

Innovation and Capacity building in the context of Financialisation and Uneven Development of the Global Economy: New Roles for the State, Productive sector, and Social actors

Baskaran, Angathevar (1); Tang, Mingfeng (2); K, Thiruchelvam (3); Shahabudin, Sharifah Muhairah (1); S. Y. Chan, Theresa (1)

1: Department of Development Studies, FEA, University of Malaya, Kuala Lumpur, Malaysia; 2: School of Business Administration, Southwestern University of Finance and Economics, Chengdu, China; 3: Freelance Consultant, Kuala Lumpur, Malaysia

Social Entrepreneurship and Inclusive Growth: Attributes, Perceptions and Roles of Business Incubators and Intermediaries in Malaysia[†]

Abstract

Social enterprises are considered to be at the heart of inclusive growth due to their emphasis on people and social cohesion and help effect social and economic transformation. Malaysia's New Economic Model (NEM) set out three objectives -- high income, sustainability and inclusiveness, as the foundation for transformation to advanced nation by 2020. In the Tenth Malaysia Plan (2011-2015) 2 out of 10 objectives are on achieving inclusive growth. This paper explores the eco-system for social enterprises in Malaysia, particularly focusing on the following research questions: 1. What are the attributes (features) of business incubators and intermediaries operating in the social enterprise sector in Malaysia; 2. What are the perceptions of business incubators and intermediaries about various aspects of social enterprise ecosystem in Malaysia? And 3. What is the role of business incubators and other intermediaries in fostering social entrepreneurship in Malaysia general and meeting the inclusive growth objective of the country in particular?

The study employs qualitative approach to analyse six cases of business incubators and intermediaries. It uses primary data gathered through interviews of eight business incubators and intermediaries, and seven social enterprises. The study found that the current social enterprise ecosystem is weak and still emerging and 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 this sector and is seriously affecting the private sector participation such as coupling of CSR related funding with the development of social businesses. The study suggests that the government initiate policy measures to give legal status to social enterprise in the country in order to develop the ecosystem and facilitate greater participation of the private sector.

Key words: Inclusive growth, Social enterprise, Social innovation, entrepreneurship ecosystem, Malaysia.

1. Introduction

Policy makers in both developing and developed countries have become increasingly concerned with high level of inequality which can have serious negative consequences such as reducing equitable growth, increasing poverty, undermining political stability and potentially contributing to conflict. World Bank's Global Monitoring Report 2011 (p.8) states: "Reaching the MDGs requires addressing the plights of the world's socially excluded groups, including indigenous people, ethnic minorities and linguistic groups...[in] addition to assisting indigenous peoples, more inclusive growth and equality within countries will also benefit people in the bottom

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quintiles and lift more people out of poverty”. ‘Inclusive Growth’ increasingly has become the main focus of attention for many national governments, multinational organisations such as the European Union, United Nations, World Bank, Asian Development Bank, international research organisations such as The International Development Research Centre (IDRC), Canada, non-government organisations (NGOs), and civil society organizations. The European Commission’s strategy document ‘E U R O P E 2 0 2 0’ identified Inclusive growth (fostering a high-employment economy delivering economic, social and territorial cohesion) as one of the three priorities (the other two are Smart growth and Sustainable growth. ‘E U R O P E 2 0 2 0’ defined Inclusive growth: “Inclusive growth means empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour market; and training and social protection systems so as to help people anticipate and manage change, and build a cohesive society... It is about ensuring access and opportunities for all throughout the life cycle.”

Malaysia’s New Economic Model (NEM) presents a framework for transforming the country from a middle income to an advanced nation by 2020. The NEM sets out three objectives -- high income, sustainability and inclusiveness, as the foundation for launching subsequent phases of transformation. In the Tenth Malaysia Plan (2011-2015) 2 out of 10 objectives are on achieving inclusive growth: equality of opportunity and safeguarding of the vulnerable, and inclusive development alongside concentration on urban growth poles and high density clusters (Government of Malaysia, 2010).

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. In other words, their key aim is to effect social and economic transformation which contributes to the objectives of the Europe 2020 Strategy” (European Commission, 2012, p.4). The role of social entrepreneurship in EU has been growing significantly and this is evident from some major indicators. The Social economy in the European Union include: 10 % of the European economy (GDP); More than 11 millions of workers; 6 % of total employment. Social Entrepreneurship in the European Union include: 7.5 % of the active population in Finland; 5.7 % in the United Kingdom; 5.4 % in Slovenia; 4.1 % in Belgium; 3.3 % in Italy; 3.1 % in France; 1 out of 4 new enterprise set-up every year in the European Union, and up to 1 out of 3 in Finland, France and Belgium (European Commission, 2012, p.3; 2012a).

According to Asian Development Bank (2012), social enterprises are addressing India’s vast development needs, by employing innovative business models, in key sectors such as agriculture, education, energy, financial services, healthcare, housing, sanitation, and water, while maintaining sustainability through viable revenue models. In recent years, India has witnessed an increase in the number and size of investments in businesses with a clear triple bottom line returns – that is, profits (or financial sustainability at the least), social impact, and environmental impact. The Central and the State governments have been showing increasing interest on social entrepreneurship through Micro, Small, and Medium Enterprises (MSMEs) policy framework. These trends in Europe and in developing countries such as India underscore the importance and need for fostering social enterprises within national economies. This paper explores the ecosystem for social enterprises in Malaysia, particularly examines the following research questions:

1. What are the attributes (features) of business incubators and intermediaries operating in the

social enterprise sector in Malaysia; 2. What are the perceptions of business incubators and intermediaries about various aspects of social enterprise ecosystem in Malaysia? and 3. What is the role of business incubators and other intermediaries in fostering social entrepreneurship in Malaysia general and meeting the inclusive growth objective of the country in particular?

