

**AN EMPIRICAL STUDY ON FACTORS THAT
INFLUENCE VALUE-BASED SUSTAINABILITY
OF NON-PROFIT ORGANISATIONS IN
MALAYSIA**

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UNIVERSITI SAINS MALAYSIA

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OF NON-PROFIT ORGANISATIONS IN
MALAYSIA**

by

NUR HAYATI BINTI AB SAMAD

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“It always seems impossible until it is done” – Nelson Mandela

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LIST OF ABBREVIATIONS

AIM	Malaysian Innovation Agency
AC	Adaptive capacity
AVE	Average variance extracted
BHEUU	Legal Affairs Division
CSO	Civil society organisations
CCM	Companies Commission of Malaysia
CLBG	Company Limited by Guarantee
CMV	Common method variance
CR	Composite reliability
CS	Cross-sector collaboration
CSR	Corporate social responsibility
EO	Entrepreneurial orientation
FATF	Financial Action Task Force
FM	Financial management capacity
GDP	Gross domestic product
HTMT	Heterotrait-Monotrait
IT	Information technology capacity
LD	Leadership capacity
OC	Operational capacity
OF	Organisational fit
MSME	Micro, small & medium enterprise
NGO	Non-governmental organisation
NPO	Non-profit organisation
SPO	Social-purpose organisation
PLS-SEM	Partial Least Square SEM
RBV	Resource-based view
RDT	Resource Dependence Theory
ROS	Registrar of Societies
SDG	Sustainable development goals
SDP	Sport for Development and Peace

SE	Stakeholder engagement
SEM	Structural equation modelling
SEO	Social entrepreneurship orientation
SM	Staff management capacity
SP	Strategic planning capacity
SPV	Shared Prosperity Vision
SRBV	Social Resource-Based View
VIF	Variance inflation factor
VBS	Value-based sustainability
VBS_E	Economic value
VBS_S	Social value

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**KAJIAN EMPIRIKAL TERHADAP FAKTOR YANG
MEMPENGARUHI KELESTARIAN BERASASKAN NILAI BAGI
ORGANISASI BUKAN BERASASKAN KEUNTUNGAN DI MALAYSIA**

ABSTRAK

Organisasi bukan berasaskan keuntungan (NPOs) memainkan peranan penting dalam merealisasikan Matlamat Pembangunan Lestari (SDG) 2030 melalui penyampaian perkhidmatan dan aspek pembangunan lestari yang lain. Walau bagaimanapun, NPOs didapati menghadapi dua isu utama yang mungkin menjejaskan kemampuan organisasi. Pertama, isu kekangan sumber secara berterusan yang dihadapi oleh NPOs bertambah buruk akibat krisis COVID-19. Kedua, NPOs didapati kurang menekankan perspektif "berasaskan nilai", di mana didapati terdapat salah jajaran kepentingan antara NPOs dan pihak berkepentingan. Senario ini mungkin menjejaskan kemampuan organisasi kerana penghasilan nilai terhalang. Oleh itu, bagi menangani dua isu utama ini, kajian ini bertujuan untuk menjawab persoalan: "Apakah yang diperlukan oleh NPOs yang beroperasi dengan sumber terhad untuk mencapai kelestarian berasaskan nilai (VBS) bagi mencapai pembangunan mampan?". Oleh kerana sumber yang terhad daripada kerajaan dan pemiaya, NPOs perlu lebih berdikari; justeru, perlunya kajian tentang faktor-faktor khusus organisasi yang boleh mempengaruhi VBS NPOs. Oleh itu, selaras dengan Pandangan Berasaskan Sumber Sosial (SRBV) dan Teori Ketergantungan Sumber (RDT), kajian ini mengkaji faktor-faktor organisasi yang mempengaruhi VBS. Faktor organisasi yang dikenal pasti adalah kapasiti organisasi, penglibatan pihak berkepentingan, orientasi keusahawanan sosial (SEO), kerjasama rentas sektor dan kesesuaian organisasi. Kajian ini seterusnya mengenal pasti tujuh kapasiti organisasi: pengurusan kewangan, kepimpinan,

