



Social Innovation and its Influence on Youth Start-ups: The Marginalised Communities in Malaysia

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ABSTRACT

This paper examines the extent of the initiatives and change created as the result of social innovation activities in start-ups carried out by youths who live in marginalised communities in Malaysia. The targeted samples were between the ages of 20 and 25 years old. The empirical process involved capturing both tacit and explicit entrepreneurial values in building social innovation moves. This was to fulfil the urgent need for an innovative social innovation model that examines the current trend among youth start-ups. The research adopted the descriptive correlational research design and involved a total of 423 young start-ups. This sampling frame included young entrepreneurs who had engaged in social innovation and micro businesses in Miri and Kuching, Sarawak and the East Coast region of Malaysia. It conceptualised the process of social innovation, its core activities (social entrepreneurship) and the traits of the social entrepreneurs and was supported by their desire to provide solutions to the world's most pressing issues (the creation of social enterprise). This was tested using structural equation modelling. The Confirmatory Factor Analysis (CFA) procedure was employed to validate the measurement model of the latent constructs involved. All the constructs had achieved threshold validity and reliability. The findings revealed that the model also supports the robustness of the European Commission of Social Innovation (2013) and the Malaysia Model of Social Innovation (Raja Suzana, 2016). One of the implications is on the outcome of social innovation initiatives. It can be concluded that this paper provides insight into and develops a new model of social innovation. The greatest change was in the productive powers of society and

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the passion of this group of individuals. The outcomes contributed to both sound practical and theoretical aspects of social innovation value and a model of new venture using social innovation. This paper also contributes to the how and what that create change in this particular context before determining a solution.

Keywords: Entrepreneurial intention, Malaysia, social entrepreneurship, social innovation, youth

INTRODUCTION

Social innovation has received overwhelming interest among the young generations who are seeking a change in the way they manage their business activities. There appears to be a growing body of literature in the for-profit and non-profit organisations that are engaging in social entrepreneurship. The social innovation model has also been widely discussed in research related to social entrepreneurship, which includes all sectors. It was noted, however, that the roles and the extent of the influence of social innovation activities on youth start-ups remain unexplored, particularly involving youths living in marginalised communities in Malaysia. Although entrepreneurship has long been linked to wealth generation and socio-economic growth, social entrepreneurship that embeds the practices and activities associated with social innovation in the Malaysian perspective appears to have received little attention (Raja Suzana, 2016). There is the 'dark side' of social entrepreneurship success values that should

be given emphasis involving youth start-ups and social enterprises.

Literature on the social impact value is still limited, with little understanding on how youth start-ups that engage in social innovation operate their model of innovation. In addition, the social innovation model that influences the best practices of success remains vague and has not been studied in depth. Although there exist a few empirical studies that have discussed social innovation models extensively, there is still a research gap in the understanding of social innovation itself and its influences on youth start-ups, particularly involving youths who come from marginalised communities.

This paper will examine the factors that constitute a social innovation model for youth start-ups. It further identifies the dimensions of social entrepreneur traits and social enterprise success. The various dimensions that make up a social innovation model will also be explored and discussed. A review of the existing literature on social entrepreneurship, social innovation and traits of social entrepreneurs will be made. This prepares for the dataset for this paper, and it is framed in the context of descriptive research and the development of a social innovation model within the context of youth start-ups in Malaysia.

The methodology used in the research was designed with the objectives of identifying social entrepreneur traits of Malaysian youth and examining the influence of social innovation values on youth start-ups and their relationship with

social entrepreneurship elements in the context that is unique to the Malaysian setting. The paper contributes to the body of knowledge by identifying and exploring the factors that have influenced youth start-ups based on their social innovation success stories. The next section will examine the empirical review of these factors on a global basis. Further, this would contribute to the existing literature by enhancing understanding of the social innovation model and its influencing factors on youth start-ups in Malaysia.

