

Investigating the Sustainable Digital Business Models used by Social Enterprises to Address Socio-Environmental Concerns in Malaysia

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ABSTRACT

The purpose of this study is to investigate the sustainable digital business models that social entrepreneurs use to address socio-environmental concerns in Malaysia. Social enterprises contribute significantly to change by combining business principles with an environmental or social goal. The study focuses on the intersection of digital technology, social entrepreneurship, and sustainable practices to understand how these elements combine to create innovative solutions for Malaysia's socio-environmental issues. We'll look at how digital technology can be incorporated into these models to create environmental and social benefits. Data was gathered through interviews, and a few Peninsular, Malaysia-based social entrepreneurs provided genuine information. According to the study's findings and outcomes, most respondents were driven to use digital platforms or channels to grow their social companies. Through online business, customer engagement, sharing their stories, advertising, and identifying their social mission to address or lessen socio-environmental issues in Malaysia, these social entrepreneurs, enterprises, or businesses receive much-needed community support.

Keywords: Micro-entrepreneurs, Performance, Economy

INTRODUCTION

The entire nation has profited from Malaysia's rapid economic growth during the past 20 years. But it has also led to problems with the ecology and natural resources (Vincent, 2001). The nation's natural resources, including land, forests, and water, have been severely strained by the haste with which economic, social, and political goals must be met through development, and the release of various pollutants has led to the degradation of rivers, seas, and air quality, according to Rusli (2020, as cited in Chuan, 1982). Malaysia's current goal is to become a developed nation by 2020. However, a number of societal problems have been brought about by such expansion and development (Abdullah, 2010). The increase in crime and other social issues like rape, robbery, murder, domestic violence, drug addiction, poverty, extramarital sex, and online pornography has caused serious concerns about security among the general public, international tourists, and

investors, according to Kamaluddin et al. (2021). These are Malaysia's pressing problems, and they need practical solutions.

In light of this, Hedman et al. (2016) claim that the quick development of information technology has led to an increase in the potential for integrating digital technology and social business models in an organization. Social entrepreneurs then use these to address environmental and social challenges. As a human solution to social and environmental issues, social entrepreneurship—the concurrent pursuit of economic, social, and environmental goals by entrepreneurial companies—has gradually gained recognition on the international scene (Noruzi et al., 2010, as cited in Haugh, 2007). Gregori and Holzmann (2020) assert that social entrepreneurs are becoming more and more significant in addressing environmental and social issues. They are changing the world for the better by applying their business acumen and spirit of entrepreneurship. Digital technologies are helping to address important issues including climate change and fostering sustainable development in communities, according to a new study by George et al. (2020). Digital technology has been leveraged by social entrepreneurs and businesses to create creative solutions for seemingly intractable environmental and societal problems.

Activities that tackle a range of social issues in fresh and creative ways are now referred to as “social entrepreneurship” (Buendía-Martínez & Carrasco Monteagudo, 2020, as referenced in Nicholls, 2008). With a focus on developing new, sustainable models of social sector quality and systemic impact, Social Entrepreneurship is a compilation of innovative work by top scholars, decision-makers, and practitioners. In many respects, social entrepreneurship is becoming more of a stand-alone field of study rather than just a subfield of business studies (Haynes, 2012). The importance of developing and executing social entrepreneurship to maintain societal progress and enhance human welfare in constantly shifting environments has elevated this subject to the top of scholarly agendas (Jiao, 2011).

Nonetheless, new studies have embraced the idea that digital tools might help address the difficulties faced by sustainable business owners (George et al., 2020; Parida and Wincent, 2019). This presumption expands upon the transformative potential of digitalization, which modifies responses to sustainability concerns and transforms the nature of entrepreneurship (Nambisan, 2017; Yoo et al., 2012 as quoted in Gregori & Holzmann, 2020). According to Markus and Loebecke (2013), these technologies also make it possible for new kinds of cooperation, resource leveraging, and the design, development, and implementation of products and services that are based on open standards and shared technology. Digital technologies have also had a micro-level impact on entrepreneurs' mindsets (Di Domenico et al., 2014), which in turn has an impact on their decision-making processes (Shepherd et al., 2014). Digital technology has made it possible for business models to evolve significantly across the creative industries, enabling companies to use a wider range of business models than they could in the past (Li, 2015). This research can close the knowledge gap by examining how long-term entrepreneurs integrate these digital technologies into the value proposition, value generation, and value capture components of their company business models (Gregori & Holzmann, 2020). This will provide a better understanding of the digital social business models utilized by Malaysian social entrepreneurs, their effectiveness, and the main factors influencing their success and limitations.

