social enterprise ecosystem, Malaysia

**Introduction**

Increasingly, many national governments and multinational organisations view social entrepreneurship (SE) as one of the important vehicles to promote inclusive growth. For example, according to the European Commission, ‘social enterprises are at the heart of inclusive growth due to their emphasis on people and social cohesion: they create sustainable jobs for women, young people and the elderly’ (European Commission, 2012b, p. 4). The contribution of SE in the European Union includes: 10 per cent of the European economy (GDP); more than 11 million workers; 6 per cent of total employment and one out of four new enterprises set up every year in the European Union is a social enterprise (European Commission, 2012a, 2012b, p. 3). Asian Development Bank (2012) also highlights how social enterprises are addressing India’s vast development needs by employing innovative social business models in key sectors such as agriculture, education, energy, financial services, healthcare, housing, sanitation and water.

Malaysia’s New Economic Model (NEM) sets out three objectives—high income, sustainability and inclusiveness—as the foundation for economic transformation. In the Tenth Malaysia Plan (2011–2015) three out of ten objectives are on achieving inclusive growth (Government of Malaysia, 2010). According to the Malaysian Social Enterprise Blueprint (MSEB), it is estimated that there are over 100 social enterprises in Malaysia ‘operating mostly in the areas of education, poverty, and rural development, and environmental sustainability, employment for the marginalised and at-risk youth’. It sets out the objective that by 2018, ‘the Malaysian social enterprise sector is to be self-sustaining, equitable, and people-centric in order to empower impact-driven entrepreneurs’. To achieve this, it identifies three fundamental building blocks: (a) social enterprises and social entrepreneurs; (b) larger ecosystem and (c) institutions including public and private players (Malaysian Global Innovation and Creativity Centre [MaGIC], 2015, pp. 4–5).

In this context, this article explores the ecosystem for social enterprises in Malaysia, it particularly examines the following research questions: (a) what are the attributes (features) of business incubators (BIs) and IMs operating in the social enterprise sector in Malaysia? (b) What are the perceptions of BIs and IMs about various aspects of social enterprise ecosystem in Malaysia? (c) What is the role of BIs and other IMs in fostering SE in Malaysia in general and meeting the inclusive growth objective of the country in particular?

Over the years, the term ‘incubator’ has become an umbrella concept to describe a heterogeneous group of institutions and their activities (Scillitoe & Chakrabarti, 2010), such as industrial parks, science parks, knowledge parks, technology business

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incubators, university business incubators, business accelerators, technopoles and networked incubators (e.g., Bøllingtoft & Ulhøi, 2005; Grimaldi & Grandi, 2005; Pauwels, Clarysse, Wright, & Hove, 2016). Increasingly, a broader concept of ‘business incubation for SE and social inclusion’ has emerged. However, this trend has not been researched well (e.g., Etzkowitz, Carvalho de Mello, & Almeida, 2005).

In this article, ‘business incubation for social entrepreneurship and social inclusion’ means the role of BIs and other IMs, who are involved directly in fostering SE. As there is no legal recognition of social enterprise in Malaysia, this study will adopt a modified definition as used by the UK Government:

A social enterprise is a business [or organization] with primarily social objectives [which is run on business principles to generate revenues and surpluses], whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. (DTI, 2004)

**Literature Review**

The concept of SE has been evolving over the years and has been contested in its scope, legality and function (Dees, 2001). This posed a major challenge towards developing a universal definition. The term ‘social entrepreneurship’ (SE) is used to refer to the rapidly growing number of organisations that have created innovative models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy (Groot & Dankbaar, 2014; Lisetchi & Brancu, 2014).

SE has profound implications in the economic system in terms of creating new industries, validating new business models and allocating resources to neglected societal problems such as climate change, social justice and poverty eradication (Santos, 2012). For a social enterprise, social value creation is the primary objective, while economic value creation is a by-product that helps it to achieve sustainability and self-sufficiency (Seelos & Mair, 2005). Contrary to business entrepreneurs, social entrepreneurs have a ‘double bottom line’ social value and also financial value (Acs, Boardman, & McNeely, 2013). Increasingly, they operate on a triple bottom line approach that embraces economic, social and environmental goals.

**Social Entrepreneurship Ecosystem: Conceptual Framework**

Ahmad and Hoffman (2008) describe the ecosystem of entrepreneurship as an interconnected flow, which is important in the formulation, assessment and appraisal of policy measures. They identify six key determinants affecting entrepreneurial performance (value created): (a) regulatory framework; (b) market conditions; (c) access to finance; (d) R&D and technology; (e) entrepreneurial capabilities and (f) culture.

Austin, Stevenson, and Wei-Skillern (2012, p. 380) argue that while many commonalities exist between social and commercial entrepreneurship, there are some important differences related to market failure, mission, resource mobilisation and
performance measurement. Although a general entrepreneurship framework can be applied to the analysis of SE (e.g., OECD, 2014; World Economic Forum, 2013), some adaptations are necessary to make it more relevant to both practitioners and researchers, by taking into account contextual factors. For example, an unfavourable contextual factor for market-based commercial entrepreneurship may prove to be an opportunity for a social entrepreneur.