Generally, Business Incubators (BI) are seen as facilitators of technology-driven small ventures and therefore they have been studied mainly from the perspectives of general entrepreneurship development and start-up companies, industrial cluster, technology development, regional development, and performance (e.g. Tamásy, 2007; Hannon, 2005). However, over the last ten years, this narrow focus has given way to a broader concept of ‘business incubation for social entrepreneurship and social inclusion’ with emphasis on social entrepreneurs and including new groups of entrepreneurs such as immigrants and ethnic groups, women, people under the threat of unemployment, students about to graduate and new industries and sectors such as creative industries, alternative energy, rural livelihood, healthcare and social services. However, this phenomenon/trend has not been researched well and very few studies are found in this area (e.g. Etzkowitz et al., 2005). Against this background, our research project mainly focuses on the business environment in Malaysia and explores the following main question: What is the role of business incubators and other intermediaries in fostering social entrepreneurship and social inclusion to achieve socially inclusive growth and transformation in Malaysia? That is, in this study, our emphasis is on the development and facilitation of social entrepreneurship and social inclusion, as they are considered as the most important elements or sub-sets of inclusive growth. Over the years, the concept ‘incubator’ and the incubation models have evolved into various types such as industrial parks, science parks, knowledge parks, technology business incubators, university business incubators, innovation parks, business accelerators, innovation centres, technopoles and networked incubators (see e.g. Pauwels et al., 2015; Aernoudt, 2004; Grimaldi and Grandi, 2005; Bøllingtoft and Ulhøi, 2005). In other words, the term ‘incubator’ has become an umbrella concept to describe a heterogeneous group of institutions and their activities (Scillitoe and Chakrabarti, 2010).

Therefore, in this study ‘business incubation for social entrepreneurship and social inclusion’ means the role of business incubators (BIs) and other intermediaries (IMs) who are *involved directly* in fostering social entrepreneurship including new groups of entrepreneurs such as ethnic groups, women, people under the threat of unemployment, students about to graduate, and new industries and sectors such as creative industries, alternative energy, rural livelihood, healthcare and social services. As there is no legal recognition of social enterprise in Malaysia, this study will adopt a modified definition as used by UK Government to consider an entity as a social enterprise: “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).

The paper is structured as following: sections 2 and 3 discuss literature review and research methodology respectively, section 4 discusses the social entrepreneurship ecosystem in Malaysia and presents the cases, section 5 provides findings and discussion, and finally section 6 draws some conclusions.

2. Literature Review

Early incubator studies are primarily descriptive, generally embracing different understandings of business incubator's concepts and functions (Allen, 1985; Allen and Levine, 1986; Smilor and Gill, 1986). Findings of these studies suggest that an incubator must have a physical plant with low market rents, shared service, logistical support, and business consulting services (Allen, 1985) and also effective linkages to talent, technology, capital and know-how to leverage entrepreneurial talent; accelerate the development of new technology-based firms, and speed the commercialization of technology (Smilor & Gill, 1986). Since the 1990s, researchers have begun to complete the concept by describing the role and services of business incubators. Incubators hatch new ideas by providing new ventures with physical and intangible resources and speed up new ventures' establishment and increase their chances of success (Hansen *et al.*, 2002). They help entrepreneurs develop business and marketing plans, build management teams, obtain venture capital, and provide access to professional and administrative services (vonZedtwitz and Grimaldi, 2006). Counseling interactions with incubator management help ventures to gain business assistance whereas networking interactions with incubator management help ventures to gain technical assistance (Scillitoe and Chakrabarti, 2010). In sum, various understandings identified above of business incubators extend the initial focus on physical space with basic facilities to value-added services and systematic incubation process.

Creating Social Value with Social Entrepreneurship

The field, entrepreneurship itself is not yet clearly defined. This applies to Social Entrepreneurship as well, as the literature is full of examples and case studies that are used to illustrate the authors' understanding of social entrepreneurship (Dees, 2001; Mort *et al.*, 2003). The term "social entrepreneurship" (SE) is used to refer to the rapidly growing number of organizations that have created models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy (Seelos & Mair, 2005). Given that the comparable number for commercial entrepreneurship is 6.2%, these data raises the intriguing possibility that social entrepreneurship may be almost as important a phenomenon as commercial entrepreneurship (Harding, 2006).

Entrepreneurship can have social results, intended (by what are often called social entrepreneurs), but also unintended (when a business idea leads to social change) or maybe half-intended (Groot & Dankbaar, 2014). Although, there is increasing academic interest in social entrepreneurship, the management field still lacks a good conceptual understanding of the economic role and logic of action of social entrepreneurship (Santos, 2012). Social entrepreneurship therefore, has many interpretation but they could only be differentiated by its functions and contributions.

Social Entrepreneurship is solving in new and innovative ways the tasks of planning, organizing, leading, motivating and controlling resources and people in order to achieve effectively and efficiently their purpose and objectives, fundamentally connected to social needs (Lisetchi & Brancu, 2014). It therefore has profound implications in the economic system: creating new industries, validating new business models, and allocating resources to neglected societal problems (Santos, 2012). Social Entrepreneurship is first a social innovation, because it

innovates the concept of entrepreneurship by adding social value; operates innovatively to resolve social needs; structured on a combination of business organizations' and NGOs' and public institutions' management; uses economic activities to approach social needs; and lastly, creates new hybrid organizations such as public-private partnerships or community partnerships involving public authorities, private companies and citizens. (Lisetchi & Brancu, 2014).

