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The Impact of Social Innovation on an Enterprise Success: Item Validation

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ABSTRACT

The paper presents a theoretical understanding of the impact of social innovation on the success of an enterprise. Social innovation is framed within the context of the European Commission Social Innovation principles (2013) and the Social Return on Investments Model of New Economic Foundations (2004) and Social Innovation Model in Malaysia (Raja Suzana, 2015). A total of 130 new and young enterprises participated in this survey. Findings indicated that social innovation has a positive and significant relationship with the success of an enterprise. This paper offers indicators developed based on a valid and reliable instrument, which has been empirically tested for its validity and reliability. It was found that social innovation offers a viable model in establishing economic viability and multiple economic specialisations. However, this has its own limitation as it depends heavily on the supporting ecosystem that each region has to offer. The study concludes that social innovation will positively create an impact and play a significant role in entrepreneurship in economic viability if an ecosystem interacts well within the needs of the new and young enterprises. Future work that focusses on specific social innovation programmes and actions that can create more values for new and young enterprises is recommended.

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INTRODUCTION

This paper explores the contributions of young entrepreneurs on the development of social entrepreneurship in Malaysia with regards to their initiatives to work for social-purposes. In essence, social entrepreneurship denotes an activity with a social cause that attacks problems through a business format, even if it is not legally structured as a profit-seeking entity (Dees, 1998; Bornstein, 2004; Raja Suzana & Shaukat Amir, 2013).

Evidence of empirical findings have revealed that social entrepreneurship is a move to pursue multiple dimensions of social engagement. Hence, a number of scholars consider social entrepreneurship as multiple dimensional constructs. Mort, Weerewardena and Carnegie (2003) for example, believed that social entrepreneurship leads to the establishment of new social enterprises and continued innovation in existing ones. They conceptualised social entrepreneurship as being a "multi-dimensional construct" (Mort et al., 2003, p.76). The constructs detail the expression of entrepreneurially virtuous behaviour to achieve a social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognise social value-creating opportunities and key decision-making characteristics of innovativeness, pro-activeness and risk-taking (Mort et al., 2003).

Social Innovation in the Malaysian and Global contexts

According to the European Commission of Social Innovation (2013), social innovation can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands that affect the process of social interactions. A group of great brains unanimously claimed that social innovation is aimed at improving human well-being. According to the European Commission of Social Innovation (2013), social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society, but also enhance individuals' capacity to act.

Repositioning the interest of the nation to address the most pressing problems, this chapter focusses on those living in the marginalised communities in Malaysia. According to Raja Suzana (2015), it is necessary to explore the programmes that have been created to support the development of social innovation. In an attempt to explore a robust model, this study referred to the European Commission as it provides guides for social innovation. GENOVASI in Malaysia and the European Commission are two common and useful examples as they offer the concepts and approaches that meet social needs, create new social relationships and represent new responses to pressing social demands. In addition,

both have the same agenda that focusses on driving towards entrepreneurship and stimulating innovation, which are in line with the Malaysian 2020 Vision.

Young Entrepreneur as a Change Maker

Although being attacked from many directions, today's young entrepreneurs are keen to be change makers. They appear to share one common feature i.e. striving to build platforms that unleash the human potential. They struggle to increase the number of people who have the opportunity to contribute their talents to the world. However, the extent to which these young entrepreneurs are able to create change remains debatable. Many young entrepreneurs pursue social, environmental and economic impact that they claim have effects on people, their communities and the environment. To measure the effects is actually to examine the extent to which the effects have contributed to change in the social mission. Hence, it is necessary to communicate the social outputs and value social outcomes through the reality of the theory of change.

Theory of Change

The researchers believe that young entrepreneurs need a deep understanding of social innovation and how it contributes to the success of their enterprise. Thus, the researchers aimed to explore this further and focus on the social innovation outcomes that capture the social outputs and value social outcomes. It is hoped that this research will help to demonstrate the extent of young entrepreneurs' interest to contribute towards society and its stakeholders. The research also aimed to explore how the theory of change guides social entrepreneurs in measuring social outputs and outcomes and impact the value chain.

