

Social entrepreneurship and sustainable enterprise development among Malaysian SMEs

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ABSTRACT

Sustainable enterprise development is a way forward for business owners to enhance their business performance. In today's challenging business environment, they are required to address the situation and remain agile in the face of its consequences. The practices of social entrepreneurship include social mission, social innovation, social networks, and financial returns, which are expected to engage businesses in place-making and negotiation with internal stakeholders to sustain their operations. Government policy initiatives, such as Shared Prosperity Vision 2030 and Sustainable Development Goals (SDGs), support business owners, particularly those in the small and medium-sized enterprise (SME) sector, in sustaining enterprise development across environmental, economic, and social aspects. Hence, this study aims to investigate the relationship between social entrepreneurship and sustainable enterprise development. A total of 180 business owners in the Klang Valley and Selangor were selected as respondents, using a convenience sampling technique. Following the face-to-face distribution of questionnaires, the data were analyzed using the Structural Equation Model in SmartPLS. The results revealed that social innovation and financial return were positively related to sustainable enterprise development. The findings imply that business owners should proactively engage with government policies to leverage them for the benefit of their enterprises. By staying informed about relevant regulations and programs, they can identify opportunities for support, funding, or favorable conditions that can enhance their business operations.

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1. Introduction

Sustainable enterprise development (SED) has become a critical driver for Malaysia's long-term transformation, ensuring balanced growth that integrates economic progress, social inclusion, and environmental protection. In an era defined by pressing global challenges, ranging from poverty and inequality to climate change and resource scarcity, SED offers a pathway to build enterprises that not only generate financial returns but also foster social equity and ecological stewardship (Suriyankietkaew et al., 2022; Fichter et al., 2023). Defined as the ability of enterprises to meet current stakeholder needs without compromising the capacity of future generations to do meet their own needs, SED emphasises innovation, resilience, and responsibility across the three core dimensions of sustainability, namely social, environmental, and economic outcomes (Bansal, 2019; Diaz Gonzalez & Dentchev, 2021; Mthembu & Barnard, 2019). These dimensions enable small and medium-sized enterprises (SMEs) not only to pursue financial sustainability but also to address social and environmental needs. In Malaysia, SMEs, which constitute 97.4% of all businesses and serve as the backbone of the economy, are uniquely positioned to promote inclusive growth, generate employment, and foster innovation. Their contributions align with national development aspirations, including the Shared Prosperity Vision 2030 (SPV, 2030) and the worldwide agenda Sustainable Development Goals (SDGs). Furthermore, the development of SMEs in Malaysia contributes to the National Social Entrepreneurship Blueprint (NSEB), which emphasises strengthening SMEs' capacity in innovation, financing, and social impact. These national agendas and policies provide guidelines and strategies to ensure that SMEs in Malaysia continue to contribute to national development by reducing poverty, protecting the environment, and promoting equitable growth, while fostering collaboration among the government, civil society, and the private sector. Together with initiatives such as the Green Technology Financing Scheme and MySDG Foundation, these policy frameworks position SED as an essential component of Malaysia's sustainable enterprise agenda.

Despite these initiatives, several persistent challenges limit SMEs' effectiveness in driving SED, including resource constraints, insufficient technical expertise, and resistance to adopting sustainability-oriented practices (Alraja et al., 2022; Dushkova & Ivlieva, 2024). Many SMEs perceive sustainability as an additional cost rather than an investment, while limited awareness of social entrepreneurship dimensions, particularly social innovation and networks, hinders the creation of social and economic impact (Geradts & Alt, 2022). Some studies have reported positive impacts on enterprise resilience and sustainability (Vedula et al., 2022; Islam & Wahab, 2021), while others have identified barriers such as financial trade-offs and weak stakeholder collaboration (Roy & Karna, 2015; Quansah et al., 2024). These mixed findings may be explained by the fact that, although SMEs are critical drivers of economic growth, Malaysian SMEs continue to face a severe threat to their long-term survival and sustainable enterprise development. According to the Department of Statistics Malaysia (DOSM) for 2023 (Department of Statistics Malaysia, 2024), the economic contribution of more than one million domestic SMEs declined sharply from 75.1% in 2022 to 69.7% in 2023, accompanied by a decline in overall SME participation. This situation has been further compounded by rising operational costs. SME Corp. Malaysia (2023) reported that nearly three-quarters of Malaysian SMEs face escalating costs due to rising raw material prices, increasing labor costs, higher electricity tariffs, and stricter regulatory requirements, including higher Sales and Service Tax (SST) rates, minimum wage mandates, and e-invoicing requirements. Furthermore, these enterprises continue to experience limited market integration, with only 16.9% engaged in export activities and only 26.2% maintaining supply chain linkages with large firms as of 2024.

Compounding these macroeconomic pressures, SMEs attempting to pivot toward social entrepreneurship (SE) and social innovation encounter steep operational bottlenecks. Empirically, the primary obstacle for these enterprises is a severe lack of access to capital, mentorship, and societal recognition, which restricts their scalability and stakeholder recruitment (Khan et al., 2023). While social innovation offers a pathway to competitive advantage, resource-constrained SMEs typically lack the necessary research and development (R&D) capital and technical expertise. This creates a risk-averse operational culture, rendering them unwilling to adopt unproven green technologies or digital innovations due to highly uncertain returns on investment (Iqbal et al., 2024; Majid et al., 2023). Additionally, while

robust social networks are vital for resource sharing and market access, rural SMEs remain critically isolated from these collaborative opportunities, directly hindering their strategic execution (Quansah et al., 2024; Ibrahim et al., 2024).