Social entrepreneurship is about finding new and better ways to create and sustain social value (Anderson and Dees, 2002). For-profit corporations usually have a clear goal of maximizing value appropriation and satisfying value creation by following legal requirements and socially responsible actions, opposed to Social-mission organizations, who maximizes on value creation and satisfaction on value appropriation just to be sustainable and able to re-invest in growth (Santos, 2012). As such, what determines the difference of a social enterprise and commercial enterprise is on whether the organization prioritizes value creation against value appropriation. It is driven by motivation to create value for society no matter what legal form the organization adopts (profit vs. non-profit) or whether entrepreneurs eventually appropriate value through their activities or not, is irrelevant for their institutional role since what matters for economic activity is the motivations that drive economic behavior (Santos, 2012).

A social enterprise includes social objectives into their organization with an outcome of resolving current societal issues stemming from climate change to social justice to eradicating poverty; as social value creation are primary objective, while economic value creation is by-product, enabling organizations to achieve sustainability and self-sufficiency (Seelos & Mair, 2005). Contrary to business entrepreneurs, social entrepreneurs have a "double bottom line" in which social value appears next to financial value (Acs et al., 2013; Lumpkin et al., 2013). A triple bottom line approach tailored according to these concepts works since it embraces economic, social and environmental perspectives. This may at the same time serve as a meaningful substitute for cost benefit analysis that is commonly used by commercial entrepreneurs but subject to criticisms due to sole focus on economic goals. In order to address different goals, performance evaluation needs to be enriched using the experiences of public administration in bringing social welfare. As a final say, the indicators for social returns on investment need to be developed and used without the dominance of financial returns so that social entrepreneurship can improve its contentious legitimacy (Leadbetter, 1997).

Social Entrepreneurship and Externalities

Social Entrepreneurship pursues neglected positive externalities, which is a distinctive domain in social entrepreneurship. Charities have a re-distributive function to improve the fairness in economic outcomes, but in dynamic economies, these actors are not sufficient to achieve social welfare (Santos, 2012). If the market inefficiency is caused by positive externalities it leads to under-provision or under-consumption of beneficial goods by self-interested actors because they do not perceive a potential for value appropriation (Rangan et al., 2006). These market failures, should be tackled by governments since the internalization of positive externalities is one of their central roles. Yet, any institutional actor will only perform its role if it has the motivation and ability to do it; as such, there is a need to explore further the motivation and ability of governments to address positive externalities (Santos, 2012)

Social Innovation and Social Entrepreneurship

Social innovation is seen to be concerned with “the development of what are currently viewed as assets for sustainable development: environmental, human and social capital” (Dro et al., 2011). In line with Schumpeter, social innovation is the essence of social entrepreneurship, as to how innovation is to entrepreneurship. As such, there is a need for social innovation to search for solutions to pressing social problems (Groot & Dankbaar, 2014). An innovation is therefore social to the extent that, either conveyed by the market or the non-profit sector, it is socially accepted and widely diffused throughout the society or in certain societal sub-domains, transformed depending on circumstances and ultimately institutionalized as new social practices or routines emerge. The field of social innovation turns critical societal problems into opportunities by actively involving the community actors (Lisetchi & Brancu, 2014).

Development of Social Entrepreneurship – Building an Ecosystem

It is also sometimes argued that social entrepreneurs operate in the absence of markets for the issue they aim to address and need to develop new market-based mechanisms. (Santos, 2012). However, entrepreneurs who operate in nascent fields also need to construct new markets around their solution (Santos et al., Forthcoming). In case of social entrepreneurship, the market as a driver may create problems in prioritization of issues identified for social change projects. Gaining approval of community members and transparency in all steps therefore is crucial to maintain legitimacy (Leadbetter, 1997).

3. Methodology and Data

Since there is very little research on social entrepreneurship in Malaysia, this study is exploratory in nature and it uses mainly qualitative approach and case studies. Furthermore, previous researchers (e.g. Campbell *et al.*, 1988; Mian 1997) have employed the case study approach for incubator evaluation. As the number of business incubators and other intermediaries linked to on social entrepreneurship in Malaysia are limited, the case study method and qualitative methodological approach are deemed the most appropriate. To surmount the problem of selective recollection, revisionism, and possible bias, Yin (1994) suggested the need for multiple sources of evidence in a case study. Our research study is based on the convergence of information from different sources: managers of incubators and intermediaries, social enterprises, and secondary documents.

For data gathering we have used face to face semi-structured interview method. First, we did a mapping of business incubators (BIs) and other intermediaries linked to social entrepreneurship in Malaysia. As there is no database or official source of information on them, we have built a list of business incubators and other intermediaries through internet search. In total we compiled 12 and shortlisted 8 for interview. In all we conducted 7 interviews of BIs and IMS. Of these we have selected to use 6 as cases in the study[‡]. They are: MAGIC, Tandemic, MyHarapan, Air Asia Foundation, PACOS Trust[§] and Yayasan Sabah. In order to get the perspective of social

[‡] This is a work in progress. In this paper PACOS Trust and Yayasan Sabah are not included. But they will be included in the final paper.

[§] PACOS Trust has a dual characteristics. It acts as incubator for developing social enterprises and itself is also a social enterprise.

enterprises, we have interviewed representatives from seven social enterprises. These are: 1. Biodiversity Conservation Initiative; 2. Sabah Women's Action-resource Group; 3. PACOS Trust; 4. Tonibung; 5. Borneo Conservancy; 6. Sustainable Cities; 7. WWF. All of them are located in Kota Kinabalu, Sabah, which is part of East Malaysia. We have selected them, as this region has a large concentration of social enterprises and also is relatively behind compared to peninsular Malaysia in terms of socio-economic development. The interviews were recorded and lasted between one and two hours. All interviews were conducted by at least two researchers jointly.