pengurusan staf, operasi, penyesuaian, teknologi maklumat dan perancangan strategik. Rangka kerja yang dicadangkan telah dinilai secara empirikal dalam kalangan NPOs kebajikan berdaftar di bawah ROS, yang terletak di kawasan Lembah Klang, menggunakan kaji-selidik dalam talian melalui SurveyMonkey. Dapatan kajian mendapati bahawa kapasiti operasi, penyesuaian dan perancangan strategik adalah penting untuk penglibatan pihak berkepentingan. Sementara itu, kapasiti penyesuaian dan perancangan strategik adalah penting untuk SEO. Selaras dengan teori SRBV, penglibatan pihak berkepentingan dan SEO berfungsi sebagai kelebihan daya saing yang menyumbang kepada nilai sosial. Pada masa yang sama, menurut RDT, kajian ini mendapati bahawa kerjasama rentas sector secara positifnya telah mewujudkan kesesuaian organisasi dan seterusnya menghasilkan nilai ekonomi. Untuk mencapai VBS, NPOs mesti menerima pakai kedua-dua strategi di bawah SRBV dan RDT untuk memastikan nilai ekonomi dan sosial boleh tercapai. Kajian ini menyumbang bukti teori dan empirikal mengenai faktor organisasi yang mempengaruhi VBS NPO. Maklumat ini bermanfaat untuk NPO dan pengamal, khususnya pengawal selia dan pembiaya, dalam membangunkan dasar dan strategi untuk meningkatkan sektor bukan berkeuntungan.

**AN EMPIRICAL STUDY ON FACTORS THAT INFLUENCE VALUE-
BASED SUSTAINABILITY OF NON-PROFIT ORGANISATIONS IN
MALAYSIA**

ABSTRACT

Non-profit organisations (NPOs) play a prominent role in realising Sustainable Development Goal (SDG) 2030 through service delivery and other aspects of sustainable development. However, it was acknowledged that NPOs face two main issues that might impair the organisations' sustainability. First, the ongoing resource constraint issues that NPOs face worsen due to the COVID-19 crisis. Second, it was observed that NPOs emphasise less on "value-based" perspectives, whereby misalignment of interest between NPOs and stakeholders was noted. This scenario may impair organisational sustainability as value creation is hampered. Thus, addressing these two main issues, this study aims to answer the question: "What does it take for NPOs operating with limited resources to attain value-based sustainability (VBS) to achieve sustainable development?". Due to limited resources from the government and funders, NPOs need to be more independent; hence, justifying the need to study organisation-specific factors that could influence the VBS of NPOs. Therefore, in line with the Social Resource-Based View (SRBV) and Resource Dependence Theory (RDT), this study examines the organisational factors influencing the VBS of NPOs in Malaysia. The organisational factors identified are organisational capacities, stakeholder engagement, social entrepreneurship orientation (SEO), cross-sector collaboration, and organisational fit. This study further identified seven organisational capacities: financial management, leadership, staff management, operational, adaptive, information technology, and strategic planning. The proposed

framework was empirically evaluated among the charity NPOs registered under ROS, located in the Klang Valley area, using the online survey questionnaire via SurveyMonkey. The study's findings revealed that operational, adaptive, and strategic planning capacities are crucial for stakeholder engagement. Meanwhile, adaptive and strategic planning capacities are essential for SEO. In line with SRBV theory, stakeholder engagement and SEO served as a competitive advantage contributing to social value. Concurrently, according to RDT, this study found that cross-sector collaboration positively created an organisational fit and subsequently generated economic value. In summary, to achieve VBS, NPOs must concurrently adopt both strategies under SRBV and RDT to ensure both economic and social values are achievable. This study contributes theoretical and empirical evidence on organisational factors that influence the VBS of NPOs. These insights are useful for NPOs and practitioners, specifically regulators and funders, in developing policies and strategies to boost the non-profit sector.

CHAPTER 1

INTRODUCTION

1.1 Background of Study

Achieving the Sustainable Development Goals (SDG) 2030 of the United Nations requires the involvement and active participation of regional, national and subnational legislatures and all Major Groups and other Stakeholders (Cázarez-Grageda, 2018; United Nations, 2019). United Nations defined sustainable development as “development that meets the current needs without compromising future needs” (United Nations, 2020). It is every country’s goal, and improving the well-being of society by resolving social issues is central to that pursuit (Hrotko et al., 2018). As one of the Major Groups in achieving SDG 2030, non-profit organisations (NPOs) play a significant role in sustainable development via the implementation of social services (Hassan et al., 2018; Moldavanova & Wright, 2019; UNDP, 2019).

First, it is essential to underline those numerous terms used to indicate the organisation or institution under non-profit sectors, for instance, non-governmental organisations (NGOs), NPOs, third sector organisations, and civil society organisations. The various terms used are deemed synonymous due to the organisation's key objective of fulfilling social objectives (Gajdová & Majdúchová, 2018; Paulo et al., 2017; Soysa et al., 2018). They share common characteristics (Clear et al., 2018; Gajdová & Majdúchová, 2018; Paulo et al., 2017; Sarikaya & Buhl, 2020; Singh & Mthuli, 2020; Soysa et al., 2018) as follows:

- Independence from the government
- Formal, self-governing, and involving voluntary commitment
- Restriction on profit distribution

It is common for NPOs to be defined as NGOs in developing countries because they complement or provide services that the government did not or failed to cater to (Adro & Fernandes, 2021; Perai, 2021). However, this study employs the term NPOs as it denotes the most commonly used term in non-profit literature (Laurett & Ferreira, 2018). NPOs refer to “the organisation that primarily raises or disburses funds for charitable, religious, cultural, educational, and social purposes or carries out other types of ‘good works’” (FATF, 2019)¹. They are generally categorised under the Third Sector, the economy segment that is neither the public nor private sector.