Crucially, the academic literature offers conflicting and inconsistent evidence regarding the relationship between social entrepreneurship (SE) and sustainable enterprise development (SED). One stream of literature asserts that SE inherently fosters organisational resilience, survival, and sustainable growth (Kamaludin, 2024). Conversely, another stream argues that SE initiatives frequently fail if the enterprises are unable to secure sufficient commercial revenue or innovate rapidly enough to maintain financial self-sufficiency (Shehzad & Khan, 2025). Similar contradictions exist regarding the outcomes of social innovation and social networking. Although they are positively correlated with sustainability, they are also highly prone to failure in the absence of adequate structural support mechanisms (Javaid et al., 2022; Zhang & Zhu, 2021). Overall, the literature highlights gaps in knowledge between previous findings and recent studies, underscoring the need for extensive investigation into the social entrepreneurship dimensions, as existing findings remain inconclusive regarding their influence on SED among SMEs in Selangor. These inconsistencies may be attributed to bureaucratic inefficiencies, inconsistent implementation, and inadequate tailoring of support mechanisms, which limit SMEs' ability to leverage these frameworks effectively (Turker & Ozmen, 2021). Therefore, this study addresses the lack of empirical clarity regarding the relationships among social entrepreneurship dimensions, social mission, social innovation, and the influence of social networks on SED among SMEs in Selangor.

2. Literature Review

2.1 Sustainable Enterprise Development (SED)

The concept of sustainable enterprise refers to organisations that identify and meet the needs of today's and future generations of people and stakeholders. These needs are fulfilled through strategic business initiatives that not only offer the potential for transformative change at a social level but also preserve the natural environment. The long-term management of both the environment and social equity has become important to an organisation alongside other business goals. Organisations recognise that these areas are interconnected in terms of the effectiveness of their business. By integrating sustainability into their primary mission statements, organisations aim to create value for society while simultaneously improving their economic performance. Overall, this integrated approach seeks to create a balance between profitability and responsibility, ultimately, contributing to a fairer and more environmentally sustainable future. Organisations adopt a variety of ways to promote sustainable enterprise development (Schaltegger & Burritt, 2018). Sustainable enterprise development involves an organisations meeting the current needs of their stakeholders while ensuring that future generations are able to meet their own needs (Bansal, 2019).

Sustainable enterprise development has evolved from a unidimensional approach to a multidimensional one. This means that a successful sustainable enterprise development program encompasses not only increasing shareholder value but also boosting economic activity, social welfare, and environmental protection. All three dimensions are equally important for developing a successful, sustainable enterprise development program. One model that represents this approach is the Triple Bottom Line (TBL). The Triple Bottom Line is based on the principles of social, environmental, and economic sustainability (Elkington & Rowlands, 1999). Every enterprise should generate revenue without harming society or the environment. This is a very important part of establishing sustainable business practices and requires consideration of all possible effects of corporate action. Creating economic value, enhancing social welfare, and protecting the environment are the main objectives that companies should pursue. These objectives are mutually supportive and represent key components of a company's long-term success and its public image (Ali et al., 2020). Maintaining a balance between profitability and accountability is critical to achieving long-term success and sustaining a positive public reputation. Companies that implement sustainable development strategies gain advantages in competition, reputation, performance, profitability, value creation, and supply chain operations (Jiatong et al., 2021).

According to the International Institute for Sustainable Development (IISD), sustainable development refers to development that meets the demands of present without compromising the ability of future generations to meet their own needs (International Institute for Sustainable Development, 2021). Economic sustainability refers to an entity's ability to remain profitable and self-sufficient over time (Roberts & Tribe, 2008). According to Landrum and Edwards (2009), economic sustainability encompasses internal financial stability and profitability. Therefore, maintaining economic health and long-term viability of an entity are among the most important elements for organisations seeking to sustain themselves. Additionally, because organisations perform an entrepreneurial function, social objectives are typically considered when analyzing the feasibility of economic objectives (Doran & Ryan, 2016). Entrepreneurial activities such as generating additional revenue, entering new markets, developing product differentiation strategies, and reducing service and energy costs are common strategies for entrepreneurs pursuing sustainable development (Ambec & Lanoie, 2008).

2.2 Social Entrepreneurship

Social entrepreneurs (SE) identify and navigate complex social challenges in innovative ways, while enhancing public awareness of these issues through their visions and activities. They pursue new opportunities and create positive impacts using effective leadership and management strategies. Social entrepreneurship strives to generate profit while instigating change by delivering community value (Dees, 1998; Johnson, 2000; Johnson, 2001; Johnson, 2001 b) to cultivate sustainable communities (Johnson, 2000). Most organisations that apply and practice SE believe that inclusiveness and interdependence within the community (Ashoka, 2014) facilitate meaningful social progress worldwide. They establish connections among sectors, stakeholders, and various community networks by fostering strong, resilient, and productive relationships between the private, public, and civil sectors. The dimensions of social entrepreneurship include social mission, social innovation, social networks, and financial returns, as suggested by the Resource-Based View (RBV) theory, which fundamentally focuses on how a firm's internal resources contribute to sustainable competitive advantage. RBV theory suggests that organisations can achieve sustained competitive advantage by utilising resources that are unique, valuable, rare, hard to imitate, and non-substitutable (Kozaily & Azoury, 2023).