The extent to which social outputs, outcomes and impact are needed needs to be further explored as it will assist us in designing the appropriate programme in response to the young entrepreneurs' desire for contributing and doing social innovation works. It will lead to an improved programme management with effective planning and evaluation, increased understanding of the impact of young entrepreneur's work, deliver stronger communication of the value of young entrepreneurs' move towards social mission and to the people that they believe matter, as well as enhance attention to social, economic and environmental value created by these young entrepreneurs (New Economics Foundation, 2004).

In developing this measurement, it is important to direct the young entrepreneurs' thinking towards the elements of change as a way of thinking about why the activities they venture in would ultimately lead to their desired social outcomes. According to Raja Suzana and Adnan (2013), defining and assessing the impact of social ventures can be done if a young entrepreneur is able to make desirable change happen. Similar to the approach of the "if-then" condition, each

condition, if it appears to be met, signals that desirable change will happen. This is further explained in the model of the New Economics Foundations (2004) as illustrated in Table 1 below.

Table 1
Theory of change

Items	Descriptions
Inputs	The resources (e.g. money, staff time, capital assets, etc.) required to operate the venture or organisation
Outputs	Indicators and other measurable variables from an organisation's operations that the management can directly measure such as people trained, trees planted and products sold
Outcomes	Specific changes in attitudes, behaviours, knowledge, skills, status, or level of functioning that result from enterprise activities such as finding a job, avoiding getting sick or reducing emissions by a certain amount
Impact	The difference between the outcome for a sample exposed to an enterprise's activities and the outcome that would have occurred without the venture or organisation
Goal alignment	The management process of evaluating whether outcomes or impact met desired goals and determining what can be done to improve operations

Source: New Economics Foundation (2004)

In this context, the basic format of any theory of change would be to look beyond individual founders and institutions to the change-making potential of all people and their interactions. The theory recognises that social entrepreneurship that embraces social innovation is contagious.

Social Innovation Outcomes

In illustrating social innovation outcomes, the model proposed to gauge the extent to which the desired outcomes and impact are created through the social venture's activities is based on the Social Innovation Model in Malaysia (Raja Suzana, 2015). She claimed that social entrepreneurship helps to facilitate and translate social innovation whenever the process leads to more effective responses for societal problems. In turn, social innovation outcomes will bring value in that they would benefit societies with relevant job creation and other socio and economic impact.

Building on the theory of change, that social innovation outcomes appear to interact with other leading indicators, generally, social venture activities and outputs take the approach adopted in the New Economics Foundation (2004), while the outcomes and impact are tailored uniquely so as to ensure they fit the Malaysian setting (Raja Suzana, 2015). The social innovation elements and outcomes also serve to differentiate between one another and are illustrated in Table 2 below:

Table 2
Social innovation elements and outcomes

Social Innovation Elements	Social Innovation Outcomes
Identification of new/unmet/inadequately met social needs	Impact on job creation
Development of new solutions in response to these social needs	Impact on social development
Evaluation of the effectiveness of new solutions in meeting social needs	Impact on economy development
Scaling up of effective social innovations	Impact on the environment Impact on youth sustainability

Sources: New Economics Foundation (2004); European Commission (2013) and the Bureau of European Policy Advisors (2013) and Raja Suzana (2015) Social Innovation Model in Malaysia

CONCEPTUAL FRAMEWORK

Understanding the theory of change assists researchers in understanding the way social innovation works in its entirety. Social innovation describes the entire process by which new responses to social needs are developed in order to deliver better social outcomes. As defined by the European Commission (2013), the social innovation process is composed of four main elements as outlined in Table 2.