LITERATURE REVIEW

Social entrepreneurship can be drawn from various spectra of research. Social innovation and its value in framing the success of business model innovation appear to be receiving increasing attention. In particular, a number of social enterprises have displayed their social innovation moves in the areas of social welfare and the way entrepreneurs managed socio-economic issues such as poverty, unemployment, environment and sustainability. For example, in the area of sustainability, the concept of sustainable development has been coined at the United Nations Conference on the Human Environment since 1972. Through the years, the World Commission on Environment and Development (WCED) (1987:8) defined sustainable development as development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. Many researchers have adopted this definition in their studies (Hall et al.,

2010). In 1994, John Elkington coined a concept known as 'triple bottom line' (TBL or 3BL), which refers to the integration of economic, social and environmental domains into business practices with an aim to create a new business model that embraces sustainability management. This is in line with the work of Raja Suzana and Ariffin (2013). In the work of Tilley (1999), the research explored the move of sustainability management into the areas of social entrepreneurship. This is further supported by Richomme-Huet and Freyman (2011), who claimed that social entrepreneurship is a new deal in business engaging social values. Evidence from the work of Crals and Vereeck (2004), Schwartz, (2009), O'Neil and Ucbasaran (2011), Nowduri (2012) and Raja Suzana and Adnan (2013) have had some influence on the new paradigm shift in the areas of social innovation.

SOCIAL INNOVATION

The new paradigm shift in social entrepreneurship that embeds social innovation helps to deal with unresolved and the world's most pressing issues. It is believed that these activities leave a significant effect on economic, social and environment agenda. The empirical work of Dees (1998, 2001) and Zahra, Gedajlovic, Neubaum and Shulman (2009) brings values to the definitional criterion sets for social enterprise. According to Bornstein and Davis (2010), the definition of social entrepreneurship was determined in the literature as far back as the late 1980s.

Bornstein (2004) devoted extensive work connecting readers and researchers on the topic of social entrepreneurship as an emerging business model.

Despite the above highlights on the success models of social entrepreneurship, there seems to be some arguable comments about what exactly a social entrepreneur is and does. In the work of Dacin, Dacin and Matear (2010), the authors identified 37 definitions of social entrepreneurship or social entrepreneur. In line with the study of Abu-Saifan (2010), a common concept was missing in explaining which social or profit-making activities fell within the spectrum of social entrepreneurship. Interestingly, social innovations are the main focus in the literature on social entrepreneurship. However, there remains a need to extend knowledge that the approaches are diverse. In this paper, special attention is given to the understanding of the values of social innovation among youth start-ups and the extent of its influence on young entrepreneurs from marginalised communities. Further research in the Malaysian setting shows that the Government supports micro SMEs and is aware of their success stories, issues, outcomes and the contributions they have made to the socio-economic aspect of the nation. However, there is still a lack of research and emphasis given to youth start-ups, particularly involving those from marginalised communities (Raja Suzana, Azham, Sophie, & Wan Safia, 2013). Although micro SMEs possess a substantial role in managing their enterprise and contribute to the socio-economy values,

they do not seem to have embarked on social innovation and social entrepreneurship quite readily (Raja Suzana, 2016).

CONCEPTUAL MODEL

In the previous section, it was evidenced that the literature differentiates between various types of social innovation, social entrepreneurship and who a social entrepreneur is and does. This paper selects social innovation as activities associated closely from the social entrepreneurship and its associated social mission along with innovative traits of the social entrepreneurs.

The conceptual framework for this work was developed based on the social innovation guide from the European Commission Social Innovation Principles (2013) and the Social Innovation Model in Malaysia (Raja Suzana, 2016). It conceptualises the process of social innovation, its core activities (social entrepreneurship) and the extent to which entrepreneurs are stimulated (traits of the social entrepreneurs) and supported by their desire to innovate solutions to the world's most pressing issues (social innovation). Figure 1 illustrates the conceptual model used in this paper. This was tested using structural equation modelling.