It is often equated with the non-profit, voluntary, or charitable sector. For example, this sector is referred to as the non-profit sector in the United States, while in the United Kingdom, this sector is known as the voluntary sector (Perai, 2019). As per the researcher’s knowledge, Malaysia has no standard term for this sector. Hence, the researcher will use the term non-profit sector to indicate the sector NPOs belong to. The non-profit sector's role has become increasingly prominent to cater to the unfilled gaps left by the government in meeting society’s needs (Das, 2022). In general, NPOs in Malaysia are established under the following regulations:

- i. Company Limited by Guarantee (CLBG) governed by Companies Commission of Malaysia (CCM) – incorporated under Companies Act 2016 [Act 777]

¹ The Financial Action Task Force (FATF), an independent inter-governmental body, is the global money laundering and terrorist financing watchdog. Given the variety of legal forms that NPOs can have, depending on the country, FATF adopted a functional definition of NPO. This definition is based on those activities and characteristics of an organisation, rather than on the simple fact that it is operating on a non-profit basis (FATF, 2020). This definition is suitable with the context of study because NPOs in Malaysia are authorised under multiple legal forms.

- ii. Societies, organisations, and associations governed by Registrar of Society (ROS) – registered under Societies Act 1966 [Act 335]
- iii. Incorporation Trustee/Foundation governed by Legal Affairs Division (BHEUU) –incorporated under Trustees Act 1952 [Act 258]/Establishment of Trustees Incorporation by the founder (associations of person/ body corporate)
- iv. Sports associations registered with the Sports Commissioner (SCO)
- v. Youth associations registered with the Registrar of Youth Societies (ROY)
- vi. Labuan Foundation is registered under Labuan Foundation Act 2010 [Act 706] and governed by Labuan Financial Services Authority (Labuan FSA)

While various regulators are available in governing NPOs, it is essential to acknowledge that NPOs in Malaysia are usually incorporated either as charitable corporations in the form of CLBG or as societies (British Council, 2019; Centre for Asian Philanthropy and Society, 2020). In 2018, the total number of NPOs in Malaysia was 69,760 (British Council, 2019). Even though there is a tremendous growth of NPOs in Malaysia reflected through the figures mentioned above, as per the researcher's knowledge, there is limited literature on NPOs in Malaysia. This scenario demonstrates the wide gap between research and practice in non-profit sectors.

It has been acknowledged that NPOs have played roles in social service delivery since the early 1990s (Kareithi & Lund, 2012; Rees et al., 2012). According to the definition stated in Social Progress Assessment-Innovating Malaysia's Social Sector (Agensi Inovasi Malaysia, 2017), social issues affect the destitute and forgotten members of society, as well as those facing deep poverty. Destitute persons refer to the lowest-income group, such as those often taken advantage of due to a lack of education. Meanwhile, forgotten members of society refer to as outcasts in their

community, such as disadvantaged single mothers. Deep poverty refers to communities with limited social service reach, such as HIV/AIDS patients.

NPOs are taking active and complementary roles in fulfilling the needs of society through various interventions to resolve social issues and ensure sustainable development in the community (Okorley & Nkrumah, 2012). Regional factors such as urban sprawl, ageing populations and economic recessions increase the need for social services (MacIntosh, 2013). Currently, millions of NPOs exist to address social issues such as homelessness, hunger and malnutrition, education, HIV/AIDS and climate change (Jones & Mucha, 2014).

Consequently, the emerging roles of NPOs in addressing social issues in society have drawn interest and created the urgency for researchers to examine further the NPOs' involvement in achieving SDG 2030 (Hassan et al., 2018; Paulo et al., 2017). For instance, an NPO registered under the Registrar of Societies (ROS), Pertubuhan Wanita Berdaya Saing (Women of Will), supports SDG 2030 Goal 1 (No Poverty), Goal 5 (Gender Equality), Goal 8 (Decent Work and Economic Growth), Goal 10 (Reduce Inequalities), and Goal 11 (Sustainable Cities and Communities). They organise programmes to transform and enhance the lives of disadvantaged women in Malaysia and their communities (Women Of Will, 2020).

During the COVID-19 crisis, the role of NPOs is becoming more significant as they meet the needs, bridge gaps, and play numerous roles that leverage their strengths and showcase their critical impact on society (Centre for Asian Philanthropy and Society, 2021; Das, 2022). It can be observed that NPOs are among the earliest 'front liners' that provide assistance during crises or catastrophes. They also play significant roles in providing immediate relief supplies and recovery support for communities after a disaster. In summary, two main reasons drive the researcher to

focus on NPOs: first, NPOs play the role as one of the major players in achieving SDG 2030. Second, the increased importance of NPOs' role during the crisis in meeting the unexpected needs of society. Hence, it is vital to ensure their sustainability.