Drawing from the literature, we present a conceptual framework for analysing the SE ecosystem in Malaysia (see Figure 1). It identifies actors/institutions (government, IMs and corporations), which interact among themselves as well as with social enterprises; ecosystem elements which condition these interactions and linkages between actors/institutions (regulatory framework and infrastructure, funding, market access, human capital, universities, mentoring system, education and training and culture) and types of impacts and outcomes through performance of social enterprises (such as inclusive growth, sustainable development and poverty reduction).

**Methodology and Data**

Since there is very little research on SE in Malaysia, this study is exploratory in nature and the case study method and qualitative methodological approach are deemed most appropriate (Yin, 1994). For data gathering, we have used a
face-to-face semi-structured interview method. First, we did a mapping of BIs and other IMs linked to SE in Malaysia. As there is no database or official source of information, we have built a list of BIs and other IMs through an Internet search. In total, we compiled twelve cases and shortlisted eight for interview. In all, we interviewed six BIs and IMs. Of these, we selected four for comparative data analysis: MaGIC, Tandemic, MyHarapan and AirAsia Foundation. We did not include PACOS Trust, a social enterprise cum incubator, and Yayasan Sabah, a government agency responsible for promoting entrepreneurship in general (both operate only in the State of Sabah), because of data constraints required for comparison. However, we have used them in our overall analysis, as their operations are relevant to the SE ecosystem.

In order to get the views of social enterprises, we selected a sample of twenty SEs and gathered data through semi-structured interviews. We have used our own definition of SE (provided in the Introduction section) to identify social entrepreneurs/enterprises. The twenty sample social enterprises were selected from four clusters: (a) Klang Valley; (b) Penang; (c) Sabah; (d) Sarawak. The interviews were recorded and lasted between one and two hours. All interviews were conducted by at least two joint researchers.

**Social Enterprise Ecosystem in Malaysia: An Overview**

Currently, there are over 100 social enterprises in Malaysia, with more than 70 per cent founded in the last 5 years. Table 1 shows the distribution of social enterprises across different sectors, according to the Social Enterprise Survey conducted by the Malaysian Global Innovation and Creativity Centre (MaGIC). The survey revealed that 71 per cent of SEs started their venture with their own personal funding. The sector lacks financial support from investors, banks, corporate social responsibility (CSR) initiatives and philanthropy (MaGIC, n.d., p. 17).

<table>
<thead>
<tr>
<th>Areas of Social Impact</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community development and integration</td>
<td>20</td>
</tr>
<tr>
<td>Environment, sustainability, energy</td>
<td>15</td>
</tr>
<tr>
<td>Economic access and poverty alleviation</td>
<td>13</td>
</tr>
<tr>
<td>Education</td>
<td>11</td>
</tr>
<tr>
<td>Youth development</td>
<td>9</td>
</tr>
<tr>
<td>Healthcare</td>
<td>7</td>
</tr>
<tr>
<td>Arts, media and culture</td>
<td>6</td>
</tr>
<tr>
<td>Rural development</td>
<td>5</td>
</tr>
<tr>
<td>Frugal innovation/affordable technology/innovative products</td>
<td>4</td>
</tr>
<tr>
<td>Disabilities</td>
<td>3</td>
</tr>
<tr>
<td>Water and sanitation</td>
<td>1</td>
</tr>
<tr>
<td>Others</td>
<td>6</td>
</tr>
</tbody>
</table>

*Source: MaGIC (n.d., p. 17).*
According to the MSEB prepared by MaGIC, which was funded by the government, ‘Social entrepreneurship’ is a unique sector; currently, one without a succinct, accurate description of what is a ‘social enterprise’. There are two broadly distinct strands of social enterprises: (a) **Primary**: A social enterprise is an entity, which balances both impact and business in order to solve a legitimate social or environmental issue through its offerings, which are driven by market needs. (b) **Secondary**: A social enterprise is an entity that operates by being inclusive and transparent in its activities, while being fully accountable to its shareholders and beneficiaries (MaGIC, 2015, p. 20).

The SE ecosystem in Malaysia comprises of four major actors; government, corporations, IMs and social enterprises. The IMs act as a bridge between corporations, government and social enterprise. Some major weaknesses in the SE ecosystem were highlighted by MSEB: (a) ‘The ecosystem is sporadic and disconnected and requires close coordination to drive policy formulation and generate social innovation’; (b) ‘The ecosystem is isolated with minimal private sector involvement to encourage collaboration, investment, and wealth creation’; and (c) ‘Existing institutions are unable to create supportive regulatory, tax, and administrative frameworks to support social enterprises’ (MaGIC, 2015, p. 44, Table 4.1). The MSEB 2015–2018 also states that: ‘While the blueprint focuses on a 3-year time horizon, what happens beyond 2018 still remains a question’ (MaGIC, 2015, p. 70).