The Resource-Based View (RBV) theory is a management and organisational framework that explains how a firm's internal resources can create a competitive advantage. These resources include tangible assets, such as capital and technology, and intangible assets, such as brand reputation, intellectual property, and human capital. In social entrepreneurship, the RBV offers a valuable perspective on how social ventures can achieve long-term success and make a meaningful social impact. From an RBV perspective, organisations can establish and maintain a competitive edge by researching and developing their resources. To provide such an advantage, these resources must be valuable, rare, inimitable, and non-substitutable (VRIN) (Caldeira & Ward, 2003; Rivard et al., 2006). Caldeira and Ward (2003) conceptualised firm resources as a collection of small factors, including the characteristics of employees and managers. In social entrepreneurship, the RBV provides a comprehensive framework that explains how an organisation's unique resources and capabilities can significantly enhance its competencies. This improvement ultimately enables the organization to effectively meet the needs of its target beneficiaries, including underserved communities, vulnerable populations, or specific societal issues. According to the RBV, the essence of competitive advantage lies in the firm's resources, including financial assets, human capital, or technological innovations, as well as its core competencies, such as specialised knowledge, operational efficiencies, and established networks. Furthermore, it is crucial to recognise the importance of managerial capacities, as the ability to strategically mobilise and apply these resources and competencies to achieve sustainable success. This perspective encourages social entrepreneurs to assess their unique assets thoughtfully and invest in their development, fostering a culture of continuous improvement and innovation within their organisations (Grant, 1991). Consequently, they can enhance organizational effectiveness and while creating greater social impact. Hence, the Resource-Based View (RBV) provides a valuable framework for understanding how resources and capabilities can enhance a firm's competencies, enabling it to serve its target beneficiaries more effectively. The RBV posits that a firm's competitive advantage

arises from its unique resources and competencies, and from its managerial ability to effectively harness and implement them (Grant, 1991).

2.3 Social Mission and Sustainable Enterprise Development

According to Darby and Jenkins (2006), the objective of a social enterprise should be to lead it toward sustainable development. Sá and Kretz (2015) stated that social enterprises aim to generate both economic and social value for their surrounding communities. An organisation's social mission provides clear direction for achieving long-term sustainability. Defourny and Nyssens (2006) argued that social enterprises with a social mission are more likely to succeed in attaining social development. Pursuing organisational sustainability also offers guidance for engaging with external stakeholders while maintaining the safety and motivation of those working within the organisation. In the context of establishing organisational sustainability, a social enterprise's social mission also includes initiatives to minimise its environmental impacts in the surrounding area. Shepherd and Patzelt (2011) stated that the social mission of SE is to ensure the continued existence of the community, the natural environment, and life-sustaining systems. Furthermore, establishing both social and economic value is the primary objective of social enterprises (Dacin et al., 2010). To sustain these contributions, social enterprises must be economically robust and utterly independent to ensure the continued production of social and economic benefits. Therefore, their economic viability is a direct consequence of their social missions. According to Landrum and Edwards (2009), a social mission is defined as the creation of a social enterprise to engage in social behavior. Although social enterprises primarily pursue social objectives, income-generating activities can remain compatible with their contribution to sustainable development (Beckmann & Zeyen, 2014). Therefore, the following hypothesis is developed as follows:

Hypothesis 1: Social mission has a positive relationship with sustainable enterprise development.

2.4 Social Innovation and Sustainable Enterprise Development

Social innovation is a source of sustainable competitive advantage, driving a business's social sustainability, which is important to note given its impacts on environmental sustainability within social organisations (Kajanus, 2000). According to Pol and Ville (2009), social innovation involves developing new social practices that satisfy societal wants and aspirations in a way superior to previously available alternatives. Additionally, it is associated to the process of innovation in products, services, and technology to address social needs related to various environmental problems (Weerawardena et al., 2021). Furthermore, the purpose of social entrepreneurship is to develop innovative solutions that create sustainable enterprises. Social innovation assists organisations in reaching their social innovation goals by facilitating the creation of new value, innovative products, and innovative processes (Guclu et al., 2002). According to Baker and Mehmood (2015), social innovation supports the development of sustainable enterprises and enables the meeting of social demands without harming the natural environment. In a study by Javed et al. (2019), social innovation was highlighted as the factor with the strongest impact on sustainable development outcomes. Therefore, the following hypothesis is developed as follows:

Hypothesis 2: Social innovation has a positive relationship with sustainable enterprise development.

2.5 Social Networks and Sustainable Enterprise Development

Social network brings together various societal actors, each of whom makes significant contributions to environmental sustainability (Fadeeva, 2005). They facilitate in collecting information on environmental and social concerns, ultimately advancing environmental sustainability (Fadeeva, 2005). The economic development of an enterprise is closely connected to its social network, as Fadeeva (2005) stated. One of the goals of social networks is to achieve economic sustainability among their members (Bellostas et al., 2016). Research has shown that establishing social networks generates social and commercial value for businesses. According to Haugh and Talwar (2010), businesses can utilise social networks to achieve

ecological sustainability. Weber and Kratzer (2013) defined social networking as extending one's business and building social relationships through various social media platforms to engage in conversation with others or locate others who share one's interests. Greve and Salaff (2003) stated that a social network comprises individuals and businesses that can share innovative ideas and resources. On the other hand, many businesses could not survive because they do not focus on market information and on establishing social connections with their surroundings (Barraket et al., 2019). According to Suryandharu et al. (2019), businesses that utilise social networks can help entrepreneurs maintain market linkages by identifying opportunities and resources while building connections with individuals and community members. Therefore, the following hypothesis is developed as follows:

Hypothesis 3: Social networks have a positive relationship with sustainable enterprise development.