4. Social Enterprise Ecosystem in Malaysia

The social enterprise ecosystem in Malaysia is still at a very nascent stage. Currently, there are over 100 social enterprises in Malaysia with more than 70% founded in the last 5 years. Table 1 shows the distribution of social enterprises across different sectors. The under-development of this sector appears to be due to a combination of factors such as lack of policy thrust from the government, and large presence of non-governmental organizations (NGOs). As such, compared to neighboring countries like Thailand, the social enterprise sector in Malaysia is far behind in terms of number of SEs ecosystem development.

Table 1: Target Development Areas of Social Enterprises in Malaysia

Target Development	Market Share
Community Development and Integration	19%
Environment and Sustainability	15%
Economic Access and Poverty Alleviation	14%
Education	11%
Healthcare	10%
Others	31%

Source: MaGIC, 2014, p. 83.

According to the Malaysian Social Enterprise Blueprint (MSEB) prepared by the Malaysian Global Innovation and Creativity Centre (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’. The lack of definition has led to confusion among stakeholders and potential entrepreneurs leading to the development of two broadly distinct strands of social enterprises as follows. 1. *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. 2. *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, 2014, p. 20).

The SE ecosystem comprises of 3 major components; government and corporations, intermediaries, and social enterprises. The intermediaries act as a bridge between corporations, government and social enterprise. Some major weaknesses in the SE ecosystem in Malaysia were highlighted by MSEB: (i) “The ecosystem is sporadic and disconnected and requires close coordination to drive policy formulation and generate social innovation”; (ii) “The ecosystem is isolated, with minimal private sector involvement to encourage collaboration, investment, and

wealth creation”; (iii) “Existing institutions are unable to create supportive regulatory, tax, and administrative frameworks to support social enterprises” (MaGIC, 2015, p.44, Table 4.1). The Malaysian Social Enterprise Blueprint 2015-2018 states that: “While the blueprint focuses on a three-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 business incubators and intermediaries involved in the sector to shed some light on how they are trying to help build the SE ecosystem in Malaysia and what are the opportunities and challenges they are facing.

5. Cases of BIs and IMs from Social Enterprise sector

5.1. Tandemic

Tandemic was started in 2009 as a social venture fund with an objective of investing in social enterprises in Malaysia. Tandem Fund focused on investing in entities with proven business models that could expand their social impact. But Tandemic soon realized that the industry was not well developed and it was unable to find suitable organizations to invest in. This forced Tandemic to switch focus towards social innovation and by designing different programmes, workshops, mentoring and internally incubated projects.

Tandemic’s main objectives is to use social innovation to support the social sector by contributing towards the development of social enterprises, corporate social responsibility (CSR) sector, and the NGOs sector. Tandemic is a private entity that operates like a social enterprise. It does not have a structured governing body but a dynamic organizational structure. It have worked with (among others) Nova Nordisk & Ministry of Health; UNICEF and is currently facilitating training programmes through MaGIC’s accelerator programme. Tandemic sustains itself by running training programmes for external organisations and foundations including CSR related trainings and projects for private corporations. Proceeds from their profits are reinvested into developing and incubating internal social projects. Among them is the DoSomethingGood portal – a volunteering platform that enables corporations or NGOs to seek for volunteers to participate in their programmes and projects. As part of governance, they review their portfolio every three months to re-assess their organizational direction. It has been focusing more on the NGOs sector because of the limited scope in the social enterprise sector at present and also because of the need for more innovations in the NGOs sector and it’s ability and potential to make a social impact**.

5.2. MaGIC

MaGIC is a government owned company that was established in 2014 to develop and drive entrepreneurship especially in the technological sector in the country. It travels around the country to run trainings, awareness campaigns and it also runs an accelerator programme that includes providing seed funding. MaGIC is the leading agency in drawing the Malaysia Social

** Interview with Kal Joffres, CEO, Tandemic.

Enterprise Blueprint. It is working together with various government agencies and existing SE intermediaries and social enterprises to develop the SE ecosystem in the country. MaGIC is funded solely by the government of Malaysia. MaGIC established its Social Enterprise arm in 2015, and was granted RM20 million to develop and implement the Malaysian Social Enterprise Blueprint (between 2015 and 2018).

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. They hold regular meetings with the NBOS Committee to collaborate with other government departments and agencies in Malaysia. As a government funded entity, it has strong links with government department or organizations such as MOF (Ministry of Finance), NBOS (National Blue Ocean Strategy Committee), KSN (Youth and Sports Ministry, PMO (Prime Minister's Office), AIM, State Government departments (in Sabah, Sarawak, Johor, Penang states). MaGIC also worked with essential actors in the sector such as Scope Group, Tandemic, MyHarapan, Social Enterprise Alliance (SEA), British Council, and IM4U. It has links with the private sector including Zain & Co, PWC, and Accenture and educational institutions such as UTM, UPM Pahang, UniMas, UMS, Sunway University, and UM Kelantan^{††}.

5.3. AA Foundation (AAF)

AirAsia Foundation was established in 2012 to encourage the spirit of entrepreneurship through innovation. It was incorporated in Labuan as a not-for-profit Foundation. It aims to leverage on AirAsia's network and resources across the ASEAN region to bring social change by creating synergies and connecting people. It is mainly funded by Air Asia. AirAsia Foundation's Council of Trustees is made up of 6 ASEAN citizens who have made important social and professional contributions in their respective countries. From entrepreneurs to lawyers, they bring considerable expertise and local know-how to advise AAF team and its grantees. Its external links are mainly with AirAsia and ASEAN.