Given this background, this study attempts to explore the attributes and the roles of BIs and IMs involved in the SE ecosystem in Malaysia.

### Profiles of Social Enterprise BIs and IMs

#### Tandemic

Tandemic was started in 2009 as a social venture fund with an objective of investing in social enterprises in Malaysia. Tandem Fund focussed on investing in entities with proven business models that could expand their social impact. At present, Tandemic’s main objective is to use social innovation to support the social sector by contributing towards the development of social enterprises, CSR projects and the NGOs. Tandemic is a private entity and it does not have a structured governing body but a dynamic organisational structure. It has worked with (among others) Nova Nordisk, the Ministry of Health, UNICEF and MaGIC. Tandemic sustains itself by running training programmes for external organisations and foundations including CSR-related trainings and projects for private corporations. For example, it is currently providing training programmes through MaGIC’s accelerator programme. Proceeds from their profits are reinvested into developing and incubating internal social projects. Among them is the ‘Do Something Good’ portal—a volunteering platform that enables corporations or NGOs to seek for volunteers to participate in their projects. Tandemic has been focussing more on the NGO because of the need for more innovations in the NGO sector and its potential to make a social impact.\(^1\)
Malaysian Global Innovation and Creativity Centre (MaGIC)

MaGIC is a government-owned company that was established in 2014 to develop and drive entrepreneurship in the country. MaGIC established its Social Enterprise arm in 2015 and was granted RM20 million to develop and implement the MSEB (between 2015 and 2018). It is working together with various government agencies and existing SE intermediaries and social enterprises to develop the SE ecosystem in the country. MaGIC’s programmes include the Social Enterprise National Survey to provide insights into the current landscape of SE in the country including challenges, potentials and outlook.

MaGIC runs trainings and awareness campaigns across the country to promote SE (Spark, Sehati, and SE Bootcamp programmes) through its own academy and also through partnership with other IMs. It also runs an early stage incubation and Accelerator programme (4 months) that provides seed funding to social enterprises. It runs Amplify awards programme to help fund growth stage and high impact social enterprises to scale up their ventures. In 2017, it introduced the Impact Driven Enterprise Accreditation (IDEA), a national initiative to help Malaysian Impact Driven Enterprises (IDEs) gain accreditation and to facilitate involvement of private and public sectors through social procurement activities. IDEA aims to link IDEs with the public and private sectors through an online platform, which provides access to social procurement opportunities. IDEA enables IDEs to establish their credibility through an accreditation programme. IDEA aims to create jobs and income opportunities for the bottom forty through supporting SEs.

MaGIC is governed by an independent board of directors comprising representatives from various government agencies and departments, who are appointed by the Prime Minister’s Office (PMO). They hold regular meetings with the National Blue Ocean Strategy (NBOS) Committee to collaborate with other government departments and agencies. As a government-funded entity, it has strong links with government departments or organisations such as the Ministry of Finance, NBOS, Innovation Agency of Malaysia (AIM), Youth and Sports Ministry (KBS), PMO and State Government departments. MaGIC is also working with major actors in the private sector such as Scope Group (which emphasises on social innovation), Tandemic, MyHarapan, British Council, IM4U, Zain & Co, PWC and Accenture. It works with universities including UTM, UPM Pahang, UniMas, UMS, Sunway University and UM Kelantan.

AirAsia Foundation

AirAsia Foundation (AAF) was established as a not-for-profit Foundation in 2012 to encourage the spirit of entrepreneurship through innovation. It is mainly funded by AirAsia. It aims to leverage on AirAsia’s network and resources across the ASEAN region to bring social change by creating synergies and connecting people. AAF’s Council of Trustees is made up of six ASEAN citizens who have made important social and professional contributions in their respective countries. Ranging from
entrepreneurs to lawyers, they bring considerable expertise and local know-how to advise both AAF team and its grantees.

It operates a very robust screening and selection system for funding SEs. It is based on four main criteria: social impact, beneficiaries, sustainability and innovativeness. The potential SE must come up with a business model that meets these criteria. The grantees must also be located close to destinations that AA serves, so that they can serve the communities and leverage on their support other than funding. Other requirements include a justifiable timeline and budget, a disciplined attitude towards meeting organisational goals and the sincerity of founder(s). The AAF selection system has been largely successful.

**MyHarapan**

Youth Trust Foundation—MyHarapan was set up in 2011 with a ‘one-off’ government grant. It is an independent, non-profit organisation dedicated towards empowering young Malaysians between the ages of 16 and 30 years. It supports youth projects that aim to build social businesses. It sustains itself through profit reinvestment and it generates revenue through services offered to private and public sector organisations.

MyHarapan mainly focusses on the capacity building of youth through coaching, mentoring and training. It conducts awareness campaigns through roadshows and competitions nationwide. MyHarapan operations consist of two units: (a) MyHarapan (not-for-profit) and (b) Social Enterprise Venture Fund (SEV)—For-profit model to develop social businesses. SEV Unit invests in viable and sustainable social businesses and provides impact evaluation services to private corporations. MyHarapan has forged external links with organisations such as Muhammad Yunus Centre, MaGIC, Danabelia, 1MDB, Rakan Muda/Youth and Sports Ministry, Hong Leong Foundation and Khind to promote social enterprises.