The relationship between social entrepreneurship and digital transformation in Malaysia is yielding ground-breaking results in a number of industries. Digital business model innovation (DBMI) has been heralded as a “game breaker” for Malaysian SMEs, according to Teoh et al. (2022). Digital technology can be used by small and medium-sized businesses (SMEs) in both domestic and international markets to organize business operations and provide unique value to customers. Scholarly interest in the subject of digital transition has grown since 2014. The results show that research in developing nations is necessary (Vaska et al., 2021). The results also point to the necessity of more research in developing countries and increased cooperation between academics and professionals.

CONCEPTUAL MODEL FOR SUSTAINABLE DIGITAL BUSINESS MODELS

The value proposition (pro-social), engaged resources like network data, people, and the technology platform, and the customer segment (consisting of responsible customers) are the three main pillars upon which this model is based. These pillars outline the assumptions for formulating strategies for the essential elements of a sustainable digital business model. The results of implementing the fundamental assumptions of the sustainable digital business model and taking part in socially responsible activities show how much both social and financial profit are realized.

Value Proposition (Pro-Social).

The value proposition is one of the most crucial elements in establishing consistent business models. In certain situations, the value proposition ought to broaden its attributes to encompass social aspects in addition to economic ones. This situation occurs when economic considerations by themselves are unable to convince consumers to take advantage of this value offer, and the business model needs to incorporate socially conscious components to attract investors. In order to attract customers and investors to the business model, it is necessary for economic and social principles to be compatible in order to create a community centered around pro-social ideals and disclose social profits, especially in the context of digital companies. The main value drivers behind the success of the digital business model are often non-economic factors, including ethical and ecological considerations.

Therefore, when developing and putting into practice innovative business strategies, they shouldn't be given too much weight. In order to validate both the actor-network theory and the network theory, research on the business models of firms operating in the fields of the new economy's principles—specifically, the Sharing Economy (Dillahunt et al., 2017), Big Data, and the Circular Economy—is required. Product-service systems (PSS), which are also relevant to the digital economy, help create circular and/or product system value propositions in relation to business model innovation (Fernandes et al., 2020). Innovative business models are often employed by companies involved in the digital economy in an effort to maximize profits and impact the variables that define corporate social responsibility. Businesses in the digital economy frequently adopt novel business models with the dual objectives of increasing profits and positively influencing the success factors. Corporate social responsibility. As a result, the value proposition is developed for society and the environment as well as for many business model stakeholders, such as customers, suppliers, partners, and shareholders (Baldassarre et al., 2017).

Value Creation (Resources Involved).

Using modern resources to structure business models promotes the creation of innovative features for business solutions. They have an impact on specific business ecologies that are not included in the traditional value chain. Currently, business ecosystems use a networked, synergistic connection of Big Data sets to manage technical data platforms and coordinate all operations with people. The business ecosystem enables the development of social consequences including community development and the creation of social profit, as well as the creation of new firm monetization formulae. The growth of complex commercial and technological systems creates opportunities to co-create and construct a range of values in the B2B and B2C relationship system. (Wirtz, 2019).

According to this viewpoint, value is the outcome of data that has been purposefully applied and forms the basis of an advanced business system. Finding innovative ways to give value through the establishment of a business model requires looking for the uniqueness of the data used. The company model should engage with people in this manner, especially through social media, to highlight initiatives based on corporate social responsibility presumptions (Fortunati & O'Sullivan, 2019). This also applies to digital information

services (Chowdhury, 2013). The digital identity of enterprises is established through complete activities carried out through the use of the right configuration of system activities based on the optimal use of digital technology, which offers opportunities to utilize the full potential of current technical and organizational solutions. Businesses, the true drivers of global economic growth, can promote the adoption of AI-based digital technologies in manufacturing processes, boost investments in these and related technology areas, capitalize on the potential of the data economy, and enhance AI education opportunities at all levels (Di Vaio et al., 2020).