It operates a very robust screening and selection systems for funding SEs. It is based on four main criteria: Social impact; Beneficiaries; Sustainability; Innovativeness. The potential SE must demonstrate a business model that demonstrates these traits, and have been successfully operating for 2 years. The grantees must also be located close to destinations that AA serves, so that it can serve the communities and leverage on their support other than funding. Other requirements include a justifiable timeline and budget, a discipline attitude towards meeting organizational goals and sincerity of founder(s) with a 2 year track record of operation^{‡‡}.

^{††} Interview with Ehon Chan, Executive Director, MaGIC.

^{‡‡} Interview with Yap Mun Ching, Executive Director, AirAsia Foundation.

Table 2: Selection Criteria for and Services Provided to Social Entrepreneurs by the Case BIS and IMs				
Criteria/ Service	Tandemic	MaGIC	AA Foundation	MyHarapan
Selection Process	Open to public	<ol style="list-style-type: none"> 1. Must have a prototype to be selected into the accelerator programme. 2. Internal screening on eligibility 3. Leverage on the contacts provided by AIM, State Governments 	<p>Four main criteria: Social impact; Beneficiaries; Sustainability; Innovativeness</p> <p>Additional criteria: located close to AA destination, Non-financial needs, concrete timeline and budget, Attitude and sincerity of founder(s), 2 year track record</p>	<ol style="list-style-type: none"> 1. 16 – 30. Youths. 2. Entrepreneurs, (future or aspiring or already entrepreneurs) 3. Main skills
Funding	<p>Currently limited funding of SE incubation from revenues generated from other activities</p> <p>It started Tandemic fund to fund SEs, but discovered there were not many organization that could be viable for investment. So, it shifted focus promoting Social Innovation instead.</p>	<p>Yes.</p> <p>(a) RM30k to the 25 SEs who have undergone the accelerator programme. Funds are retractable if they do not meet the milestones set for the year. MaGIC will monitor them during the 12 month period.</p> <p>(b) RM150k from the Amplify Awards Programme for a SE that shows high promise and potential</p>	<p>Yes.</p> <p>It follows the budget presented by SE. Their targets will be monitored within the year.</p> <p>If targets are not achieved, reasons for not achieving will be looked into.</p> <p>A site visit will be conducted before and during funding period.</p> <p>Funded 10 SEs, including 2 in Malaysia: Tonibung and APE Malaysia</p>	<p>Yes</p> <p>(a) SEV – Social Enterprise Venture Fund for startups</p> <p>(b) Youth Action Grants – prototype/seed funding</p>
Market Intelligence	Provide consultation to SE that would want Tandemic’s service that may	Classes by industry practitioners on specific knowledge i.e. Legalities and risk management, branding,	Provides through AirAsia’s network and partners (e.g. PWC and Designers)	Provides Training Workshops.

	include market intelligence.	product development and etc.		
Mentoring	<p>No pre or post selection mentoring for SEs.</p> <p>Mentoring (External) / Consulting</p> <ol style="list-style-type: none"> 1. “Saurah industries”, the water filtration. 2. Simply cookies 	Mentoring is only provided post selection once these SE enters into the SE Accelerator programme.	<p>Mentoring on budgeting and targets assessment</p> <p>Guidance through local organisations /NGO (e.g. Change Fusion in Thailand)</p>	<p>Accelerator/Incubator (pre & post selection)</p> <p>Monitoring: ranges from 3 months to 1 year or more.</p> <p>Consultation offered to any entrepreneur, even someone who is just at ‘idea’ stage.</p>
Monitoring	No monitoring. Internal projects are usually handed off 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 where it can be retracted if milestones are not achieved.	After six months visit; after 12 months re-evaluation. If SE applies for something new to expand the project, we will make another visit.	Monitoring depends on the type of the SE.
Assessing Outcome of SE Programme	<ol style="list-style-type: none"> 1. Measures differently according to different projects 2. Milestone based, not based on incubation period. 	1. Target for at least 5 (out of 25) social enterprise 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 to be presented to the ETP Workshop

Table 3: Various Projects and Activities by the Case BIs & IMs supporting Social Entrepreneurship