**Partners of Community Organizations**

PACOS Trust or Partners of Community Organizations in Sabah (East Malaysia) was originally established as an NGO in 1997. It had evolved into a social enterprise by 1999, mainly driven by the need to overcome the dependence on outside funding. Over the years, it not only transitioned to become a social enterprise, but also became similar to a BI or IM for SE by fostering links between community organisations and foreign entities (government, private companies and NGOs).

PACOS established pre-school centres across Sabah funded by the Bernard Van Leer Foundation. It used a commercial centre (Sunshine), which trains kindergarten teachers to train its own teachers and also to seek managerial advice. When the Bernard Van Leer Foundation informed PACOS that they would not be able to fund the project forever, the latter decided to start its own commercial centre to train their own teachers (1999–1998). Since then, the centre has been generating
revenue from student fees and it provides training to teachers who are sent out to manage pre-schools (kindergartens) or community learning centres (CLC) in rural communities across the State. Thus far, PACOS has developed twenty two learning centres/kindergartens.

Furthermore, the teachers are not only trained to teach kids but also to become social entrepreneurs. For example, PACOS teaches them how to do food processing involving the mothers of the kindergarten kids and other women such as making banana chips. Each CLC must have at least one good product. PACOS helps them to improve the quality or design of their products and also find a market for them. The student fees and the revenue from selling the products help sustain the CLC.6

Yayasan Sabah (Sabah Foundation)

Yayasan Sabah (Sabah Foundation) is a State Government Statutory Body. It runs Community Development Programmes (related to agriculture, fisheries, handicraft, homestay, branding and packaging of homemade products) targeting socioeconomic development in cooperation with the government agencies, private sector, NGOs and fund providers. These programmes target ‘especially housewives, retirees, unemployed youths and single parents and train them through workshops and seminars on how to start small businesses’.7

The strategic thrust of Yayasan Sabah is the development of local industries, such as handicrafts, bakery, sewing, fisheries and eco-tourism, which are main economic activities of the indigenous communities in Sabah. Through the Desa Cemerlang Berinovasi programme started in 2011, the foundation aims to uplift the household income of participating communities to RM1,500 per month. Yayasan Sabah acts as an intermediary between participating communities and the corporations, public institutions and NGOs, to assist the development and promotion of products domestically and internationally.8

Data Analysis

We present the analysis of data gathered on various aspects of SE ecosystem in Malaysia in the following sections. Table 2 shows the selection criteria for and services provided to social entrepreneurs by the selected BIs and IMs. Table 3 highlights various projects and activities by the selected BIs and IMs supporting SE in Malaysia.

Governance of SEs: Diverse Origins and Weak Management

The organisations involved in fostering social enterprises can be categorised as BIs, accelerators and other IMs. Tandemic and PACOS Trust can be described as incubators. MaGIC and Yayasan Sabah (both government organisations) act more like accelerators. AirAsia Foundation and MyHarapan fall in the category of IMs.
### Table 2
Selection Criteria for and Services Provided to Social Entrepreneurs by Selected BIs and IMs in Malaysia

<table>
<thead>
<tr>
<th>Criteria/Service</th>
<th>Tandemic</th>
<th>MaGIC</th>
<th>AA Foundation</th>
<th>MyHarapOn</th>
</tr>
</thead>
</table>
| **Selection process** | Open to public | 1. Must have a prototype to be selected for the accelerator programme  
2. Internal screening on eligibility  
3. Leverage on the contacts provided by AIM, State Governments | 1. Four main criteria: Social impact, Beneficiaries, Sustainability and Innovativeness  
2. Additional criteria: located close to AA destination, non-financial needs, concrete timeline and budget, attitude and sincerity of founder(s), 2 years track record | 1. Age 16–30 Youth  
2. Entrepreneurs (future or aspiring or already entrepreneurs)  
3. Core skills of entrepreneur |
| **Funding** | (a) Currently, limited funding of SE incubation from revenues generated from other activities  
(b) It started Tandem fund to finance SEs, but discovered there were not many viable enterprises for investment. So, it shifted focus to promoting social innovation among NGOs | (a) 75 early stage SEs incubated (4 months)  
(b) RM30k to the 25 SEs who had undergone the accelerator programme. Funds are retractable if an SE fails to meet the milestones set for the year. MaGIC monitors them during the 12-month period  
(c) RM150 k from the Amplify Awards Programme for SEs that show high growth / impact potential (15 SEs benefitted as of 2016) | (a) It follows the budget presented by SE. Their targets will be monitored within the year  
(b) If targets are not achieved, reasons for not achieving will be looked into  
(c) On-site visit will be conducted before and during funding period  
(d) Funded 10 SEs, including 2 in Malaysia: Tonibung and APE Malaysia | (a) SEV-Social Enterprise Venture Fund for start-ups  
(b) Youth Action Grants-prototype/seed funding |
| **Market intelligence/access** | Provide consultation to SEs that seek Tandemic’s services including market intelligence | (a) Classes conducted by industry practitioners on specific knowledge, that is, legal issues, risk management, branding, and product development  
(b) IDEA initiated in 2017 to expand market access by facilitating public and private procurement systems for SEs | Provides through AirAsia’s network and partners (e.g., PWC and Designers) | Provides Training Workshops |