However, NPOs face challenges in ensuring sustainability (Ceptureanu et al., 2017; Gajdová & Majdúchová, 2018; Williams-Gray, 2016), and yet the issue of sustainability in the context of NPOs is rarely being considered (Singh & Mthuli, 2020). In general, NPOs sustainability refers to the ability to continuously fulfil their mission and satisfy the key stakeholders' requirements (Ceptureanu et al., 2018; Weerawardena et al., 2010). The slowdown in the global economy threatens the financial sustainability of NPOs and impedes their accomplishment of social missions (Chang et al., 2020).

Various factors could threaten the NPOs' ability to remain sustainable. Explicitly, NPOs face resource constraint issues which consequently trigger NPOs' sustainability. Resources are crucial for NPOs to continuously deliver social values (Lau et al., 2017; Michalski et al., 2018). Fundraising and financial donations, commercial income, relationship marketing, sector and cross-sector strategic alliances, volunteers, and in-kind gifts are some examples of non-profit resources (Casais & Santos, 2018; Ceptureanu et al., 2017). However, it is observed that most NPOs often operate with limited resources due to trust deficit among stakeholders and competition for scarce resources (Centre for Asian Philanthropy and Society, 2018; Ceptureanu et al., 2017; Shapiro et al., 2018).

First, NPOs face a trust deficit due to a slew of high-profile incidents involving the social sector, particularly fraud and the misappropriation of funds (Arik et al., 2016; Becker et al., 2019; Shapiro et al., 2018). A study by Shapiro et al. (2018) highlighted a lack of trust as one of the main reasons for the low degree of giving to

Asia-based organisations. This finding is further supported by the Doing Good Index 2020, highlighting that the trust deficit remained a significant barrier to increased charity giving (Centre for Asian Philanthropy and Society, 2020).

Next, as pointed out by Topaloglu et al. (2018), the competition in the non-profit sector has increased due to the increasing number of NPOs, a decline in government support, and the emergence of for-profit organisations that cater to the similar need provided by traditional NPOs. The increasing number of NPOs striving to meet the needs for social services creates competition for scarce resources (AbouAssi et al., 2018; Blanco-Ariza et al., 2019; Singh & Mthuli, 2020; Svensson et al., 2017; Weerawardena et al., 2019). Also, there is increasing volatility of support by donors (Ceptureanu et al., 2018), growing competition for skilled volunteers and staff, and well-connected organisational leaders (Clear et al., 2018; Hall et al., 2003).

The emergence of a “social enterprise” organisation also contributes to competing resources among NPOs with other forms of organisations (Arik et al., 2016; Centre for Asian Philanthropy and Society, 2020). As defined by the Malaysian Global Innovation & Creativity Centre, social enterprise refers to business activity primarily motivated by social good where profits are reinvested towards a social cause. This definition is in line with the Centre for Asian Philanthropy and Society (2019), which refers to a social enterprise as an organisation that follows the business principle of meeting social or environmental needs through a product, service, or process.

Based on the “The State of Social Enterprise in Malaysia 2018” report, the total number of social enterprises in Malaysia for 2018 is 20,749. It comprised 7,257 micro, small, and medium enterprise (MSMEs), 11,073 Co-operatives, and 2,419 social entrepreneurial NPOs. These figures show that social enterprise can take various organisation forms (Bhattarai et al., 2019; Centre for Asian Philanthropy and Society,

2019). There are no clear guidelines or details on the legal forms of Malaysian social enterprise (Perai, 2021). Social entrepreneurship is merely seen as a “concept” or “alternative” practised by organisations and the business sector as a response to the innovative business model (Baskaran et al., 2019; Sinthupundaja et al., 2019; Zainol et al., 2019). Hence, entrepreneurship practice is seen as an organisational-level behaviour.

Currently, the funders can contribute resources either to NPOs or other types of organisations, such as MSME and Co-operative, that fulfil social objectives. As a result, NPOs face more pressure to convince the stakeholders, especially funders, that they can discharge social service delivery. The tension arises when NPOs are also expected to deliver the services while facing changes in societal demographics, political uncertainty, and fluctuating macro-economic conditions (Cox et al., 2018). It has been claimed that competition for funds diminishes sustainability (McDonald et al., 2015; Teruyo & Forster, 2014).

Besides resource constraint issues, the interest in sustainable development has increased worldwide, which calls for the need to measure value creation. The importance of value creation in pursuit of sustainability becomes more significant, especially during the COVID-19 crisis. NPOs are perceived as sustainable if they can continuously deliver social value by pursuing a social mission (Moldavanova & Goerdel, 2017; Weerawardena et al., 2010). This argument is further supported by Gajdova et al. (2018,p.45), that highlighted:

“Creation of clear strategic plans, which define the society’s mission and integrate the impact of interest groups with the missions of organisations, could overcome long- and short-term problems of financial sustainability”.