2.6 Financial Return and Sustainable Enterprise Development

The connection between making money and environmental sustainability in enterprise development is complex and evolving, requiring a careful understanding of how economic success and environmental stewardship interact. Sustainable enterprise development embodies a holistic approach that integrates environmental, social, and economic dimensions to ensure long-term value creation (Méndez-León et al., 2022). This perspective acknowledges that businesses must actively contribute to ecological and social well-being rather than undermine them to foster genuine progress (Parrish, 2009). Traditionally viewed as the primary indicator of success, financial returns are now being re-evaluated alongside environmental and social performance metrics (Bhutto, 2024). In addition to ensuring the social sustainability of social enterprises, financial returns serve as the foundation for participation in social activities. Social enterprises' environmental sustainability is improved with the financial gains they generate. According to Doherty et al. (2014), financial returns are a significant factor in an organisation's enterprise development. Additionally, Mollick (2014) found that financial returns influence investment criteria and, in turn, drive sustainable economic growth. More recently, researchers have grown interested in financially viable ventures that generate social value and financial returns (Urban & Mapula-e Lehasa, 2024). Financial returns aim to create significant social value for organisations while pursuing financial stability through commercial activities (Defourny & Nyssens, 2006). This aim aligns with the demand-side perspective, which suggests that entrepreneurs should maximise work with limited resources and capitalise on opportunities to generate profit by addressing unmet social needs (Nga & Shamuganathan, 2010). The evaluation of financial returns significantly impacts social entrepreneurship's sustainability (Brychko et al., 2023). Therefore, the following hypothesis is developed as follows:

Hypothesis 4: Financial return has a positive relationship with sustainable enterprise development.

2.7 Conceptual Framework

The conceptual framework, as shown in Figure 1, presents the independent variables of social entrepreneurship, which consist of social mission, social innovation, social network, and financial returns, while the dependent variable is sustainable enterprise development.

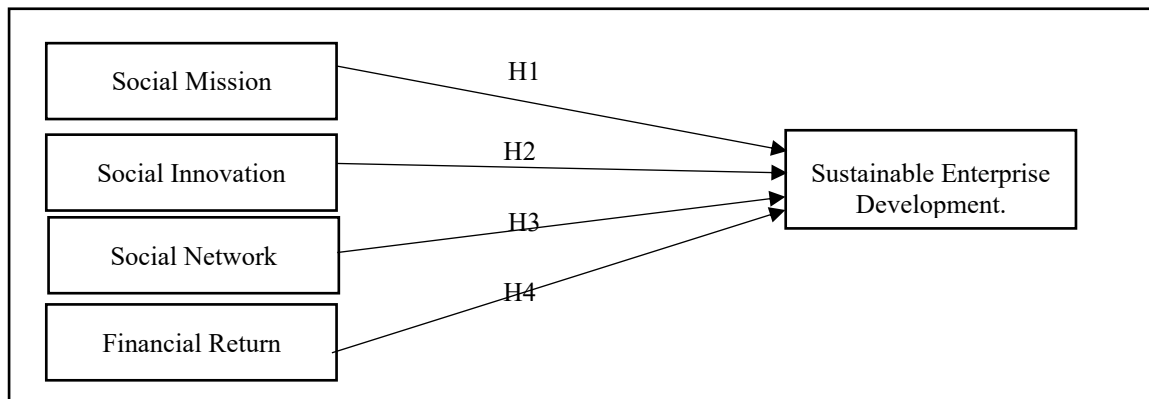


Figure 1: Conceptual Framework of Social Entrepreneurship and Sustainable Enterprise Development Among SMEs in Selangor

3. Methodology

A quantitative research design was adopted to examine the relationship between social entrepreneurship and sustainable enterprise development among SMEs in Malaysia. A survey was conducted among 180 SME business owners (out of 200 distributed questionnaires) from the manufacturing and services industries, who were selected using convenience sampling. The sampling frame was extracted from the SME directories provided by SME Corp Malaysia at <https://smecorp.gov.my>. The respondents comprised business owners of SMEs from selected industry categories. Data were collected from 180 respondents, with a response rate, and were further analysed using the Structural Equation Model (SEM) with SmartPLS. The study employed 32 validated items measuring social entrepreneurship and sustainable enterprise development adapted from Javed et al. (2019). The SEM analysis consisted of a measurement model assessment by examining validity, including convergent and discriminant validity (Chin, 1998), using standard Likert scales for this study. Convergent validity assesses the relationship between similar constructs and the variables they share. This was evaluated using average variance extracted (AVE) values, which values exceeding 0.50 (Yoo & Alavi, 2001). Similarly, Zainudin (2013) suggested that AVE value of 0.50 or higher suffice for convergent validity. The structural model is a fundamental component of Structural Equation Modeling (SEM), was subsequently assessed to test the hypotheses of this study.

The data collection process took approximately two months after being approved by the Ethics Committee. The demographics of 180 participant businesses were: 64.4% were male, while 40.6% were aged between 46 and 55 years. In terms of ethnicity, the two largest groups were Malays (44.4%) and Chinese (40.0%). Additionally, nearly 51% of participants had completed their undergraduate education. Furthermore, most (78.8%) respondents were the owners of their respective businesses. Most of the businesses operated as private limited companies in the manufacturing sector (46.7%). More than half of the respondents had operated their businesses for more than ten years. It was also noted that a large proportion of participants (56.7%) operated their businesses in urban areas. Finally, majority of the businesses reported a median annual income generated following the three categories: RM 10,001-RM 20,000, RM 20,001-RM 30,000, or RM 30,001- RM 50,000 per month.