*(Table 2 continued)*
<table>
<thead>
<tr>
<th>Criteria/Service</th>
<th>Tandemic</th>
<th>MaGiC</th>
<th>AA Foundation</th>
<th>MyHarapan</th>
</tr>
</thead>
</table>
| Mentoring        | No pre or post selection mentoring for SEs  
Mentoring (External)/Consulting  
1. ‘Saurah industries’, the water filtration  
2. Simply cookies | Mentoring is only provided post selection once these SEs enter the SE Accelerator programme | Mentoring on budgeting and targets assessment  
Guidance through local organisations/NGO (e.g., Change Fusion in Thailand) | Accelerator/Incubator (pre- and post selection)  
Consultation offered to any entrepreneur, even someone who is just at ‘idea’ stage |
| Monitoring       | No monitoring. Internal project is usually approved after incubation is completed where it could be sustainable on its own | For 12 months, in which they will be given RM30 000 to achieve certain milestones. But it can be retracted if milestones are not achieved | After 6 months on site visit; after 12 months re-evaluation.  
If SE applies for something new to expand the project, there will be another visit | Monitoring depends on the type of SE |
| Assessing Outcome of SE Programme | 1. Measures differently according to different projects  
2. Milestone-based, not based on incubation period | Target for at least 5 (out of 25) social enterprises to continue operating and breakeven in the next 12 months after the programme | There is no specific programme for SEs.  
Financial support given to SE will be monitored to ensure governance and efficiency through the final report | Generating an idea, initiative and plan which will be presented in a workshop |

Source: The authors.
### Table 3
Various Projects and Activities by Selected BIs and IMs Supporting Social Entrepreneurship in Malaysia

<table>
<thead>
<tr>
<th><strong>Tandemic</strong></th>
<th><strong>MaGIC</strong></th>
<th><strong>AA Foundation</strong></th>
<th><strong>MyHarapan</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Provide mentoring to external Social Enterprise on a walk-in basis</td>
<td>1. Accelerate existing SEs through Accelerator programme and Amplify Awards programme</td>
<td>1. Bring about awareness of SE within ASEAN countries and help develop social enterprises based on highly stringent criteria to ensure their success</td>
<td>1. Youth Engagement Work for Capacity Development through: a. Workshops b. Bootcamps c. Roadshows d. Ad hoc mentoring and coaching SE boot camp (yearly) Workshop (by demand from specific institutions) (a) Project Management (b) Coaching and Mentoring (c) Roadshows, Competitions/Events</td>
</tr>
<tr>
<td><strong>Main Activities:</strong></td>
<td>2. Create Awareness and movement for developing Social Enterprise sector in the country</td>
<td>2. Create Awareness and movement for developing Social Enterprise sector in the country</td>
<td>2. Impact Evaluation on social initiatives for the corporate sector</td>
</tr>
<tr>
<td>2. Incubation Projects:</td>
<td>2. Incubation Projects: (a) Do Something Good (Largest Volunteering Platform)—internal (b) Collective Impact (on education)—internal (c) Diabetes Prevention programme (for Nova Nordisk and MOH) (d) Human Trafficking project with Telcos Internal (e) Hati.my—Database of Social Enterprises (completed)</td>
<td>3. Build the Malaysian SE ecosystem by developing: (a) Financial capital (b) Human capital (c) Procurement</td>
<td>4. Develop policies and framework changes that are friendlier to social enterprises including incentive and legal structures</td>
</tr>
<tr>
<td><strong>Specific Projects:</strong></td>
<td><strong>Specific Projects:</strong></td>
<td><strong>Specific Projects:</strong></td>
<td><strong>Specific Projects:</strong></td>
</tr>
</tbody>
</table>

**Source:** The authors.
What is interesting is that Tandemic, PACOS Trust and MyHarapan themselves function like social enterprises. They generate revenue through their programmes and training activities such as CSR training programme for corporate-funded projects and reinvest some of that into incubating social enterprises. MyHarapan started SEV, which facilitates impact investments for start-ups and largely provides seed funding or grant for youth entrepreneurs to develop prototypes.

All BIs and MIs provide various training activities and run workshop for potential and existing SEs. They also provide some market intelligence, but it appears to be not central or core service. They provide different levels of mentoring (mostly post selection) and monitoring support. However, these activities do not appear to be well-organised or implemented. Similarly, there is little performance measurement system in place, except in the case of AAF. As AAF operates not only in Malaysia, but also across other ASEAN countries, it has strong links with both government and non-government agencies involved in the SE ecosystems in these countries. This appears to have helped it to bring in the best practices for nurturing SEs in Malaysia.