Financial Sustainability (Loyal Customers).

One essential element of implementing a marketing plan is customer segmentation. Finding consumers who are responsible—that is, who take into account social, ethical, and ecological factors when choosing a service or product—as well as how value is delivered is the goal of corporate social responsibility. In the context of the digital economy, customer segmentation is based on the consumer's voluntary acceptance of a certain technical platform. Technology companies must continuously gather vast volumes of time-stamped data on all kinds of customer interactions (Böttcher et al., 2009). This engagement may vary in terms of creating value for stakeholders. The value driver is the customer's commitment to the social and economic principles that support a particular business model, which is often what leads them to choose a specific digital platform. A user of a certain digital platform does consumer segmentation. Customer segmentation is therefore already established at the stage of developing the business model, its functionality, the value proposition, and the method of value distribution. When aligning the characteristics of the company model to its beneficiaries, the choice of the target client group is a crucial consideration.

In this case, economic factors are not given priority, therefore monetization usually occurs after reaching the target client base. The values of the business model supplier and customers must first align in order to gain users and then achieve the intended results in the monetization space. When searching for innovative business models to improve people's quality of life and the environment, users' social and ecological responsibilities makes these concerns vital, especially during times of climate catastrophe, pandemic outbreaks, social inequality, and migration.

RESULTS AND DISCUSSIONS

Examining the environment of digital-social business models entails examining the factors that facilitate, challenge, and best practices associated with their use. The researcher has looked into the processes that facilitate the effective fusion of social and digital elements in contemporary business models. Through a thorough investigation, the researcher has identified key factors that facilitate the smooth implementation of digital-social business models, potential issues that organizations may encounter, and the most effective strategies for managing this complexity. By shedding light on the intricate interactions between digital technologies and social elements that define contemporary corporate strategy, this thorough examination contributes to a deeper understanding of the evolving business landscape.

In Malaysia, businesses looking to use digital social models to address socio-environmental issues are facing a disruptive environment due to the combination of growing digital literacy and easier access to technology. One of the main factors propelling the adoption of digital social business models in Malaysia is the growth of digital literacy among the populace, claim Ammeran et al. (2022). The rise in digital literacy is the most plausible explanation and contributing element in this case. Technology is becoming more sophisticated as the world develops, and whether people like it or not, they will need to start learning how to utilize it. That, in my opinion, is the sole problem we are now dealing with, as responder A stated. We can avoid radio and TV sponsorships and promos since we can advertise directly to customers through social media, which is a great mainstream platform these days, as you mentioned. According to respondent A, social media is a form

of mainstream media that practically everyone utilizes these days. It may be used for work, pleasure, business transactions, and many other purposes. Social media marketing is currently the most widely used mainstream media. “This is where they started using social media as a medium to promote or talk about coffee, or even to get inspiration from other parts of the world about coffee,” respondent B adds. At that point, I noticed that they were gradually growing more at ease with using social media to get inspiration, learn more, and so on. By employing the strategy, she refers to as “handholding,” the Sabah coffee bean growers began to appreciate social media more and more, which helped her firm develop due to the growing scalability of technology. She can now use online banking or the phone to message her employees, check in with them, and even pay them.

Finding the right funding for online social activities is a complex process that calls for strategic planning. To ensure the long-term profitability and sustainability of these programs, a systematic approach is required to navigate the complex landscape of financial restrictions. In order to address these issues, organizations must first assess their current financial situation, then establish precise objectives and standards, and lastly choose digital initiatives that support their mission (Paul, 2023). Respondent B, who must live with impoverished coffee farmers in Sabah, is primarily impacted by this challenge. In one statement, she stated, “Okay, regarding the challenges, I can outline three.” The first is the Internet infrastructure and the steep terrain, which make it particularly challenging in Sabah. Not only is it difficult to provide internet, but it is also difficult to offer electricity. Both the implementation and monitoring stages are crucial, with careful attention to resource distribution and performance assessment. Due to ongoing budget shortfalls, organizations are being forced to think creatively and find new ways to finance sustainability initiatives. Respondent B said, “People fail to realize the importance of the internet because it’s challenging to make them aware when the internet is hard to access,” which is also a crucial truth.