In the Malaysian enterprise setting, it appears that many social innovators are young entrepreneurs. These individuals associate their businesses with service innovation (Raja Suzana & Ariffin, 2013). This includes innovation in services and in service products, new or improved ways of designing and producing services and innovation in service firms, organisations and industries – organisational innovations and the management of innovation processes within the service organisations. Social design is also used as a term to describe particular approaches to social innovation.

In sum, social innovation approaches are notably innovations in the internationally recognised sense, but whose primary goal is to create social change. Not all enterprises are social enterprises; likewise, not all innovations are social innovations. Compared to the mainstream innovations, "social innovations" are critically driven by an extra motive, a social mission, and the value they create is necessarily a shared value, economically and socially (Ferri, Deakins, & Whittam, 2009). Elements of transfer of knowledge are indeed desirable (Fointain & Tan, 2004).

In exploring the interest of social innovation moves among young entrepreneurs in Malaysia, this research explored their interests in understanding each element of social innovation. More specifically, the research examined the elements of social innovation raised among young entrepreneurs in Malaysia and tested the proposed model of social innovation.

The conceptual framework was developed based on the social innovation

guide from the European Commission (2013), the Bureau of European Policy Advisors (2013) and the Malaysian model of social innovation (Raja Suzana, 2015). It conceptualises the process of social innovation, its core activities and the extent to which entrepreneurs are stimulated and supported by their desire to provide solutions to the world's most pressing issues. The conceptual framework as framed in Figure 1 below depicts the extent to which the social innovation model is developed from the concept of the theory of change that proposed socio-economy impact and job creation outcomes (New Economics Foundation, 2004; Raja Suzana, 2015).

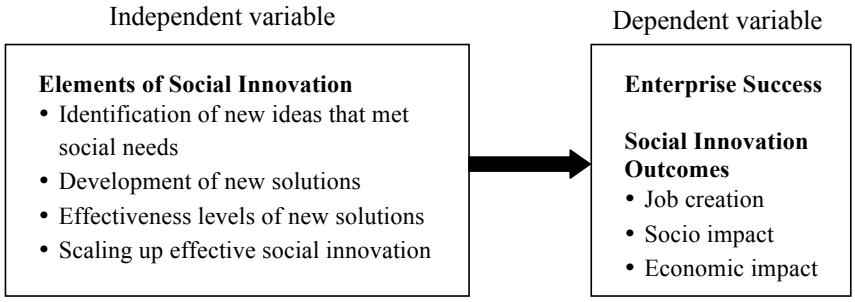

Figure 1. Conceptual framework
Source: Variables of elements; social innovation is adapted from "Guide to Social Innovation" and the European Commission (2013) while the variables of social innovation outcomes are adapted from the New Economics Foundation (2004) and Raja Suzana's (2015) Social Innovation Model in Malaysia

RESULTS

This section examines the use of descriptive correlation along with the result of the Rasch measurement analysis that provides rich data and the results of our exploration with 130 young entrepreneurs. The sampling frame includes young entrepreneurs who had engaged in social innovation initiatives among micro entrepreneur enterprises in Miri and Kuching, Sarawak and those within the East Coast region of Malaysia.

They were chosen for their keen interest in supporting almost all aspects of development and implementation of new ideas such as products, services and models to meet social needs and were passionate to create social relationships and collaborations. Their keen interest was determined by their social engagement and voluntary participation in various programmes involving social interactions. Being grouped with similar interest aiming at improving well-being, these participants were not only able to show their passion for helping society but also for enhancing their capacity to empower others and act based on their own desire to solve pressing problems faced by society.

The sample size was governed by the extent of precision and confidence desired (Sekaran, 2004). Based on the table provided by Nunally (1978), the suitable sample size

needed at least 200 young entrepreneurs. Since the population for this study was 1,500 young entrepreneurs, the sample size was more than the sample size calculated using the G*Power package, which was only 119.