Based on the above statements, ensuring alignment of mission and interest between NPOs and stakeholders is essential for value creation to drive organisational sustainability (Dees, 1998; Sinthupundaja et al., 2019). The misalignment of interest between NPOs and stakeholders may disrupt value creation, which triggers NPOs' sustainability (Daniels & Valdés, 2021). For example, NPOs are at risk of a shortage of funding as resources that might otherwise have supported social service delivery are often diverted to fight COVID-19 (Centre for Asian Philanthropy and Society, 2021). There is also a scenario whereby NPOs receive unwanted donations that do not match the needs of the NPO's target population (Daniels & Valdés, 2021).

Besides, in general, the public, private and non-profit sectors play complementary roles in achieving sustainable development through the implementation of value-based principles. Realizing the 2030 SDG requires mobilizing a diverse range of public and private resources to contribute to sustainable development outcomes. In Malaysia, the implementation of social finance via the involvement of NPOs and relevant stakeholders such as corporate investor represents the adoption of a "whole-society approach" that utilize innovation and help to resolve social issues (Ministry of Economic Affairs, 2018). In simple, companies provide funding to NPOs, so that NPOs can deliver the social outcome intended to be achieved in the corporate social responsibility (CSR) of companies.

It is an organisation's activity to promote others' welfare through charitable donations of funds or time (Morton, 2019). This innovative financing creates value via resource mobilization, financial intermediation and resource delivery (Agensi Inovasi Malaysia, 2016). Resource mobilization refers to tapping additional resources by engaging potential partners or stakeholders who are traditionally not focused on mobilizing capital to achieve social outcomes. Financial intermediation reflects the

alignment of different interests to leverage stakeholders' unique strengths to increase impact while fulfilling their respective risk and return expectations. Resource delivery refers to allocating and deploying existing capital designed for social purposes in more impactful and sustainable ways.

By focusing on the most important social causes, potential investors can start funding the right NPOs (Morton, 2019) to deliver the right interventions that contribute to sustainable development. Hence, it can be observed that the value-based principles practised among NPOs and other for-profit companies complement each other in creating value for sustainable development achievement. However, while other sectors have implemented value-based practice, it is observed that there is a lack of emphasising “value” in the non-profit sector (Porter & Kramer, 2019; Weerawardena et al., 2019), including in Malaysia.

For example, public listed companies and financial institutions have indirectly implemented value-based principles by applying Sustainable and Responsible Investment guidelines (Securities Commission Malaysia, 2019) and Value-Based Intermediation by Bank Negara Malaysia. Thus, it is timely to integrate a “value-based” perspective for the non-profit sector to ensure their social service delivery can create value via the alignment of interest between NPOs and various stakeholders. Notably, NPOs can make valuable contributions via social service delivery and other aspects of sustainable development (UNDP, 2019).

In short, two main issues of NPOs prevailed. First, resource constraint issues may jeopardise NPOs' sustainability. Second, NPOs need to emphasise the value-based perspective to remain sustained to ensure the interest and mission between the organisation and the stakeholders are aligned. Hence, in response to these two issues, this study aims to identify the organisational factors that influence the value-based

sustainability (VBS) of NPOs. The goal for NPOs is to employ the appropriate strategies to ensure successful deliverables of social benefits while ensuring the organisation's sustainability. Building sustainable NPOs is a multidimensional challenge involving internal factors of strengthening organisational capacity and strategies as well as external factors of establishing secure resources for NPOs (Omeri, 2015; Ralser, 2007).

In line with the Social Resource-Based View (SRBV) theory, Tate & Bals (2018) proposed social capabilities as a prerequisite to creating shared triple-bottom-line value, an ultimate measure of triple-bottom-line sustainability. The two most prominent social capabilities proposed are stakeholder management and a mission-driven approach. Stakeholder management, which corresponds to connections, indicates stakeholder engagement (Tate & Bals, 2018). Stakeholder engagement has the potential to broaden the scope of value creation and scale up more quickly (Tate & Bals, 2018). Meanwhile, the mission-driven approach is regarded as a sign of commitment and pursuing this mission-driven approach is consistent.

Concurrently, resources serve as the foundation for developing capabilities, which later contribute to the shared triple bottom line (Tate & Bals, 2018). Drawing on the same theory, this study concurs with the proposed framework by Tate & Bals (2018), highlighting that organisational capacities potentially influence stakeholder engagement and mission-driven approach, which later contribute to VBS. In general, organisational capacity refers to the enabling factors that enable the organisation to achieve its goals (Andersson et al., 2015; Bryan, 2018; Svensson et al., 2020). It represents the management and utilisation of the key resources of NPOs.