The BIs and IMs are a mix of public- and private-funded actors. For example, MaGIC is wholly funded by the government, while MyHarapan exists on partial government funding. The others are largely privately funded. Because MaGIC is heavily funded by the government, it is understandable that it has very strong links with various ministries and national agencies. This has led to MaGIC establishing a predominant presence in the sector.

MaGIC has links with AIM, Ministry of Finance, KBS, and State Government agencies (e.g., Sabah, Sarawak etc.). MaGIC receives financial resources and also support in executing initiatives at the national level (with the help of NBOS). It has forged a wide ranging network and links with both the public and private sector organisations. For example, it has strong links with two other IMs covered in this study, Tandemic and MyHarapan. Tandemic conducts training for MaGiC. As Tandemic is an intermediary, it expects MaGIC to provide strong support to their activities and growth. MyHarapan has worked with MaGIC since 2015 and it is heading the capacity development workshop run by MaGIC. Among the selected cases, only the AAF has established links both within and outside Malaysia. It has links with organisations from other ASEAN countries such as Change Fusion in Thailand, an NGO that works closely with the Thailand government. As a foundation run by a leading budget airliner in the region, it is not surprising that its social enterprise support activities are based on region-wide links.

**Lack of Funding**

The general perception of the SE ecosystem in Malaysia is that it is at a very nascent stage and needs extensive development, starting from creating general awareness in the country. According to MaGIC, although their programmes are helpful in creating such awareness, it is facing a number of challenges in developing the social
The single biggest constraint faced by many SEs is achieving financial viability. According to Ehon Chan, Executive Director of MaGIC, ‘What is needed is really about supporting the people, realising that they have the whole journey in front of them and helping them look into business viability’. However, it is also felt that there is significant overlapping of operations of different organisations in the SE ecosystem, which resulted in a declining number of IMs. Partly because of the dominance of MaGIC, other IMs are finding it difficult to sustain their business operations in this sector. MaGIC also acknowledges this problem. According to Ehon Chan, MaGIC: ‘There are various organisations both private and public operating in the ecosystem. At the moment, they serve their respective missions/objectives which may not necessarily serve or be in line with what the SE sector needs. We all need to understand more about their needs’.

Another problem highlighted by AA Foundation is the weak link with the universities and lack of awareness and interest among universities towards fostering SE. It argues that other ASEAN countries like Thailand have a far more advanced ecosystem compared to Malaysia, with the universities playing a major role. MyHarapan also points to the slow participation of private sector and universities in the SE ecosystem. It believes that there is an underdevelopment of the entire ecosystem due to problems of funding and especially long-term funding, lack of regulations and negative perception of NGOs that are trying to transform themselves into profit making social enterprises. It argues that there is less need for structural change and more focus should be on cultural change in order to overcome the negative perception on social enterprises in general.

Mindset: Weak Public Perception on Social Entrepreneurship

Tandemic opines that overall, there is a lack of participation from the public, the number of SE intermediaries are declining, personal interests are preventing SEs from working with each other, rote learning education system is preventing innovation among students and universities are not playing a strong role in SE ecosystem. There is a need for a good bridging programme and serious investors to attract top talents into the sector and also a need for a procurement market. The government should create and support such a market through its procurement programmes.

MaGIC’s view is that there is not enough demand for social enterprise accelerators and incubators. Furthermore, there are not enough people who understand SE needs and can run an incubator or accelerator. Also, because the concept of SE is so new in Malaysia, the risk involved is extremely high. There is a high failure rate among start-ups, mainly due to inadequate competencies among the SE founders.

AA Foundation asserts that it is difficult to change the community’s attitude as a result of a handout culture, as Malaysia has a strong existing welfare network and a crowding out of private sector IMs by government agencies. Also, it highlights the lack of involvement by the universities and lack of interest by university students because the SE sector is less appealing. AA Foundation suggests that it is better to foster a common ASEAN ecosystem and Malaysia will benefit from such a regional
ecosystem. MyHarapan argues that due to poor participation of the private sector, the entire ecosystem across the spectrum is suffering from underdevelopment.

**Absence of Legal Definition and Weakness of Institutional and Policy Framework for SE**

Although MaGIC has produced a blueprint for the government to come up with policies to help develop SEs in Malaysia, there are many uncertainties and challenges, which are affecting the development of the SE sector. The major problem is the absence of any legal recognition for the social enterprise. All IMs have highlighted this issue as one of the major obstacles in developing the SE sector. For example, Tandemic argues that formulating a clear and legally bound definition of social enterprise will help to come up with strong policies that will support and create more social enterprises and IMs. It has set up the Social Enterprise Policy Working Group to develop a legally sound definition of ‘social enterprise’ in Malaysia.

MaGIC feels that there is no policy focus, although the blueprint has specified certain actions that are essential to develop the SE ecosystem in Malaysia. It suggests that the government needs to introduce policy framework changes that are friendlier to social enterprises and provide incentives and legal structure to help develop the SE ecosystem. However, AA Foundation opines that although Malaysia is on track to create awareness about the SE movement, it is trying to achieve too much within a short period. It argues that creating awareness will take time and it needs a long-term strategy and consistent effort towards creating a strong SE sector.