A common method bias assessment, as shown in Table 1, was conducted using the marker variable blue. The results revealed that the increase in the adjusted R-Square suggested that although the model's performance improved, the change was not substantial enough to indicate the presence of common-method bias. According to the guidelines established by Hair et al. (2019), a difference greater than 10% suggests potential concerns about common method bias. Since the observed enhancement was below this threshold, the results are considered reliable and not significantly affected by common method bias.

Table 1. Assessment of Common Method Bias

Constructs	Before Marker Variable		After Marker Variable	
	R-square	R-square adjusted	R-square	R-square adjusted
Sustainability Enterprise Development	0.697	0.692	0.780	0.772

4. Finding

4.1 Measurement Model

As shown in Table 2, the measurement model analysis examined the factor loadings and convergent validity to assess the reliability and validity of the measurement items used in this study. The results showed that the factor loadings ranged from 0.66 to 0.912, indicating that the items were highly correlated with the variables. Although some factor loadings were below the threshold, they remained as they did not adversely affect composite reliability. Furthermore, the composite reliability (CR) values for all constructs were greater than 0.708 as suggested by Hair et al. (2026), with the values for financial return (CR= 0.925), social innovation (CR= 0.872), social mission (CR= 0.866), social network (CR= 0.898), and sustainable enterprise development (CR= 0.952). In addition, the Average Variance Extracted (AVE) values for all constructs were greater than 0.50, which indicated the financial return (AVE= 0.804), social innovation (CR= 0.631), social mission (CR= 0.62), social network (CR= 0.638), and sustainable enterprise development (CR= 0.568). Overall, the results indicated that the AVE values exceeded 0.50 (Hair et al., 2026), thereby supporting item retention and ensuring the content validity of the measurement items.

Sustainable Enterprise Development (SED) was modelled as a second-order construct comprising three first-order dimensions, namely, environmental, economic, and social sustainability. The measurement model assessment demonstrated adequate reliability and convergent validity. For the environmental dimension, Composite Reliability (CR) was 0.702, and Average Variance Extracted (AVE) was 0.63. Both the economic and social dimensions exhibited stronger reliability, with a CR of 0.903 and an AVE of 0.756 for each. All AVE values exceeded the recommended threshold of 0.50, confirming convergent validity (Hair et al., 2016). Although the Cronbach's alpha for the overall construct was 0.52, falling below the conventional 0.70 threshold, reliability was established based on the Composite Reliability values, all of which surpassed the 0.70 benchmark. As noted by Hair et al. (2016), CR is a more appropriate measure of internal consistency in SEM contexts as it accounts for varying indicator loadings, thereby supporting the adequacy of the measurement model for this study.

Table 2. Factor Loading and Convergent Validity

Variables	Indicator	Factor Loading	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Financial Return	FR1	0.887	0.878	0.878	0.925	0.804
	FR2	0.912				
	FR3	0.891				
Social Innovation	SI1	0.822	0.805	0.811	0.872	0.631
	SI2	0.793				
	SI3	0.776				
	SI4	0.785				
Social Mission	SM1	0.773	0.795	0.818	0.866	0.62
	SM2	0.672				

Variables	Indicator	Factor Loading	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Social Network	SM3	0.846	0.858	0.86	0.898	0.638
	SM4	0.845				
	SN1	0.833				
	SN2	0.78				
	SN3	0.81				
	SN4	0.775				
	SN5	0.795				
Sustainable Enterprise Development	ECONS1	0.794	0.894	0.897	0.922	0.702
	ECONS2	0.66				
	ECONS3	0.785				
	ECONS4	0.786				
	ECONS5	0.77				
	ES1	0.756				
	ES2	0.734				
	ES3	0.719	0.902	0.903	0.923	0.632
	ES4	0.733				
	ES5	0.764				
	ES6	0.685				
	ES7	0.774				
	SS1	0.755				
	SS2	0.783				
	SS3	0.787				

4.2 Discriminant Validity

The Heterotrait-Monotrait ratio (HTMT) is a technique used to estimate the true correlation between two constructs, assuming they are perfectly measured. According to Henseler et al. (2009), when developing a path model involving constructs that are conceptually very similar, it is advisable to utilise a threshold value between 0.85 to 0.90. If the HTMT value exceeds this threshold, it suggests potential issues related to discriminant validity, indicating that the constructs may not be sufficiently distinct from one another. As shown in Table 3, the HTMT values were notably below the conservative threshold of 0.85. This finding indicates that there were no significant concerns regarding discriminant validity in this study's framework. Specifically, all the calculated ratios remained below 0.90, providing strong evidence of satisfactory discriminant validity. Overall, these results affirm that the constructs within the path model are conceptually distinct from other constructs, thus further validating the integrity of the model being evaluated (Henseler et al., 2009).