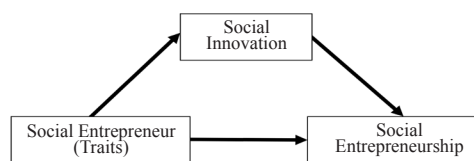


Figure 1. Conceptual model

Sources: The variables of elements of social innovation were adapted from the Guide to Social Innovation, European Commission (2013) and the variables of social entrepreneurship were adapted from the Social Innovation models in Malaysia (Raja Suzana, 2016)

RESEARCH METHODOLOGY

This paper examines the extent of the initiatives and change created as the result of social innovation activities in start-ups carried out by youths who live in marginalised communities in Malaysia. The targetted samples were between the ages of 20 and 25 years old with at least two years' experience in conducting a business. The empirical process involved capturing both tacit and explicit entrepreneurial values in building social innovation moves. This was to fulfil the urgent need for an innovative social innovation model that examines the current trend among youth start-ups. The research adopted the descriptive correlational research design and involved a total of 423 young start-ups. This sampling frame included young entrepreneurs who had engaged in social innovation and micro businesses in Miri and Kuching, Sarawak and the East Coast region of Malaysia. It conceptualises the process of social innovation and its influence on youth start-ups from the marginalised communities in Malaysia.

The Confirmatory Factor Analysis (CFA) procedure was employed to validate the measurement model of latent constructs involved in this paper. The results are illustrated in Figure 2, Figure 3 and Table 1 below. Three latent constructs were examined to seek the engagement of young entrepreneurs as social entrepreneurs in social innovation and social entrepreneurship.

Figure 2 shows all constructs pooled together for the validation procedure in CFA. The CFA output is given in Figure 3.

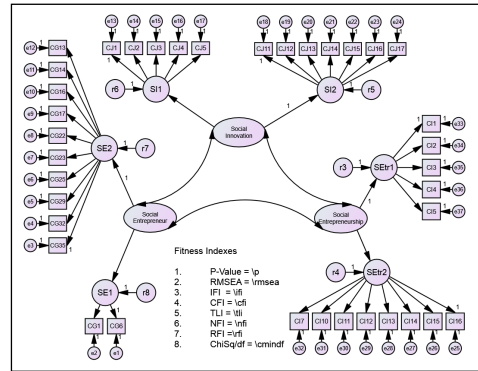


Figure 2. The pooled CFA procedure to validate the three latent constructs simultaneously

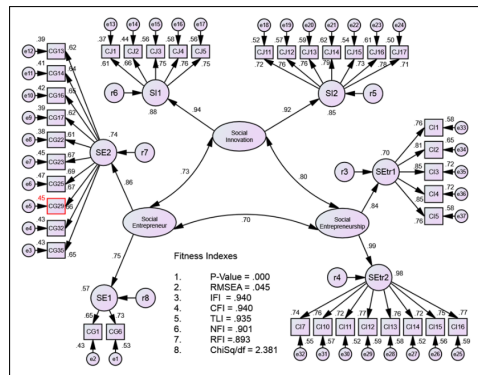


Figure 3. The pooled CFA results showing the fitness indexes, factor loading and the correlation between constructs

All constructs are second-order measured through their respective components. The first construct is traits of the social entrepreneurs. This is an exogenous construct measured using two components, namely the need for achievement (two items) and risk-taker (10 items). The second construct is social innovation. This is the mediator construct measured using two components, namely the identification of new ideas (five items) and socio-economy impact (seven items). The third construct

is social entrepreneurship. This is an endogenous construct measured using two components, namely the commercial-purpose (five items) and social-purpose (eight items). All items were measured using an interval scale of 1 signifying 'strongly disagree' to 5 signifying 'strongly agree'. Prior to modelling the structural model

and executing the Structural Equation Modelling (SEM), the paper validated the latent constructs using the Confirmatory Factor Analysis (CFA). The analysis chose to employ the pooled CFA, where all constructs were pooled together to run the CFA procedure simultaneously.