Tandemic	MaGIC	AA Foundation	MyHarapan
<p>Provides mentoring to external Social Enterprise on a walk-in basis.</p> <p><u>Main Activities:</u></p> <ol style="list-style-type: none"> 1. Training 2. Consultancy 3. Incubation (internal) <p><u>Incubation Projects:</u></p> <p>(a) Do Something Good (Largest Volunteering Platform) - internal</p> <p>(b) Collective Impact (on education) - internal</p> <p>(c) Diabetes Prevention programme (for Nova Nordisk and MOH)</p> <p>(d) Human Trafficking project with Telcos Internal</p> <p>(e) Hati.my –Database of Social Enterprises (completed).</p> <p><u>Specific Projects:</u></p> <ol style="list-style-type: none"> 1. Make Weekends 2. Bridging Workshops 	<ol style="list-style-type: none"> 1. Accelerate existing SEs through Accelerator programme and Amplify Awards programme. 2. Creating Awareness and movement on Social Enterprise in the country 3. Build the Malaysian SE ecosystem by developing: <ol style="list-style-type: none"> (a) Financial capital (b) Human capital (c) Procurement 4. Developing policies and framework changes that is friendlier to social enterprises including incentive and legal structure <p><u>Specific Projects:</u></p> <ol style="list-style-type: none"> 1. Accelerator Programme (4 months) – prototype needed with monitoring after programme. 2 rounds each year <ol style="list-style-type: none"> 1. Mentorship 2. Classes 3. Events 4. Network 5. Funds RM30k (w/o equity) Monitor for 12 months. 2. Amplify Awards 	<p>To bring about awareness of social entrepreneurship within ASEAN countries and to help develop social enterprises based on highly stringent criteria to ensure their success.</p> <p><u>Main Activities:</u></p> <ol style="list-style-type: none"> 1. Funding 2. Workshops 3. Mentoring 4. Facilitating market space and forum for social enterprises <p><u>Specific Projects:</u></p> <p>Annual Destination: GOOD events throughout ASEAN to facilitate market space and forum for SEs</p>	<ol style="list-style-type: none"> 1. Youth Engagement Work for Capacity Development through: <ul style="list-style-type: none"> • Workshops • Bootcamps • Roadshows • Ad-hoc mentoring and coaching <p>Social Entrepreneurship bootcamp (yearly) Workshop (Or by demand from specific institutions)</p> <p>(a) Project Management</p> <p>(b) Coaching and Mentoring</p> <p>(c) Roadshows, Competitions/Events</p> <p>2. Impact Evaluation on social initiatives for the corporate sector</p> <p><u>Specific Projects:</u></p> <ol style="list-style-type: none"> 1. Social Business Challenge Competition and Forums 2. Workshops 3. Nationwide Roadshows

5.4. MyHarapan

Youth Trust Foundation – MyHarapan is an independent, non-partisan, non-profit organization dedicated towards empowering young Malaysians between the ages 16 to 30 years, by supporting youth projects and initiatives that help build social businesses. MyHarapan was set up in 2011 with a one-off government grant. It sustains itself through profit reinvestment, and it generates revenue through services offered to private and public sector organizations. MyHarapan mainly focuses on capacity development of youth through coaching, mentoring, training and also conducts awareness campaigns through roadshows and competitions nationwide. MyHarapan operations currently consist of two units: 1. MyHarapan (Not for profit); 2. Social Enterprise Venture Fund (SEV) - For profit model for non-profit Social Businesses. Its Social Enterprise Venture Fund (SEV) unit invests in viable and sustainable social businesses. It also provides impact evaluation services to private corporations. MyHarapan has forged external links with Professor Muhammad Yunus, Yunus Centre, MaGIC, Danabelia, 1MDB, Rakan Muda/Youth and Sports Ministry, Hong Leong Foundation, and Khind^{§§}.

6. Discussion

6.1. Attributes of BIs and IMs and Linkages

The organizations involved in fostering and supporting social enterprises can be categorized as business incubators, accelerators, and other intermediaries. Tandemic and PACOS trust can be described as incubators. MaGIC and Yayasan Sabah (both government organizations) act more like an accelerator. Air Asia Foundation and MyHarapan falls in the category of intermediaries. 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 corporation funded projects and reinvest some of that into incubating social enterprises. MyHarapan started Social Enterprise Venture Fund, which facilitates impact investments on startups and largely provides only seed funding or grant for prototypes for youth entrepreneurs.

All cases provide various training activities and run workshop for potential and existing SEs. They also provide varying degree of market intelligence, but it appears to be not treated as central or core service. They also provide different levels of mentoring (mostly post selection) and monitoring support. However, these activities do not appear to be well organized or implemented. Similarly, there is little performance measurement system in place (except in the case of AAF)

Among the cases AAF operates not only in Malaysia but also across other ASEAN countries. So, it has strong links with both government and non-government agencies in most of these

^{§§} Interview with Nurfarini Daing (CEO), Jamali Samsuddin (General Manager), Yusuf Jaffar (Head of Social Enterprise Ventures), MyHarapan.

countries and it can understand more clearly what are the strengths and weaknesses of the SE ecosystem in Malaysia.

The BIs and IMs operating in the social enterprise sector in Malaysia 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 departments and national agencies. This has led to MaGIC establishing a predominant presence in the sector. As a result it appears that some other IMs who were emerging as strong actors in the SE sector such as Tandemic and Scope either have to re-orientate their core focus or scale back their range of programmes and activities.

MaGIC has links with Innovation Agency of Malaysia (AIM), Ministry of Finance, Youth and Sports Ministry (KBS), State Governments (Sabah, Sarawak etc.). As MaGIC is government supported organization, it receives financial resources and also support in executing initiatives at the national level (with the help of NBOS – National Blue Ocean Strategy Committee). It has forged a wide ranging network and links with both public and private sector organizations. For example, it has strong links with two other cases covered in this study, Tandemic and MyHarapan. Tandemic conducts training for MaGiC. Tandemic believes that one of MaGIC’s plans to develop the SE ecosystem is by creating more intermediaries. 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 AA Foundation 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 by a leading budget airliner in the region it is not surprising that its social enterprise support activities are based on region-wide links.

6.2. Perceptions about the SE ecosystem in Malaysia

The general perception of the SE ecosystem 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, helping social organisations crystallise their social purpose, the single biggest constraints faces by many of the organisations was financial viability. “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 organizations in the ecosystem, and as a result the number of intermediaries are declining (partly because of the dominance of MaGIC) and more and more people are finding it difficult to sustain a business in this area of the sector^{†††}. MaGIC also acknowledges this problem. According to Ehon Chan, Executive Director, 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 industry needs. We all need to understand more about their needs”. Another problem highlighted by AA

^{***} Interview with Ehon Chan, Executive Director, MaGIC.

^{†††} Interview with Kal Joffres, CEO, Tandemic.