Table 3. Heterotrait-Monotrait ratio (HTMT)

Constructs	1	2	3	4	5
1. Financial Return					
2. Social Mission	0.671				
3. Social Innovation	0.715	0.889			
4. Social Network	0.830	0.859	0.874		
5. Sustainability Enterprise Development	0.808	0.735	0.808	0.817	

4.3 Structural Equation Model

A bootstrapping analysis with 10,000 samples was conducted to evaluate the structural model, yielding an R-square of 0.697 (69.7%) and an adjusted R-squared (R^2) of 69.2% for sustainability enterprise development. The result, as shown in Table 4, revealed a path coefficient for social mission and sustainable enterprise development ($\beta = 0.069$, t-value = 1.019, p-value > 0.05) and for social network ($\beta = 0.123$, t-value = 1.748, p-value > 0.05), indicating positive relationships. However, there was no significant relationship for SED, as the p-value was greater than 0.05. Therefore, Hypotheses 1 and 3 were not supported. In contrast, social innovation ($\beta = 0.191$, t-value = 2.423, p-value < 0.05) and financial return ($\beta = 0.255$, t-value = 3.741, p-value < 0.05) exhibited positive and significant relationships with sustainable enterprise development. Consequently, Hypotheses 2 and 4 were supported. Additional analysis examined the effect sizes for social innovation ($f^2 = 0.03$) and financial return ($f^2 = 0.08$), which were small, as suggested by Cohen (1992). Furthermore, the lower limit and upper limit of social innovation (LL = 0.04, UL = 0.351) and financial return (LL = 0.111, UL = 0.379) indicated there were no zero values between the lower limit and upper limit. Overall, the findings demonstrate that only social innovation and financial return had positive and significant relationships with sustainable enterprise development.

Table 4. Structural Model

Hypo.	Relationship	β	STDEV	t	p	BCa LLCI	BCa ULCI	Decision
H1	SM -> SED	0.069	0.067	1.019	0.308	-0.07	0.196	Not Supported
H2	SI -> SED	0.191	0.079	2.423	0.015	0.04	0.351	Supported
H3	SN -> SED	0.123	0.07	1.748	0.081	-0.014	0.261	Not Supported
H4	FR -> SED	0.255	0.068	3.741	0.00	0.111	0.379	Supported

4.4 Predictive Relevance

A bootstrapping analysis with 10,000 samples was conducted to evaluate the structural model, yielding an R-square of 0.697 (69.7%) and an adjusted R-squared (R^2) of 69.2% for sustainability enterprise development. The result, as shown in Table 4, revealed a path coefficient for social mission and sustainable enterprise development ($\beta = 0.069$, t-value = 1.019, p-value > 0.05) and for social network ($\beta = 0.123$, t-value = 1.748, p-value > 0.05), indicating positive relationships. However, there was no significant relationship for SED, as the p-value was greater than 0.05. Therefore, Hypotheses 1 and 3 were not supported. In contrast, social innovation ($\beta = 0.191$, t-value = 2.423, p-value < 0.05) and financial return ($\beta = 0.255$, t-value = 3.741, p-value < 0.05) exhibited positive and significant relationships with sustainable enterprise development. Consequently, Hypotheses 2 and 4 were supported. Additional analysis examined the effect sizes for social innovation ($f^2 = 0.03$) and financial return ($f^2 = 0.08$), which were small, as suggested by Cohen (1992). Furthermore, the lower limit and upper limit of social innovation (LL = 0.04, UL = 0.351) and financial return (LL = 0.111, UL = 0.379) indicated there were no zero values between

the lower limit and upper limit. Overall, the findings demonstrate that only social innovation and financial return had positive and significant relationships with sustainable enterprise development.

Table 5. Predictive Relevance

Indicator	PLS-SEM_RMSE	LM_RMSE
ECONS1	0.502	0.54
ECONS2	0.624	0.685
ECONS3	0.547	0.588
ECONS4	0.538	0.559
ECONS5	0.498	0.541
ES1	0.521	0.51
ES2	0.578	0.598
ES3	0.703	0.773
ES4	0.678	0.753
ES5	0.635	0.687
ES6	0.663	0.685
ES7	0.633	0.644
SS1	0.613	0.632
SS2	0.529	0.546
SS3	0.535	0.553

5. Discussion

The findings revealed that social innovation and financial return had a positive effect on sustainable enterprise development, thereby supporting Hypotheses 2 and 4. This may be because the SMEs plan to address social problems in new and more efficient approaches, consistently seek more effective solutions, encourage the development of alternative approaches, and actively seek sustainable solutions to social problems. These innovative practices are particularly salient aspects of social innovation in SME organisations that are significant to sustainable enterprise development. The findings strongly support and align with the finding that social innovation has a positive relationship with sustainable enterprise development, as most scholars consistently view it as a driver of long-term sustainability in social enterprises through social, environmental, and economic outcomes. In particular, the findings align with Kajanus (2000), who argued that social innovation creates sustainable competitive advantage, thereby directly strengthening long-term survival and sustainability of enterprises. In addition, the findings also indicate the possibility of financial returns from existing and new ventures, and they rely on earning sufficient profits and a share of profits in their business initiatives. The participants acknowledged the vital role of reinvesting profits into the business, emphasising that this approach not only sustains ongoing operations but also fosters the development of innovative initiatives. By channelling earnings back into the enterprises, they believed it would promote growth and enhance the organization's overall mission. Overall, the findings suggest that alongside pursuing their social objectives, SMEs are financially oriented and committed to using profits to sustain and expand their social impact. These findings are also consistent with previous studies. Studies by Méndez-León et al. (2022) and Parrish (2009) argued that sustainable enterprise development requires a comprehensive integration of three critical dimensions, namely, environmental, social, and economic performance. Similarly, Bhutto (2024) highlighted that financial returns should increasingly be evaluated together with environmental and social performance, suggesting that enterprises that achieve financial success are better positioned to sustain responsible practices over time. This supports the argument that financial returns are not separate from sustainability but rather a key component of sustainable enterprise development. These findings also align with the RBV theory, which suggests that an enterprise achieves sustainable development and long-term competitive advantage by effectively leveraging its internal resources and capabilities.