Similarly, there are two views about policy learning from other countries. While MaGIC advocates that the Malaysian policy development should follow and emulate successful policies from countries like UK, the AA Foundation asserts that learning from ASEAN countries such as Thailand, which share common socioeconomic conditions and needs, will be more appropriate and effective.

MaGIC believes that the major challenge for the future prospect of the SE ecosystem is its ability to foster and develop a critical mass of SEs. The general perception about the future of the SE sector is that growth will happen if there are good examples or role models who will inspire more people to become social entrepreneurs. AA Foundation has been trying to reach out to universities and intends to organise Destination GOOD events across ASEAN countries to spread greater awareness of SE. It focusses on developing channels to sell their products and offer sustainable tourism activities. It is planning to bring in external partners, such as legal consultants to support SEs under its programmes. It is also making effort to harmonise the legal status of the social enterprise at ASEAN level (e.g., common legal status for SEs). MyHarapan intends to develop further its SEV to provide strong support for growing social businesses.

A lack of legal definition appears to have put constraints in the formulation of a coherent national policy and institutional framework, linking the SE sector to the overall economic development programmes for achieving social inclusion and inclusive growth. As the SE sector is still emerging, it is slow in incorporating
social inclusion and inclusive growth strategies. Although the BIs and IMs follow
a non-discriminatory approach towards promoting SE, they do not appear to have
proactive measures to integrate the concepts of social inclusion and inclusive growth
in their programmes. Furthermore, it is clear that the sector is not well-linked to
the regional or national innovation system.

Key Characteristics of SEs and the Challenges Faced

A total of twenty social enterprises from four regional clusters were interviewed
for the study. Of these, seven were from Kuala Lumpur (Klang Valley), three from
Penang, six from Sabah and four from Sarawak. They were categorised as (a) start-
ups (organisations incorporated after 2010); (b) mature organisations (established
before 2010); (c) NGOs in transition (originally NGOs but trying to become SEs
seeking financial sustainability). Table 4 provides the profiles of sample social
enterprises.

Analysis of data gathered from sample SEs reveals that the nature of the SEs and
their sustainability are reflected by their past professional experiences. Evidently,
the diverse backgrounds of SEs have influenced their perception of various issues,
challenges and the future outlook of the sector. Founders with corporate or entre-
preneurial experiences displayed more flexibility, opening them to opportunities
and adopting innovative ideas. This is reflected by their source of income streams
from a variety of activities and social networking. Founders of NGOs transitioning
into SEs were more conscious of the ethical aspects of their income sources, their
operations and social programmes.

SE start-ups find the social networking, accelerator programme and seed fund-
ing provided by MaGIC and other IMs very effective and helpful. In contrast, the
mature social enterprises and the NGO transitioning into social enterprises feel
they require different assistance, such as legalisation and recognition to enable
them to grow their operations and access new markets. Social entrepreneurs, who
are foreign nationals, hope that some form of legalisation of social enterprises
by the government will help ease problems they face with visa applications and
ownership. It is evident that different types of SEs require different types of
support from the IMs and other institutions in the sector, although they all face
some common problems such as legalisation.

All sample social enterprises strongly feel that the absence of legal status for
social enterprise is the biggest obstacle for the growth of the sector. They argue
that legal status is the key to the growth of number of SEs, as it will facilitate
access to funding and help attract talents. They also assert that this will help in the
formulation of specific policies and incentives by the government to develop
the social enterprise sector in the country.

At present, due to the absence of legal provision, SEs operate as companies,
trusts, foundations or NGOs. In some cases, they operate a hybrid legal form
whereby they operate both as company and trust or NGO in order to overcome the
legal vacuum. This way, they are able to access private sector funding, like CSR, and also access funding and support from IMs such as MaGIC. Interestingly, a number of NGOs are in transition towards social enterprise business models and they feel the current legal limbo is not helping this transition. It appears that the problem of generating funding from donors is the main reason behind this trend. As Malaysia is a middle-income country, aid agencies are cutting back their funding and this is forcing many NGOs to transform into social enterprises. Another major reason is the difficulty in attracting a new generation of young talents by NGOs.

Source: Drawn from primary data gathered by the authors.

Note: * Foreign ownership.
The younger generation are not attracted to the traditional NGO model and they are more attracted to innovative challenges and opportunities offered by the social enterprise business model. This trend of NGOs trying to become social enterprises or adopting social enterprise business models in Malaysia conforms to the global trend, which is driven by two factors: (a) social enterprise as a funding model and (b) social enterprise as a tool for poverty alleviation. As NGOs are reliant on constant fundraising, they see sustainable funding model, which helps to generate income sustainably, as a viable alternative. Also, they find it attractive; rather than perpetuating dependency, social enterprise models enable poor people to develop their own opportunities.