Table 1
Assessment of normality for all items measuring the constructs

Variable	min	max	skew	c.r.	kurtosis	c.r.
CI5	1.000	5.000	-0.420	-4.487	0.453	2.419
CI4	1.000	5.000	-0.514	-5.496	0.510	2.725
CI3	1.000	5.000	-0.497	-5.311	0.736	3.931
CI2	1.000	5.000	-0.533	-5.692	0.652	3.484
CI1	1.000	5.000	-0.749	-7.999	1.048	5.598
CI7	1.000	5.000	-0.372	-3.977	0.432	2.306
CI10	1.000	5.000	-0.327	-3.492	0.170	0.907
CI11	1.000	5.000	-0.333	-3.562	0.234	1.253
CI12	1.000	5.000	-0.176	-1.885	-0.113	-0.601
CI13	1.000	5.000	-0.334	-3.566	0.245	1.307
CI14	1.000	5.000	-0.234	-2.499	0.038	0.205
CI15	1.000	5.000	-0.186	-1.991	0.023	0.123
CI16	1.000	5.000	-0.125	-1.341	-0.198	-1.057
CJ17	1.000	5.000	-0.287	-3.062	0.172	0.920
CJ16	1.000	5.000	-0.300	-3.210	0.415	2.218
CJ15	1.000	5.000	-0.306	-3.268	0.595	3.178
CJ14	1.000	5.000	-0.244	-2.608	0.143	0.766
CJ13	1.000	5.000	-0.252	-2.698	0.248	1.327
CJ12	1.000	5.000	-0.309	-3.301	0.442	2.361
CJ11	1.000	5.000	-.347	-3.708	0.425	2.273
CJ5	1.000	5.000	-.301	-3.213	0.359	1.920
CJ4	1.000	5.000	-.211	-2.259	0.209	1.117
CJ3	1.000	5.000	-0.149	-1.592	0.023	0.125
CJ2	1.000	5.000	-0.247	-2.634	0.258	1.378
CJ1	1.000	5.000	-0.374	-3.995	0.433	2.311
CG13	1.000	5.000	-0.405	-4.326	0.886	4.733
CG14	1.000	5.000	-0.088	-0.944	0.090	0.481
CG16	1.000	5.000	-0.134	-1.433	0.084	0.447
CG17	1.000	5.000	-0.134	-1.429	0.104	0.553

Table 1
Assessment of normality for all items measuring the constructs (continue)

Variable	min	max	skew	c.r.	kurtosis	c.r.
CG22	1.000	5.000	-0.087	-0.924	-0.227	-1.213
CG23	1.000	5.000	-0.409	-4.371	0.561	2.998
CG25	1.000	5.000	-0.315	-3.363	0.328	1.752
CG29	1.000	5.000	-0.090	-0.965	-0.276	-1.473
CG32	1.000	5.000	-0.504	-5.388	0.657	3.510
CG35	1.000	5.000	-0.257	-2.746	0.002	0.009
CG1	1.000	5.000	-0.847	-9.045	1.322	7.064
CG6	1.000	5.000	-0.659	-7.037	0.994	5.311
Multivariate					634.642	154.595

FINDINGS AND DISCUSSION

The validity of the constructs is illustrated in Figure 4 and Figure 5. It shows a good fitness index on the measurement model with RMSEA=0.043, CFI=0.943, TLI=0.935 and Chi-Square/df=3.129. The measurement appears to have achieved the discriminant validity, where the correlation between constructs are <0.85. In addition, the Cronbach alpha for the constructs reliability achieved the 0.600 threshold, met the CR with more than 0.60 and achieved AVE greater than the 0.5 threshold. All the constructs of the study achieved the validity and reliability threshold.

Prior to modelling the structural model and executing the Structural Equation Modelling (SEM), the study had to validate the latent constructs using the Confirmatory Factor Analysis (CFA) (Zainudin, 2014). The study chose to employ the pooled CFA, where all the constructs were pooled together to run the CFA procedure at once. The pooled CFA is fast, efficient and reliable. More importantly, this method

would overcome the problems of model identification when the number of items per construct is less than four (Zainudin, 2014).

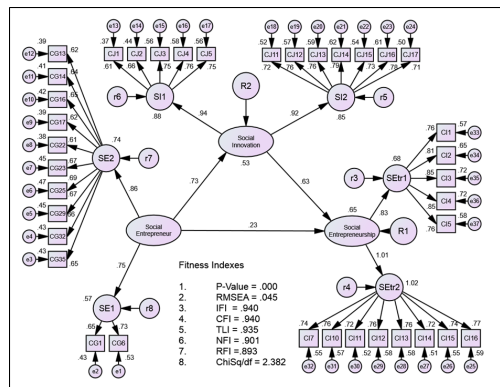


Figure 4. The standardised path coefficient between constructs in the model

The findings revealed that the model also supported the robustness of the European Commission Social Innovation principles (2013) and the Social Return on Investments Model of New Economics Foundations (2004) and the Model of Social Innovation in Malaysia (Raja Suzana, 2016). One of the implications is on the outcome of social innovation initiatives. Young social

entrepreneurs appear to have positive and significant effects on social innovation.