The findings revealed that social mission and social networks had no significant effects on sustainable enterprise development. Therefore, Hypotheses 1 and 3 were not supported. This may be because organisations generally demonstrated a strong commitment to fulfilling their ethical and moral responsibilities and addressing societal issues, resulting in relatively limited variation in participants' perceptions of social mission. Similarly, the participants agreed they maintained strong ties with other organisations in society, regarded customers and other societal actors as important networking partners, and could rely on others to support initiatives aimed at addressing social problems. However, these two findings were in contradiction with Hassim et al (2024), who studied the social mission and social enterprise in the tourism sector, and the result revealed that there was a positive and significant relationship between the social mission, which emphasises the efforts to meet social needs, and the overall performance of the social enterprise. Likewise, Naderi et al. (2019) demonstrated that social mission has a direct and significant positive effect on both social value creation and the performance of the social enterprise. Their findings support the hypothesis by showing that when the organisation applies and practices its social mission, it develops a strong strategy to pursue new solutions to address societal challenges, leveraging partnerships and stakeholder collaboration to drive growth. On the other hand, for social networks, the finding contradicts that of Fadeeva (2005), who argued that social networks contribute directly to environmental sustainability by connecting various societal actors and facilitating the collection and sharing of information on environmental and social issues. This suggests that social networks help enterprises remain sustainable by improving environmental awareness and encouraging collaborative solutions, both of which are key to sustainable enterprise development. Similarly, Haugh and Talwar (2010) also reported that businesses can utilise social networks as a strategic tool to achieve ecological sustainability, reinforcing the environmental dimension of the relationship. Aligning with the RBV theory, strong capabilities are a competitive advantage that sets a business apart from others. The application of RBV encourages social entrepreneurs to assess their unique assets thoughtfully and invest in their development, fostering a culture of continuous improvement and innovation within their organizations (Barney, 1991; Grant, 1991). However, this approach does not only aligns their objectives with the greater good but also ensures their initiatives resonate with the communities they serve, ultimately leading to a richer, more transformative experience for all stakeholders.

5.1 *Theoretical Contributions*

The research extends existing theory by illustrating that government policy has a greater impact when there is a formal institutional alignment and when policy support is targeted at specific areas of need. In contrast, the relational resources and internal performance resources appear to be less dependent on government policy. The findings further suggest that future theories concerning sustainable enterprise development should differentiate between direct capability-based drivers and socially embedded drivers, since they are influenced differently by government policy. Thus, this study contributes to the body of knowledge on sustainable enterprise development by refining the notion that government policy generally enhances all sustainability pathways and by illustrating that its effectiveness varies across contexts and specific mechanisms at work.

5.2 *Practical Contributions*

Policymakers should develop policies that provide clear, consistent, and transparent guidelines to reduce compliance costs and minimize uncertainty. Where appropriate, they should enhance the effectiveness of these policies by providing additional resources such as guidance documents and streamlined reporting templates, particularly to smaller social enterprises, to help them turn their social intent into tangible outcomes. Furthermore, the incentives such as public procurement preference, tax credits, and grant co-funding linked to measurable social impact can create an environment that encourages social impact through sustainable practices and reduces administrative burden. From a policymaking perspective, this analysis clearly illustrates the need for a framework that is adaptable to emerging technologies and innovations while allowing for creativity within regulated boundaries. Additionally, proactive engagement

with policymakers is essential to assist with developing workable compliance procedures. Practitioners should also invest in simple measurement and reporting tools to illustrate social impact and use the perceived legitimacy of regulatory oversight as marketing leverage to secure investors, partners, and customers. Additionally, practitioners are encouraged to take a proactive approach when engaging with policymakers to facilitate the creation of effective compliance procedures that are not only manageable but also aligned with industry standards. It is essential for practitioners to actively participate in discussions and provide insights that can shape policies favorably.

5.3 *Limitations and Future Research Direction*

Several limitations of these findings should be acknowledged. First, the results rely on participants' perceptions of regulatory burden, which may differ from objective measures. Consequently, social desirability or sample composition could have influenced respondents to provide more favourable views. Second, cross-sectional design limits causal inference. While moderation was observed, reverse causality and the influence of omitted variables cannot be ruled out. For example, more capable firms may both perceive lower burden and perform better. Third, the findings are context specificity matters, as policy design and enforcement in other regions or sectors may produce different moderation effects, so generalisation should be cautious. Therefore, future research could address these limitations by integrating perceptual survey data with concrete measures of regulatory complexity. Additionally, employing longitudinal designs would allow researchers to monitor how changes in government policy influence the relationship between social mission and sustainability over time. This comprehensive approach could provide valuable insights into the dynamics at play and help identify effective strategies for fostering sustainability within social enterprises.

5.4 *Implication of the Study*

The findings imply that practitioners, including business owners, should adopt a proactive approach in engaging with policymakers to support the development of workable compliance procedures, investing in simple measurement and reporting tools to illustrate social impact, and using the perceived legitimacy of regulatory oversight as marketing leverage to secure investors, partners, and customers. Practitioners are encouraged to take a proactive approach when engaging with policymakers to facilitate the creation of effective compliance procedures that are not only manageable but also aligned with industry standards. It is essential for practitioners to actively participate in discussions and provide insights that can shape policies favourably. Additionally, investing in user-friendly measurement and reporting tools enables organisations to communicate the benefits of their work to various stakeholders, thus illustrating social impact clearly and effectively. By demonstrating tangible results, practitioners can build credibility and foster trust with their community and partners. From a theoretical perspective, the results further illustrate that future theory concerning sustainable enterprise development should differentiate between direct capability-based drivers and socially embedded drivers, since they are influenced differently by government policy. Thus, this study contributes to the body of knowledge on sustainable enterprise development by refining the notion that government policy generally enhances all sustainability pathways and by illustrating that its effectiveness varies across contexts and specific mechanisms at work.