The twin pillars of effect monitoring and community involvement are essential to ensuring the success and sustainability of programs in the field of digital social business models. The cornerstone is community involvement, which calls for local communities to actively participate in the planning and execution phases. Once the requirements and goals of each community are identified, digital activities can be modified to address the particular problems they face. In addition to giving the local populace a sense of ownership, this cooperative approach ensures that the programs are suitable for the local context and culture (Kale, 2023). Respondent C stated, “We are very fortunate; I would say we only receive positive comments; however, you can read our Google reviews and see that we receive mostly positive reviews, and while I would call it negative, I would call it something that we can learn from.” This is the most widely acknowledged impact and challenge that the respondents face. Respondent-to-respondent variations in the community and impact measurement are significant. Responses from Respondent A are largely positive, whereas those from Respondent B and C are varying. The responders use feedback, whether favorable or unfavorable, to better themselves and their company in order to achieve greater success. It is clear that the social enterprise and the community share certain issues. Respondent B stated, “Sabah faces a special challenge, even if the state administration commits serious blunders, attempting to develop smart cities without addressing the fundamental issues. Compared to the peninsula, the state’s topography presents a distinct set of problems. We no longer feel concerned over Sabah’s difficulties, which are relatively unique, and have become into a running joke. Social enterprises benefit from tackling community issues since they can collaborate with the people to address their problems while also resolving their own, so this challenge also serves as an enabling factor.

East Malaysia (Sabah and Sarawak) has unique social, economic, and cultural contexts. Including social enterprises from this region ensures your research is representative and captures diverse perspectives. Social enterprises in East Malaysia may face specific challenges related to infrastructure, access to resources, and community needs that are different from those in West Malaysia.

CONCLUSION

Given that this study explores the realm of sustainable digital business models utilized by social entrepreneurs in Malaysia, it is imperative to comprehend the nuanced values shared by each respondent. Driven by a desire to improve the environment, social entrepreneurs are crucial in addressing Malaysia's many challenges. The study reveals the values hidden within these companies by removing their outer layers. The study aims to provide pertinent insights to a range of stakeholders by dissecting the sustainable digital business strategies they employ.

This study acts as a beacon for stakeholders seeking to comprehend the various approaches taken by social entrepreneurs in a shifting socioeconomic environment where the fusion of digital innovation with sustainable practices is crucial. In addition to advancing scholarly knowledge, the study offers useful insights for businesses, policymakers, and activists by exposing the many approaches taken to address socio-environmental issues. Lastly, it encourages a thorough understanding of how sustainable digital business models can be used to the advantage of Malaysian society and businesses.

With significant contributions addressing the creative design and use of such models, the research landscape on social business models in the digital economy is evolving. The materials that were found, including a book called "Social Business Models in the Digital Economy," highlight the necessity of addressing research gaps and looking into the social approach to developing business models in the digital sphere.

Additionally, the study explores the challenges that social entrepreneurs encounter, especially in Malaysia, where the ecosystem is still evolving and undergoing digital change. Since they present chances for creative business models and income sources like e-commerce and digital goods, digital technologies are acknowledged as essential enablers for social enterprises.

With studies demonstrating its capacity to foster social inclusion, boost connectivity, and enhance stakeholder integration, the significance of digital technology in business models is a hot topic. Additionally, the concept of digital transformation in Malaysian SMEs highlights the significance of reimagining business processes through the use of digital technology, which is consistent with more general talks regarding the impact of digitization on other sectors.

Lastly, the body of existing research illuminates the evolving landscape of social business models in the digital economy, emphasizing the importance of digital technology and the opportunities and challenges faced by social enterprises in diverse contexts.

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