The sampling frame or the name list of all official citizens who took part in the 2013 Malaysian national election was acquired from the Electoral System of the Election Commission of Malaysia. Each element in the sampling frame was then numbered. The sampling interval for this systematic sampling was set at 6. The sampling interval was calculated, and each interval provided information on how to select elements in the frame before selecting one for the sample. Simple random selection was done among the sampling interval of 1 to 6, and number 3 was selected. The sample was chosen by taking the third unit of analysis and every ninth unit after that until all the 200 samples required were selected.

The instruments used were the identification of new ideas that met social needs, development of new solutions, effectiveness levels of new solutions and scaling up effective social innovation elements. The 5-point Likert scale was used, ranging from strongly disagree (1) to strongly agree (5). The data were analysed using WINSTEPS, version 3.64.2. In the initial analysis, responses to the test items and the statements in the questionnaire were analysed separately. The following were also examined: (i) the validity of items and respondents' responses, (ii) the capacity in which the items were able to define a continuum of increasing intensity, (iii) reliability, and (iv) unidimensionality.

Findings and Discussion

Table 3 shows that the reliability of item difficulty estimates was quite high (0.97). The item separation index of 5.43 indicated that the items could be separated into five strata of difficulty. As item reliability indicates the ability of the test to reproduce the hierarchy of items along the measured variable (Bond & Fox, 2007; Linacre & Wright, 2004), a reliability coefficient of 0.97 suggested that this order of item hierarchy would be replicated with a high

Table 3
Person and item reliability coefficients

	RAW SCORE	COUNT	MODEL MEASURE	INFIT ERROR	OUTFIT MNSQ	ZSTD	MNSQ	ZSTD
MEAN	268.4	130.0	1.58	.22	1.00	-0.6	1.00	-0.6
SD	27.6	0.0	1.37	0.02	0.53	3.2	0.54	3.2
MAX.	355.0	130.0	6.63	0.34	2.25	5.0	2.29	5.1
MIN.	213.0	130.0	-0.85	0.19	0.04	-9.2	0.04	-9.3

REAL RMSE 0.25 ADJ.SD 1.35 SEPARATION 5.43 Person RELIABILITY 0.97 |
|MODEL RMSE 0.22 ADJ.SD 1.35 SEPARATION 6.03 Person RELIABILITY 0.97
SE oF Person MEAN = 0.14

The model developed was based on social innovation outcomes

degree of probability if the items were given to other comparable cohorts. With regards to person measures, the reliability coefficient was considerably higher at 0.97. This was attributed to the considerable misfit responses in the data. Responses to the statements in the questionnaire, on the other hand, showed greater consistency, and this was shown in a higher reliability coefficient for the questionnaire data.

Items and Person Distributions

One of the most important features of the Rasch approach is that respondents' scores and item difficulty were transformed onto one scale so that they were related (Linacre & Wright, 2004; Bond & Fox, 2007). This allowed for item difficulty and person ability to be directly compared. This is known as 'mapping', where estimates of a person'd ability and item difficulty are represented graphically in the form of an item-by-person map (see Figure 3). Since both the items and persons are represented graphically on the same logit scale, it is possible to see if the items fit the ability of the respondents. From the map, it is evident that a large number of items can be found along the continuum on which the majority of respondents' abilities fall. However, there are items at the difficult and easy ends where a minimal number of respondents could be found.

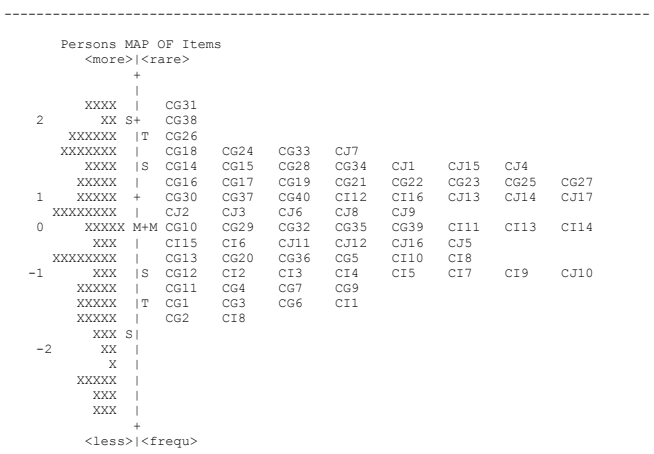

Figure 2. Person map of items

Figure 2 indicates the distribution of items based on the self-report questionnaire. As expected, items on the questionnaire which were self-reported (social innovation elements and social innovation outcomes) clustered towards the bottom of the logit scale.