Since NPOs obtain resources from multiple stakeholders, they are accountable to various groups of stakeholders (MacIndoe & Barman, 2012). NPOs must be able to

demonstrate their ability to manage resources efficiently and effectively (Arshad et al., 2018). Stakeholder engagement through effective communication is crucial (Austin, 2000; Bryson et al., 2006) to accomplish the organisational mission (Brown et al., 2015) as it reflects the public knowledge of NPOs (Fu & Shumate, 2019; Shumate et al., 2017). Hence, NPOs must establish organisational capacity based on available resources to meet stakeholder expectations and fulfil the social mission continuously (Ceptureanu et al., 2018; Cox et al., 2018; Moldavanova & Wright, 2019; Walters, 2019).

Besides stakeholder engagement, NPOs are increasingly showing an interest in entrepreneurship practices as a strategic initiative to remain sustainable (Arshad et al., 2016; Dwivedi & Weerawardena, 2018; Weerawardena et al., 2019). They engage in entrepreneurship to enhance their financial sustainability, fulfil the increasing social demands and adapt to the environment's changes that prompt social value creation (Khan & Bashir, 2020; Morris et al., 2011). In line with SRBV theory, this scenario reflects the mission-driven approach or effort by NPOs to search for alternative funding sources to overcome resource constraint issues and remain sustainable (Adro & Fernandes, 2021; Centre for Asian Philanthropy and Society, 2020; Moldavanova & Wright, 2019).

In this study, entrepreneurship practice is perceived as an organisational strategic orientation or behaviour exhibited by the NPOs and referred to as social entrepreneurship orientation (SEO) (Dwivedi & Weerawardena, 2018). It is essential to highlight that most previous researchers relate sustainability with "social enterprise" as a new or hybrid form of organisation (Faulk et al., 2019; Gali et al., 2020) instead of treating them as part of organisational behaviour. However, as noted by Khan and Bashir (2020), it is unfair to restrict social entrepreneurship to a specific sector.

Instead, it may be implemented within multiple sectors. Hence, in this study, SEO is treated as an organisational strategic orientation or behaviour exhibited by the NPOs, and their role in realising VBS is further explored.

Concurrently, based on the Resource Dependence Theory (RDT) proposed by Pfeffer and Salancik (2003), NPOs need to consider alternative sources of funding to address resource dependency issues (Bingham & Walters, 2013). Shumate et al. (2018) highlighted that previous research recommends that NPOs enter cross-sector collaboration to obtain access to scarce resources and gain knowledge and experience to improve their management competence. Resolving social issues requires more significant resources, usually beyond the capability of NPOs (Austin et al., 2012). Currently, investors and other stakeholders are becoming more concerned with how companies address environmental, social, and governance (ESG) issues in their business processes (Securities Commission Malaysia, 2019).

Addressing this need, companies deliver CSR via collaboration with relevant NPOs through active community engagement and support via grant-based funding and charitable giving (Agensi Inovasi Malaysia, 2016). They are committed to the NPOs for the longer term, developing the trust and the relationships necessary to ensure the collaboration is successful (Shapiro et al., 2018). Hence, from NPOs' perspective, cross-sector collaboration is potentially helpful, and it is seen as one of the alternatives for them to achieve sustainability (Besel et al., 2011; MacIntosh, 2013; McDonald et al., 2015; Paredes et al., 2019; Rosenberg et al., 2008; Wellens & Jegers, 2013). Cross-sector collaboration help to overcome resource constraint issues and align the interest of various stakeholders.

Besides, cross-sector collaboration is important for NPOs intending to establish a trustful image and transparent organization to the stakeholders and public

(Gajdová & Majdúchová, 2018). Consequently, cross-sector collaboration could help align the values between cross-sector partners, reflecting organisational fit. Nevertheless, collaboration inefficiencies, such as a lack of fit between partners' values, attributes, and objectives, might jeopardise the success of cross-sector collaboration (Al-Tabbaa et al., 2013; Bryson et al., 2006). Hence, it is worth exploring further whether cross-sector collaboration could create an organisational fit, subsequently leading to the VBS of NPOs. NPOs exist in complex environments and are often challenged with resource limitations that are not necessarily solved via one remedy or in isolation (Chikoto-Schultz & Neely, 2016). Organisational capacities, stakeholder engagement, SEO, cross-sector collaboration, and organisational fit emerged as factors that might influence the VBS of NPOs.

1.2 Contextualising the Research: A Preliminary Study

Due to the limited literature on NPOs sustainability in developing countries, especially Malaysia, the preliminary study was conducted to clarify whether the resource constraint issues highlighted in the background of the study reflect the real situation faced by NPOs in Malaysia. Besides, the preliminary study also aims to identify other issues surrounding NPOs in Malaysia. Based on convenience sampling, five NPOs were selected for semi-structured interviews. Since most active and frontrunner NPOs are located in the Klang Valley area (Puteh Salin et al., 2017), four selected NPOs are situated within this area. However, to investigate whether the prevalent issues faced by NPOs in the Klang Valley area emerge in other areas, another NPO located outside the Klang Valley area was also selected.

