

GOVERNANCE FOR SUSTAINABLE SOCIAL ENTERPRISE PERFORMANCE: MOVING BEYOND CONTROL MECHANISMS

Aziatul Waznah Ghazali, PhD
 Accounting Research Institute, Universiti Teknologi Mara, Malaysia

Governance for Sustainable Social Enterprise Performance : Moving Beyond Control Mechanisms

Aziatul Waznah Ghazali



Background of Study

Empowering the spirit of entrepreneurship, creativity and innovation

MAGIC supports the creativity and innovation development in Malaysia through dynamic support centers and capacity building initiatives. (MAGIC)

113,300+	180+	1,680+
1.9b	MAGIC	

Why Social Enterprises?

Social Enterprises Will Shake M'sia's Economy, But Here's What Needs To Be Fixed First

Social enterprises when done right can have a significant impact, not just socially or environmentally, but also economically.

In a report by **Social Enterprise UK 2018**, social enterprises make up 1% of UK GDP and 5% of all UK employment, as much as the entire creative industry sector. Social enterprises also contributed around 66 billion GBP into the UK economy.

It's clear that their potential is huge, but social enterprises in Malaysia have a lot of hurdles they need to overcome before they can reach that critical point.

Social enterprises need to **adhere to both financial and social demand.**



Background of Study (cont..)

Sustainable Performance

- One of the prominent challenges of social enterprises is the **sustainability of performance** (MaGIC, 2015; British Council, 2018).
- Their **survival and prosperity are highly contested** (Weerawerdana et al., 2010; Ang et al., 2016; Ee, 2019).



Problem Statement

Research Gap

- Restricted to certain type of social organisation
 - Focus more on traditional non-profit organisations (Pinho et al., 2014, Arshad et al., 2015), microfinance (Amran et al, 2019).
- Lack of rigorous study
- Complexity – hybrid organisations
 - Call for study to cover this organisations as well (Ebrahim et al., 2014)

How governance as control mechanisms are affecting the sustainable performance of social enterprises.

Theories

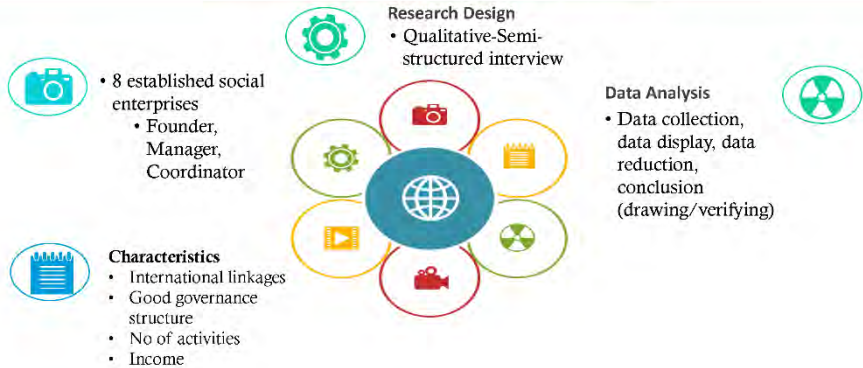
Stakeholder theory

Organizations should be **responsible for many groups in society** rather than solely to the owner of the organizations (Freeman, 1984).

Governance structures should facilitate in managing the claims of the stakeholders they serve (Donaldson & Preston, 1995).

Stakeholder management can enhance organisational wealth and economic benefits (Fletcher, Guthrie & Steane, 2003).

Research Methodology (Phase II)



Research Findings

- ❑ Majority of the respondents regarded **internal control systems, risk management, corporate structure and corporate culture** as an important elements in influencing the sustainable performance.
- ❑ The study also able to capture what goes **beyond performance either in term of financial or non-financial performance – Social value**
- ❑ The wider impact of social enterprises would be on the **enrichment, enlightenment and social status alleviation** of marginalised people or the underprivileged.

Research Findings

- ❑ Mission alignment
- ❑ Stakeholder engagement
- ❑ Board composition and leadership
- ❑ Accountability and transparency
- ❑ Long-term sustainability
- ❑ Social and environmental impact measurement
- ❑ Collaboration and partnerships
- ❑ Learning and adaptation
- ❑ Legal and regulatory compliance



Discussions of Findings

- ❑ The movement of social enterprise in Malaysia **is promising**
- ❑ **Good governance structure** will have positive impact on sustainable performance
- ❑ **Good accountability** will improve the transparency-**positive perception**
- ❑ Future financial resources depends on **accountability and performance**
- ❑ Regarded as one of key players - **SPV 2030 and SDGs**



Research Limitations

- ❑ Methodological limitations - **Common –source bias and self-reporting bias** may have occurred in the data collection.
- ❑ Some variables might **need to be observed in the long run observation**.
- ❑ Confined to a **single source** which is the sample screening from the publicly available list of the company limited by guarantee (CLBG).

Recommendations for Future Study

- ❑ Future studies:
 - To explore and expand the framework to include the issue on SDG
 - To collect real data, particularly on the financial data.
 - To obtain responses from the regulators and the end stakeholders of social enterprises.
 - To learn from international best practice

Conclusion

- Social enterprise has the **capabilities** to produce a lasting impact on society by providing innovative business solutions to inflexible social issues.
- In order to sustain, social enterprise need to improve **the efficiency of their internal governance particularly their internal control system**.
- For social enterprise, accountability is the core value that is needed in order to enhance their performance which are uphold by the pillars of governance mechanism.
- The result from the study can help regulators and the authority bodies to effectively **monitor** these organizations in order to **improve the social enterprise ability to sustain hence able to produce impactful activities**.