Figure 3 and Figure 4 present the hierarchy of items based on their difficulty. This indicates that the participants had largely overestimated their actual ability. The most difficult item on the test was item CG31. Two items, item CG2 and CI8, were the easiest on the test and were clustered

together with the self-report items. Person distribution was better matched to the items that tested their actual outcomes in delivering social innovation. Persons were also largely clustered at the middle of the scale (between -1 logit and +2 logits), where most of the items were located. This suggests that the items were not functioning well enough to clearly separate persons into differing levels of ability and that participants had somewhat accurately estimated the relative difficulty of the measures of spread and measures of centre. However, they underestimated their knowledge about the types of social innovation moves and overestimated their knowledge on delivering impact and values. Furthermore, it was found that in most cases, young entrepreneurs overestimated their ability based on the outcomes of social innovation. For the purpose of comparing the differences between the items (social innovation elements versus social innovation outcomes), we chose to compare several items relating to the types of data and graphic representation of data concepts. This can be viewed in the Category Probability Curve shown in Figure 5 below. The curve indicates that no

ENTRY NUMBER	RAW SCORE	COUNT	MEASURE	MODEL S.E.	INFIT MNSQ	INFIT ZSTD	OUTFIT MNSQ	OUTFIT ZSTD	PTMEA CORR.	EXACT MATCH OBS%	EXACT MATCH EXP%	Item
64	319	130	1.27	.17	1.83	4.6	1.88	4.9	B .51	51.5	60.4	CG31
52	353	130	.14	.19	1.47	2.7	1.49	2.8	C .53	57.7	66.1	CG19
54	354	130	.11	.19	1.46	2.7	1.44	2.5	D .51	59.8	66.2	CG21
57	342	130	.53	.18	1.30	1.9	1.35	2.1	E .51	62.9	64.4	CG24
69	364	130	-.27	.20	1.24	1.5	1.20	1.2	F .55	63.9	67.8	CG36
30	349	130	.29	.19	1.22	1.4	1.18	1.1	G .56	57.7	65.6	CJ14
37	373	130	-.62	.20	1.20	1.3	1.19	1.2	H .48	67.0	69.0	CG4
39	376	130	-.73	.20	1.03	.2	1.14	.9	I .56	68.0	69.4	CG6
40	372	130	-.58	.20	1.08	.6	1.14	.9	J .48	68.0	68.9	CG7
33	351	130	.22	.19	1.13	.9	1.09	.6	K .62	69.1	65.9	CJ17
66	342	130	.53	.18	1.12	.8	1.11	.7	L .57	64.9	64.4	CG33
47	345	130	.43	.19	1.12	.8	1.07	.5	M .55	67.0	64.8	CG14
41	385	130	-1.10	.20	1.09	.6	1.11	.7	N .28	70.1	69.6	CG8
67	348	130	.32	.19	1.10	.7	1.08	.6	O .53	60.8	65.4	CG34
65	357	130	.00	.19	1.08	.6	1.07	.5	P .50	67.0	66.7	CG32