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

To sum up, it is clear that the SE ecosystem is still at nascent stage and is weak due to overlapping operations, lack of clear understandings of what are the social enterprises needs, lack of participation by universities, and lack of funding and supportive regulations. It appears that BIs and IMs need to focus on studying the needs on the ground through innovative multi stakeholders engagement. It is clear that as lead actor in the sector MaGIC need to generate more ideas on the ground and involve other IMs so that the outcomes can be more effective.

6.3. Perception on Major Obstacles faced in the SE Ecosystem

Tandemic opines that overall there is a lack of participation from the public, the number of SE intermediaries are declining, personal egos preventing SEs from working with each other, rote learning education system is preventing innovation among students. There is a need for a good bridging programme and serious investors to attract top talent into the industry, 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. Additionally, there is not enough people who understand it to run an incubator or accelerator for it. Also, because the concept of SE is so new in Malaysia, the risk involved is extremely high. There are high failure rate among startups, mainly due to inadequate competencies among the SE founders.

AA Foundation asserts that it is difficult to change community's attitude created by a handout culture, as Malaysia have a strong existing welfare network. Furthermore, there are problems such as crowding out by government agencies and lack of interest by university students because SEs are not appealing enough. AA Foundation suggests that it is better to have a common ASEAN's ecosystem and that Malaysia will benefit from such a regional ecosystem. MyHarapan argues that due to poor participation from private sector the entire ecosystem across the spectrum is suffering from under development.

6.4. Perceptions on the future of BIs and IMs supporting Social Enterprises

The general perception of the support for SEs in future is one of less optimism or guarded optimism among BIs and IMs. For example, Tandemic intends to focus more on social innovation as the future prospects are not considered to be high. Even MaGIC feels that the

prospect of supporting SE in the future will depend mainly on whether there is a critical mass of SEs.

AA Foundation intends to reach out to universities from 2016 and intends to organize Destination GOOD event across ASEAN countries to spread more awareness of social entrepreneurship. It intends to put focus on developing channels to sell their products, offer sustainable tourism activities. It is planning to bring in external partners such as legal consultants to support SEs under AA Foundation programmes. It is also taking effort towards harmonizing the legal status of social enterprise at ASEAN level (e.g. common legal status for SE). MyHarapan intends to develop its Social Enterprise Venture Fund for startups to provide strong support for growing social businesses.

6.5. Policy Challenges towards fostering SEs in Malaysia and Future Growth

Although MaGIC has produced a blue print for the government to come up with policies to help develop SEs in Malaysia, there are lot of 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 the cases have highlighted to this issue as one of the major obstacle 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 intermediaries to support them. Therefore, Tandemic has set up the Social Enterprise Policy Working Group to develop a legally sound definition of Social Enterprise. MaGIC feels that there is no policy focus, although the blue print has specified certain actions that are essential to develop the SE ecosystem in Malaysia. The major challenges include building a critical mass of SEs and building awareness among people. MaGIC also suggests that government needs to introduce policy framework changes that are friendlier to social enterprises and provide incentives and legal structure to help develop the ecosystem for SEs. However, AA Foundation feels that although Malaysia is on track trying to create awareness about the SE movement, it is trying to achieve too much within a short period of 3 years. It argued that creating awareness will take time and it needs long-term strategy and consistent effort towards creating a strong SE sector. Similarly, these are two views about policy learning from other countries. While MaGIC advocates that Malaysian policy development should follow and emulate successful policies from countries like UK, the AA Foundation feels that learning from neighbouring countries such as Thailand which share common socio-economic conditions and need will be more appropriate and effective. The general perception about the future of SE sector is that the growth will happen if there are good examples or role models so that more and more people will come to know what is a social enterprise and it will inspire them to become social entrepreneurs themselves.

6.6. Social Inclusion and Inclusive Growth within BI & IM Programmes

Although the BIs and IMs follow a non-discriminatory approach towards promoting social entrepreneurship, they do not appear to have proactive measures to integrate the concepts of social inclusion and inclusive growth in their programmes. As the SE sector is still emerging, it is slow in incorporating social inclusion and inclusive growth strategies. It is also clear that the sector is not well linked to the regional or national innovation system.

6.7. Perception of Social Enterprises

Without clarification from a legal or universally accepted definition of social entrepreneurship, the identification of actual or budding social entrepreneurs to be in this study is challenged. In the interest of capturing the later segment, we broadened the requirement to include organizations or individuals who identify themselves as social entrepreneurs or organizations with altruistic and sustainability intentions. A total of 20 social enterprises or entrepreneurs from four regions were included in our study. A sample was taken from four clusters; seven from Kuala Lumpur, three from Penang, six from Sabah and four from Sarawak; across various sectors. In categorizing these social enterprises, the startups are defined as organizations incorporated after 2010 and mature organizations before, while NGO model in transition are originally NGOs, who are seeking financial sustainability.