The general view of the programmes run by the SE intermediaries, like MaGIC, is that they are not appropriate or useful for the social enterprises already operating for a number of years, as these programmes are mainly targeting potential and new social enterprises. Unlike the BIs and IMs who argue that lack of funding is one of the major problems in the SE sector, the majority of the sample SEs do not put greater emphasis on the need for government funding. Instead, they argue that government policies enabling legal status for social enterprise will help to access private sector funding such as CSR-related funding, which will help the growth of the SE sector.11

Conclusion

This study explored the ecosystem for social enterprises in Malaysia, by focusing on the attributes (features) of BIs and IMs; perceptions of BIs and IMs about various aspects of social enterprise ecosystem and the role of BIs and other IMs in fostering SE and meeting the inclusive growth objective of the country.

This study revealed that the social enterprise ecosystem in Malaysia is weak and still emerging and has yet to take a concrete shape. The organisations involved in fostering and supporting social enterprises can be categorised as BIs, accelerators and other IMs. The BIs and IMs operating in the social enterprise sector in Malaysia are a mix of public- (fully or partially government-funded) and private-funded actors. The main agency promoting SE sector is MaGIC, which is fully funded by the government. It is interesting to note that some of the IMs (e.g., Tandemic, PACOS Trust and MyHarapan) themselves function like social enterprises. They generate revenue through their programmes and training activities, like CSR-funded projects for corporations and reinvest some of that into incubating social enterprises.

As a result of the emergence of government-funded MaGIC, which has become the predominant player within the sector, it appears that other IMs, who were emerging as strong actors such as Tandemic and Scope, either have to re-orientate their core focus or scale back their range of programmes and activities. It appears the number of IMs have declined during the last 4 years.

Almost all IMs provide some sort of funding for the development of social enterprises, but the level of funding is grossly inadequate to develop the SE sector.
to a critical mass and enable it to grow faster. All BIs and IMs provide various training programmes and run workshop for potential and existing SEs. They also provide a varying degree of market intelligence, but it is not treated as central or core service. Although they provide different levels of mentoring (mostly post selection) and monitoring support, they do not seem to be efficiently organised or implemented. Similarly, they do not follow any performance measurement system to measure the social impact of SEs (except AAF).

The current programmes and activities of BIs and IMs are mainly focussed on developing new social enterprises and not designed to support already existing social enterprises. The matured SEs and the NGOs that are trying to become SEs feel that the IMs need to come up with innovative services and support programmes for them, while they are trying to develop new social enterprises. Although there are some initiatives from MaGIC to address this problem (e.g., Amplify Award and IDEA), these initiatives seem to be still inadequate in terms of scope and volume.

The absence of legal status for social enterprise is perceived by most of the BIs, IMs and SEs as the single most important obstacle in unlocking the potential growth of this sector and is seriously affecting the private sector participation like the coupling of CSR-related funding with the development of social businesses.

As the SE sector is still emerging, it is slow in incorporating social inclusion and inclusive growth strategies. We found that the SE sector is not well-linked to the regional or national innovation system due to lack of clear understandings of what are the social enterprises’ needs and weak linkages between major stakeholders involved such as government agencies, financial institutions, universities, private sector actors and social enterprises and also due to overlapping operations between IMs, lack of funding and supportive regulations. Particularly, there is a lack of participation by universities, which play a major role in an innovation system.

It appears that MaGIC has been trying to follow and emulate successful policies from developed countries like UK to develop the SE ecosystem in Malaysia. However, the study revealed that a number of IMs and SEs feel that it may be more effective and useful also to learn from other ASEAN countries such as Thailand, as Malaysia shares some common socioeconomic conditions and needs.

Drawing from the findings, we propose the following policy recommendations:

1. The government introduces policy measures to accord legal status to social enterprises in the country in order to develop the SE ecosystem rapidly and facilitate greater participation of both public and private sectors.
2. BIs and IMs need to come up with more innovative services and support programmes for matured SEs and the NGOs that are trying to become social enterprises.
3. BIs and IMs need to focus on studying the needs on the ground through innovative multi-stakeholders engagement, and the lead actor in the sector MaGIC needs to take the initiative to bring about multi stakeholders engagement and generate more innovative ideas in partnership with other IMs so that the outcomes can be more effective.
4. Links with universities and their role in strengthening the SE ecosystem need to be stronger. For this, universities need to play a proactive role in incorporating SE in their teaching programmes and entrepreneurship courses and training. Also, IMs need to seek active partnership with universities to foster SEs and MaGIC should play a greater role in this than what it is currently doing.

5. To build a robust and efficient SE ecosystem in the country, there is a need to map the SE sector in the country through a national survey of various stakeholders including the social enterprises.

As this study is based on mainly the BIs and IMs in the SE ecosystem and a small sample of SEs, we suggest that future research should focus on a large-scale survey of social enterprises, including those NGOs who are in transition towards a social business model and also include in-depth case studies of social enterprises.

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NOTES

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11. From the interviewees of twenty SEs (four clusters—Klang Valley, Penang, Sabah, and Sarawak).
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