The social innovation initiatives have a positive and significant effect on social entrepreneurship. It was estimated that the predictors of social entrepreneurship development among young entrepreneurs explained 65% of its variance. Similarly, the social entrepreneur traits also have positive and significant effects on the development of social entrepreneurship. Social innovation was also found to mediate the relationship between the traits of young social entrepreneurs and social entrepreneurship activities in the Malaysian setting. It was estimated that the predictors of social innovation explain 62% of its variance.

The findings concluded the results for passionate young social entrepreneurs, be it in micro and small enterprises or non-profit organisations. This research provided insight into the theoretical framework and proved that the greatest change lays in the productive powers of society and the passion of this group of individuals. Today, the bridges that link the success of young entrepreneurs, social organisations and government agencies still remain narrow and less explored. The empirical evidence collected in this study has shed some light into social innovation, and the model has also revealed that social innovation mediates the relationship between social entrepreneurs and social entrepreneurship.

Implications for policy and practice

Research implications. Social innovation in this aspect has improved social economic growth and provides attractive incomes and amenities to young entrepreneurs coming from marginalised areas and raises their overall income level. While most entrepreneurship research gives considerable thought to the question of how enterprises' performance and sustainability work directly and entrepreneurial orientation and intention issues, many fail to consider how to affect change and deliver outcomes beyond their

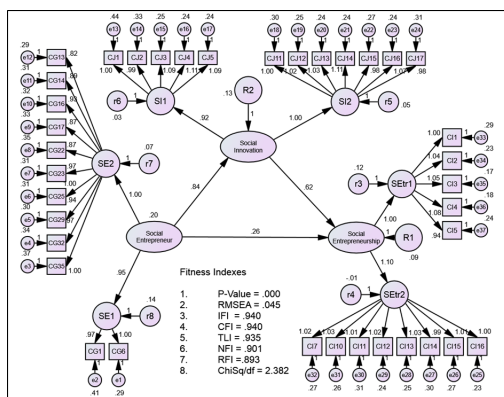


Figure 5. The regression path coefficient between constructs in the model

Table 2
The regression path coefficient between constructs and its significance

			Estimate	S.E.	C.R.	P	Result
Social Innovation	←---	Social Entrepreneur	0.841	0.084	9.961	***	Significant
Social Entrepreneurship	←---	Social Innovation	0.630	0.069	9.128	***	Significant
Social Entrepreneurship	←---	Social Entrepreneur	0.277	0.075	3.701	***	Significant

immediate reach when implementing social innovation. It appears that our exploration has contributed to revealing its most dynamic outcomes, as it has focussed extensively on this challenge of getting the young social entrepreneur to act.

Practical implications. With regards to practical contributions, the findings show that specific policies orientated towards achieving successful growth among young entrepreneurs is lacking. It is also evident that elements of social innovation have contributed to the social entrepreneurship literature in the Malaysian setting and that little research has focussed on the extent of trying out solutions that help researchers in this field to start thinking and learning what works on a small scale.

This work introduced the social innovation model for young entrepreneurs from marginalised communities in Malaysia and the outcomes that contributed to both sound practical and theoretical aspects of social innovation value and a model of new venture using social innovation. This paper also contributed to the how and what that creates a change in the Malaysian context before making a solution.

CONCLUSION

It can be concluded that change demands the recombination of knowledge with new recipes that suit young entrepreneurs in the Malaysian setting. Young start-up entrepreneurs are passionate and are seen as energetic social entrepreneurs who play a critical role. This new model of social

innovation for youth start-ups introduces the concept of social entrepreneurship that promotes creative combiners, carving out spaces in society to foster overall solutions that are well-developed to frame this social innovation model.

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