Table 4: A sample typology of Social Enterprises in Malaysia

Cluster	Typology	Experience	Age (years)	Social Enterprise Name	Beneficiary Sector
Kuala Lumpur (7)	Startup (4)	Multi-background(1)	< 30	Biji-Biji,	Upcycling & Recycling
		Corporate (3)	> 30	<ul style="list-style-type: none"> • Build for Tomorrow* • Batik Boutique* • 100% Projects 	Sustainability Women Empowerment Education
	Mature Organisations (3)	Corporate (3)	> 30	DIBS Coffee	Hearing Impaired
			> 30	<ul style="list-style-type: none"> • APE Malaysia • Leaderonomics 	Wildlife Welfare Education
Penang (3)	Startup (3)	Fresh graduates (1)	< 30	Arus Academy	Education
		Corporate (2)	> 30	<ul style="list-style-type: none"> • Loo Urban Farming • ANB Agrotrainer 	Sustainability Welfare
Sabah (6)	Startup (2)	NGO (4)	> 30	<ul style="list-style-type: none"> • BC Initiative • Borneo Conservancy 	Indigenous Welfare
			< 30	WWF	Indigenous Welfare
	NGO model transition (3)		> 30	SAWO	Women and Children Welfare
			> 30	Tonibung	Basic Facilities
Mature organizations (1)	Entrepreneurial (2)	> 30	PACOS	Entrepreneurship, Education & Agriculture	
Sarawak (4)	Startup (4)	Fresh graduates (2)	< 30	<ul style="list-style-type: none"> • WormingUp • Backyardtours 	Waste Management Cultural Tourism
		Corporate (2)	> 30	<ul style="list-style-type: none"> • Heart Treasures • Tanoti 	Handicrafts Fashion

Note * Foreign Ownership

From the interviews, we concluded that the nature of these organization and sustainability are reflected by their past professional experiences. Founders with corporate or entrepreneurial experiences displayed more flexibility; opening them to opportunities and adoption of innovative ideas. This is reflected by their source of income streams generated from a variety of activities and social networking. Where else, founders transitioning from NGOs or were strongly affiliated with one, were more conscious of the ethical aspects of their income sources, their operations and the social programmes implemented. These diverse backgrounds influenced their perception of the issues, challenges and the outlook of the industry and require different support from the institutions.

The startups find the social networking, accelerator programme and seed funding provided by MaGIC and other intermediaries, effective and helpful, but not so towards the mature social enterprises and the NGO transitioning social enterprises, as they require different assistance, such as legalization and recognition to enable them to grow their operations and access new markets. The foreign national social entrepreneurs hope that some form legalization will recognise social enterprises and ease visa applications and organizational ownership.

All social enterprises interviewed 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 help 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 targeting growth of the social enterprise sector. At present due to the absence of legal provision they operate as companies, trusts, foundations and non-government organizations (NGOs). Interestingly, a number of NGOs are in transition towards social business model 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 to the country and this is forcing many NGOs to transform into social enterprises. Another major reason is the difficulty in attracting new generation talents by NGOs. The younger generation are not attracted by the traditional NGO model and they are more attracted by innovative challenges and opportunities, which is offered by the social enterprise business model. The general view on the programmes run by the SE intermediaries such as MaGIC is that they are not appropriate or useful for the social enterprises already operating for 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, most of the SEs interviewed do not put greater emphasis on the need for government funding. Instead, they argue that government policy enabling legal status for social enterprise will help access to significant private sector funding such as corporate social responsibility (CSR) related funding from the corporate sector, which will help rapid growth of the SE sector^{†††}.

7. Conclusions

This paper explores the eco-system for social enterprises in Malaysia, particularly examines the following research questions: 1. What are the attributes (features) of business incubators and intermediaries operating in the social enterprise sector in Malaysia; 2. What are the perceptions

^{†††} From the interviewees of seven SEs in Kota Kinabalu, Sabah, East Malaysia.

of business incubators and intermediaries about various aspects of social enterprise ecosystem in Malaysia? And 3. What is the role of business incubators and other intermediaries in fostering social entrepreneurship in Malaysia general and meeting the inclusive growth objective of the country in particular? The study employed qualitative approach to analyse six cases of business incubators and intermediaries. It used primary data gathered through interviews of eight business incubators and intermediaries and seven social enterprises. The study found that the current social enterprise ecosystem is weak and still emerging and yet to take a concrete shape.

The study found that the organizations involved in fostering and supporting social enterprises can be categorized as business incubators, accelerators, and other intermediaries. The main agency promoting SE sector is MaGIC. It is interesting to note that some of the intermediaries (e.g. 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 corporation funded projects and reinvest some of that into incubating social enterprises. Almost all provide some sort of funding for the development of social enterprises, but their funding is grossly inadequate to develop the SE sector to critical mass and take off to faster growth. All cases examined provide various training programmes and run workshop for potential and existing SEs. They also provide varying degree of market intelligence, but it appears to be not treated as central or core service. They also provide different levels of mentoring (mostly post selection) and monitoring support. But they do not seem to be efficiently organized or implemented. Similarly, they do not follow a performance measurement system in place (except AAF).

The BIs and IMs operating in the social enterprise sector in Malaysia are a mix of public and private funded actors. As a result of the emergence of government funded MaGIC which has become the predominant player within the sector, it appears that some other IMs who were emerging as strong actors in the sectors 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 intermediaries have declined during this period.

The current programmes and activities of business incubators and intermediaries are mainly focused on developing new social enterprises and not designed to support already existing social enterprises. The intermediaries need to come up with innovative services and support programmes for these social enterprises, while trying to develop new social enterprises.

The absence of legal status for social enterprise is the single most important obstacle in unlocking the potential growth of this sector and is seriously affecting the private sector participation such as coupling of CSR related funding with the development of social businesses. The study suggests that the government initiate policy measures to give legal status to social enterprise in the country in order to develop the ecosystem and facilitate greater participation of the private sector.

While MaGIC (a government organization mandated to develop SE ecosystem) advocates that Malaysian policy development should follow and emulate successful policies from countries like UK, it may be more effective and useful also to learn from neighbouring countries such as

Thailand, which share common socio-economic conditions and need will be more appropriate and effective.

As this study is based on mainly the business incubators and intermediaries in the SE ecosystem, we propose to conduct survey of social enterprises, particularly those NGOs who are transitioning towards social business model and also in depth case studies of social enterprises.

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