6. **Conclusion**

This study aims to investigate the relationship between the dimensions of social entrepreneurship, which consist of social mission, social innovation, social network, and financial return, on sustainable enterprise development among SMEs in Malaysia. Sustainable enterprise development (SED) enables enterprises to meet the current needs of stakeholders without compromising the future generations' capabilities, emphasising innovation, resilience, and responsibility across social, environmental, and economic pillars (Bansal, 2019; Suriyankietkaew et al., 2022; Fichter et al., 2023). Social entrepreneurship (SE) operationalises SED by applying entrepreneurial principles to address societal, cultural, economic, and

environmental issues, thereby developing new strategies to retain competitive and relevance in industries (Diaz Gonzalez & Dentchev, 2021; Mthembu & Barnard, 2019). Therefore, providing SMEs with the ability to better respond to challenges and capitalise on new expansion opportunities. With the growing importance of social entrepreneurship and sustainable enterprise development globally, this study was conducted to address pressing social, environmental, and economic issues while encouraging innovation and ethical business practices by defining what social entrepreneurship entails. Social entrepreneurship emphasises the application of entrepreneurial skills to address large-scale societal issues such as poverty, education, health, and equality, promoting inclusive development. By focusing on meeting societal needs, social entrepreneurs contribute to developments that will shape the future of many key sectors. Examining their techniques and business models provides valuable insights and new ways of thinking on addressing contemporary global issues.

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Conflict of interest statement

The author(s) declare that this research was conducted in the absence of any self-benefits, commercial or financial interests that could influence the work reported in this paper.

Ethics statement

This study was reviewed and approved by the Institutional Ethics Committee of Universiti Teknologi MARA, Malaysia (Approval No: UiTM.800-1/1/9). All procedures involving human participants as subjects were conducted in accordance with the ethical standards of the 1964 Helsinki Declaration. Informed consent was obtained from all participants, and data anonymity was strictly maintained throughout the study. Respondents gave written consent before starting the survey.

Declaration of generative AI

During the preparation of this work, the author(s) used Grammarly in order to check grammatical errors and rephrase sentences. After using this tool, the author(s) reviewed and edited the content as needed and take full responsibility for the publication's content.

Data availability/supplementary materials

Data included in the article: All data generated or analyzed during this study are included in this published article as per attached in appendices.

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Authors' contributions

Mohd Fauzee Tahir is responsible for conducting an overall review of the entire manuscript. The responsibilities include creating content that ties together the research results, providing detailed explanations for each section of the manuscript, and ensuring there are no inconsistencies or unclear sections. In addition to reviewing the manuscript, Khalid Abdul Wahid supervises the manuscript's writing to ensure it meets the journal's requirements. While Mohamad Faizal Ramli is responsible for proofreading the paper, including the content and formatting of this manuscript.

Appendix

Table A1. Items Measurement

Items	Social Mission
SM1	My organization wants to participate in activities that address social issues.
SM2	My organization regularly examines new opportunities and programs to uplift society.
SM3	My organization tries to fulfil its ethical and moral responsibilities.
SM4	My organization needs to address societal problems.
Items	Social Innovation
SI1	My organization plans to solve social problems in a new and more efficient way.
SI2	My organization always seeks more effective solutions to a social problem.
SI3	My organization recommends that others develop an alternative yet efficient way to solve the social problem.
SI4	My organization always seeks sustainable solutions to social problems.
Items	Social Networks
SN1	My organization has good ties with other organizations in society.
SN2	My organization has considered our customers and other societal actors as our most important networking partners.
SN3	Other organizations and people will help my organization establish new organizations to eliminate social causes.
SN4	If my organization takes any step to eliminate any social problem, people and organizations around will share knowledge and resources with us.
SN5	My organization's social network can disseminate social information
Items	Financial Return
FR1	My social enterprise aims to gain financial returns from existing and new ventures.
FR2	The sustainability of our social enterprise is possible only if my organization earns enough profits while serving a social cause.
FR3	My organization reinvests some profit in business for policy initiatives.
Items	Sustainable Enterprise Development
ENV1	My organization provides/manufactures goods/services that are less harmful to the environment.
ENV2	My organization provides goods or services that are more environmentally friendly than those of others
ENV3	My organization provides goods or services that are less environmentally damaging than others
ENV4	My organization is using renewable sources of input.
ENV5	My organization is using a pro-environment production process to eliminate waste.
ENV6	My organization is disposing of waste responsibly.
ENV7	My organization is handling and storing unnecessary waste responsibly.
SS1	My organization addresses unsolved social problems on a priority basis.
SS2	My organization communicates the risks and the firm's environmental impacts.
SS3	My organization identifies and actively participates in community development initiatives.
ES1	My organization works with government officials to protect the company's interests
ES2	My organization aims to reduce waste management costs for the same output level.
ES3	Entrepreneurs are profit-oriented
ES4	The business capital in my organization is important.
ES5	My organization is prioritizing positive cash flow
ES6	Sales are important to my organization.



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