22	350	130	.25	.19	1.07	.5	1.08	.6	Q .51	57.7	65.7	CJ6
68	355	130	.07	.19	1.06	.4	1.08	.6	R .55	69.1	66.4	CG35
1	378	130	-.81	.20	1.07	.5	1.08	.5	S .46	66.0	69.6	CI1
4	366	130	-.34	.20	1.05	.4	1.08	.5	T .54	68.0	68.0	CI4
26	365	130	-.30	.20	1.07	.5	1.02	.2	U .57	64.9	67.9	CJ10
38	364	130	-.27	.20	1.03	.3	1.06	.4	V .56	63.9	67.8	CG5
60	352	130	.18	.19	1.04	.3	1.05	.4	W .60	64.9	66.0	CG27
44	372	130	-.58	.20	.430	-.1	1.05	.4	X .40	69.1	68.9	CG11
15	356	130	.03	.19	1.05	.4	1.04	.3	Y .62	69.1	66.6	CI15
63	354	130	.11	.19	1.04	.3	1.03	.3	Z .53	68.0	66.2	CG30
7	365	130	-.30	.20	.91	-.5	.90	-.6	z .68	73.2	67.9	CI7
6	358	130	-.04	.19	.87	-.8	.91	-.5	y .57	67.0	66.9	CI6
29	353	130	.14	.19	.90	-.6	.87	-.8	x .51	64.9	66.1	CJ13
73	354	130	.11	.19	.88	-.8	.86	-.9	w .68	70.1	66.2	CG40
55	349	130	.29	.19	.82	-1.2	.88	-.8	v .55	69.1	65.6	CG22
21	357	130	.00	.19	.82	-1.2	.88	-.8	u .56	71.1	66.7	CJ5
13	359	130	-.08	.19	.87	-.8	.87	-.8	t .71	75.3	67.0	CI13
25	352	130	.18	.19	.87	-.8	.86	-.9	s .64	67.0	66.0	CJ9
34	377	130	-.77	.20	.86	-.9	.86	-.8	r .57	72.2	69.5	CG1
42	375	130	-.69	.20	.86	-.9	.85	-.9	q .45	71.1	69.3	CG9
20	348	130	.32	.19	.84	-1.1	.86	-.9	p .62	64.9	65.4	CJ4
18	352	130	.18	.19	.85	-1.0	.85	-1.0	o .61	67.0	66.0	CJ2
62	356	130	.03	.19	.84	-1.0	.85	-1.0	n .55	72.2	66.6	CG29
2	366	130	-.34	.20	.83	-1.1	.84	-1.0	m .58	78.4	68.0	CI2
19	350	130	.25	.19	.82	-1.2	.84	-1.1	l .65	74.2	65.7	CJ3
32	355	130	.07	.19	.81	-1.2	.81	-1.2	k .74	74.2	66.4	CJ16
61	346	130	.39	.19	.80	-1.3	.81	-1.2	j .67	64.9	65.0	CG28
45	365	130	-.30	.20	.81	-1.3	.76	-1.6	i .68	75.3	67.9	CG12
56	350	130	.25	.19	.78	-1.5	.81	-1.3	h .62	70.1	65.7	CG23
27	357	130	.00	.19	.78	-1.5	.76	-1.6	g .66	71.1	66.7	CJ11
10	364	130	-.27	.20	.78	-1.5	.77	-1.5	f .70	78.4	67.8	CI10
49	351	130	.22	.19	.73	-1.9	.75	-1.7	e .67	73.2	65.9	CG16
46	362	130	-.19	.19	.75	-1.7	.73	-1.8	d .61	72.2	67.4	CG13
31	348	130	.32	.19	.74	-1.8	.69	-2.2	c .67	73.2	65.4	CJ15
8	362	130	-.19	.19	.71	-2.0	.70	-2.0	b .65	71.1	67.4	CI8
35	385	130	-1.10	.20	.71	-2.1	.67	-2.2	a .60	79.4	69.6	CG2
MEAN	356.6	130.0	.00	.19	.99	-.1	1.00	-.1		67.7	66.6	
S.D.	11.9	.0	.44	.01	.22	1.3	.22	1.3		5.4	1.7	

Figure 3. Item statistics: Correlation order

collapsing of items is necessary. It estimates young entrepreneurs' experience in social innovation and empirical understanding relating to the types of social innovation that show that there are fewer discrepancies. This is indicative of the presence of fit responses to the items.