The chosen interviewees were among the leadership staff such as board members, directors of programmes, managers (Williams-Gray, 2016), or staff with an

equivalent position of five years or more working experience (Ceptureanu et al., 2018). This selection was due to their roles and responsibilities related to supervising and managing the operation of the NPOs (Shafiea et al., 2018). Besides questions about NPOs' backgrounds and programmes, the researcher asked other questions relevant to resource constraints issues as follows:

1. What is the main contribution of your organisation to society?
2. What is the main problem encountered by your organisation in fulfilling the organisation's mission?
3. How does your organisation get funds and other resources such as volunteers and in-kind donations?
4. How your organisation uses the available resources to achieve the organisation's mission?
5. Does your organisation get support from the stakeholders such as funders, the private sector, and the government?
6. If respondents notify get less stakeholder support:
In your opinion, why is there a lack of stakeholder support?
7. If respondents notify, they get the stakeholder support:
Does stakeholder continuously provide support to your organisation?
8. Does your organisation have future planning?

In brief, the questions above are guided by the preliminary literature review relevant to the NPOs in Malaysia; for example, Kusmanto (2013) and Zainon et al. (2020). The interview protocol and guide, and the detailed explanation of the findings, are attached in Appendix A and Appendix B, respectively. The selected NPOs are labelled as NPO A, B, C, D, and E.

1.2.1 Summary of the Preliminary Study

Through the interview, the opinion of the interviewees was gauged, which later contributed to emerging issues prevalent among NPOs in Malaysia. All the interviewees agreed that the impact of social service delivery is significant for sustainable development because NPOs provide unfulfilled social services by the government and private sectors. They have a specific target group they focus on serving regardless of nationality, religion, and status. In brief, NPOs highlighted that they faced difficulties in terms of lack of funds, human capital, and facilities, lack of cooperation and support from stakeholders, and lack of trust. This finding relates closely to the resource constraint issue and is consistent with the current literature, which observed that most NPOs often operate with limited resources.

It was observed that most of the funds and resources of NPOs were obtained through public and private contributions. However, interviewees also realised that traditional funding is currently limited and insufficient to cover the long-term cost of operations. Therefore, some are moving towards implementing the SEO approach to reduce reliance on traditional funding while maintaining self-sufficiency. Specifically, NPO A charged membership fees while NPO B practised entrepreneurship by selling products and offering services at a specific price to cover the cost of operations.

In addition, most NPOs relied heavily on specific funders through the networking of board members and top management. They relied on stakeholders' support via engagement with regulatory bodies, government agencies, the private sector, and academicians to execute the organisation's mission. This scenario reflects the stakeholder engagement, collaboration and organisational fit with other organisations and sectors to leverage the relevant partners' resources. NPO E

mentioned that they get support in terms of expertise from academicians and the corporate sector.

However, it is important to note that NPO A still struggles to get cooperation from the stakeholder. Besides being considered a “young” NPO (established less than five years (Svensson & Hambrick, 2015)), it was observed that NPO A has limited networking and still searching for secured and continuous funders. This scenario reflects the challenges for young NPOs to sustain. The executed programmes or deliverables of activities depend tightly on the available resources. If NPOs have extra resources, they could implement more programmes and plans. Otherwise, the NPOs will fully maximise available resources to deliver the programmes.

All NPOs highlighted their future planning to scale up the operation or add up new services to society. However, this plan depends on resources and approval from the organisational leaders. NPOs also stated that managing resources such as funds and human capital is crucial to ensure the execution of operations and programmes. This issue is closely related to organisational capacity, which reflects the ability of NPOs to utilise available resources to fulfil the organisation’s mission.

Significantly, one of the noteworthy findings of the preliminary study was the mismatch of mission and interest between NPO and stakeholders, especially among the funders and beneficiaries. This scenario reflects the lack of emphasis on “value” because the mission and interest between NPOs and stakeholders were misaligned. NPO A highlighted that funders were not interested in the social services they offer, while NPO C mentioned a non-matching between an available fund and beneficiaries’ needs. There was also misunderstanding and misconception about the NPOs.

NPO A stated that they were perceived to be associated with political connections, while NPO B said that the public perceived NPOs could not make a profit.

Also, it was observed that the stated mission on the website of the NPOs is vague compared to the stated mission specified during the interview session. NPO E mentioned that they planned to revise its unclear mission. Consequently, this may result in confusion and misunderstanding among the stakeholders on the mission and deliverables of the NPOs.