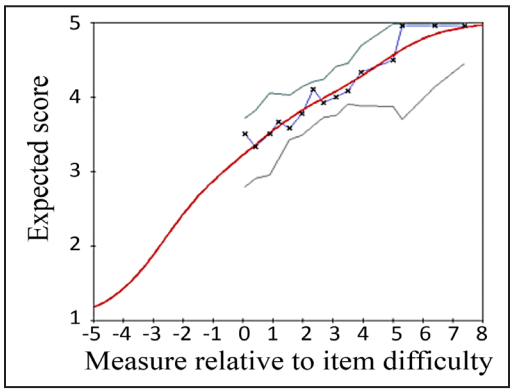

Figure 4. Measure relative to item difficulty

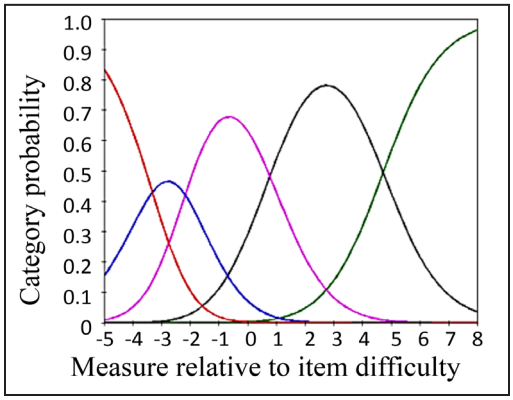

Figure 5. Category probability curve

DISCUSSION

The following discussion outlines the contribution that this research has made in two interdisciplinary areas of social innovation and entrepreneurship among young entrepreneurs in Malaysia.

Young enterpreneurs demonstrate their interest in social innovation through their social enterprises. As discussed, social enterpreneurship is characterised by a rigorous focus on outcomes. In one of the interviews, further analysis was done on young entrepreneurs and their experiences after engaging in the after-school education activities as part of their social products assisting their clients and beneficiaries. The two main subjects in which the young children performed below their grade levels were English and Mathematics. They used a smart training programme for instructors, and it has demonstrated substantial improvement in students' skills in Maths and reading in English. Students who participated in the smart training programme appeared to have advanced during the school years, and they continued to show progress. These young entrepreneurs received no preferences from the government over other approved service providers, most of which they believed paid less attention to quality.

Young social entrepreneurs pursuing long-term impact and outcomes in measuring their social innovation often assess their progress against the theory of change. In the above example, the pressing issues are to assist all young children in Malaysia to receive a good education. In order to achieve this objective, it must tackle problems that were set in motion by those from the bottom-of-the pyramid population or to be more specific, youths living in the marginalised communities. To derive into its social innovation outcomes, the measurement of success is set by the number

of alumni who assume leadership positions in public education and the number of young schoolchildren who have shown positive improvement in their studies.

Young Entrepreneurship and Their Implications for Policy and Practice

The majority of research on social entrepreneurship has been conducted in developed countries such as the USA, United Kingdom, Australia and Canada; however, in the Malaysian context, there is lack of research on this. According to Raja Suzana, Azham, Sophie and Wan Safia (2013), few investigations have been carried out to address the Malaysians' interest in modelling the outcomes of social innovation among young entrepreneurs.

While most entrepreneurship research gives considerable thought to the question of how the performance and sustainability of enterprises work directly, and on the entrepreneurial orientation and intention issues, many fail to consider what creates change and delivers outcomes beyond their immediate reach when implementing social innovation. It appears that this research has contributed to its most dynamic outcomes, and that it has focussed extensively on this challenge of bringing young social entrepreneurs into action.

CONCLUSION

This research draws on several international research works that have enabled us to develop ideas for solutions that are both attractive and have the potential to create change. It is also evident that elements of social innovation have contributed to literature on social entrepreneurship as little research has focussed on the extent of trying out solutions that help researchers in this field to start thinking and learning about what works on a small scale. This work has also contributed to explaining how and what creates change before investing in providing a solution.

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