In conclusion, the preliminary study findings revealed that resource constraint issues occurred in the non-profit sector in Malaysia, and it is consistent with the preliminary literature review discussed earlier. Resource constraints have triggered NPOs to adopt strategies such as practising SEO and embracing cross-sector collaboration. In addition, utilising and managing available resources to accomplish organisational goals relate closely to organisational capacity. Notably, the findings on the misalignment of interest between NPOs and stakeholders reflect the lack of emphasis on a value-based perspective for NPOs, which is worth exploring further.

It is important to note that the resource constraint issues discussed throughout the preliminary study were already prevalent even before the COVID-19 pandemic since the interview was conducted a few months before the widespread COVID-19 began. Hence, it was expected that the issues would become more significant during the COVID-19 crisis.

1.3 Motivation of Study

Malaysia's commitment to institutionalising the SDG 2030 is delivered via national plans; Eleventh Malaysia Plan (2016–2020), Twelfth Malaysia Plan (2021–2025), and the Thirteenth Malaysia Plan (2026–2030). Align with these plans, the government policy of SDG 2030 will continue to be embedded within Malaysia's long-term strategy of Shared Prosperity Vision (SPV) 2030 (Department of Statistics

Malaysia, 2020b). The SPV 2030 blueprint was launched on 5 October 2019 with the primary focus of becoming a united, prosperous, and peaceful nation by 2030. The key prerequisites for the success of SPV 2030 are the economic, political, and social ecosystems, with the ultimate aim to provide a decent standard of living to all Malaysians by 2030 (Ministry of Economic Affairs, 2019).

Significantly, the national plans and SPV 2030 are underpinned by one common factor: achieving sustainable development aligned with SDG 2030. However, as Malaysia continues to progress towards achieving sustainable development, the country's social dynamics become more complex (Dali et al., 2017). This scenario does not occur solely in Malaysia but across the globe, as notified by The Boston Consulting Group (BCG), 2018, "Striking a Balance Between Well-Being and Growth: The 2018 Sustainable Economic Development Assessment". Sustainable development should consider gross domestic product (GDP) growth and inclusive economic distribution, but instead, social indicators are also central to ensuring society has a decent standard of living.

In Malaysia, the government is undeniably the largest provider of social service delivery. The government has conducted a few initiatives involving the social sector. For example, the Malaysian Innovation Agency (AIM)² led the Social Outcome Fund (SOF) initiative, which amounted to RM 3 million, an innovative approach by the government to finance social intervention programmes by Social-Purpose Organisations (SPOs), including NPOs, for addressing social issues. However, the growing need for social services places significant upward pressure on public

²AIM was a statutory body set up by the government via the AIM Act 2010 and was dissolved in 2020 due to the end of its mandate as a statutory body (Tang, 2020).

expenditure, posing challenges to the government to be the primary provider of social service delivery (Agensi Inovasi Malaysia, 2017). This argument has been conferred by the former Prime Minister of Malaysia, YAB Tun Dr Mahathir bin Mohamad, at the Malaysia SDG Summit 2019 on 6 November 2019, whereby he highlighted that:

“In moving forward with the SDGs, Malaysia recognises that the social complexity of resolving sustainable development problems will require coordinated action by a range of stakeholders. This will include government agencies at different levels of government, NPOs, the private sector, academia, organised civil society, and individuals”.

He further stated that:

“I would like to highlight, however, that achieving the ambitious global SDGs, which include ending poverty, improving global health, ensuring universal education, and mitigating climate change by 2030, will require a substantial amount of funding. The expected financial burden is beyond the capacity of the government and cannot be met by official development assistance” (Keynote Address by YAB Tun Dr Mahathir Bin Mohamad, former Prime Minister Of Malaysia, 2019).

Based on the above statement, consistent with the preliminary literature review and preliminary study, it has been acknowledged that the government’s funding and resources are limited, posing a threat to the sustainability of NPOs if they continuously rely on the government for funding. Hence, NPOs need to become more independent and justify the need to study the organisation-specific factors that could influence the VBS of NPOs. NPOs need to identify specific strategies that help the organisation to remain sustained.

1.4 Problem Statement

In brief, two main issues are discussed in this study; NPOs face continuous resource constraint issue that has worsened due to the COVID-19 crisis and a lack of emphasis on a value-based perspective in the non-profit sector. Both issues might impair the sustainability of NPOs. First, the prevalent resource constraint issues in the non-profit sector threaten the sustainability of NPOs (Adro & Fernandes, 2021; Ceptureanu et al., 2017; Lau et al., 2017; McDonald et al., 2015; Yang et al., 2011).

To make matters worse, given the widespread economic impact of the COVID-19 pandemic, dramatic declines in financial viability are anticipated, leading to a devastating impact on the sustainability of the non-profit sector (USAID, 2020). The survey findings by the Charities Aid Foundation and Yayasan Hasanah in Table 1.1 reflect this point. In the face of the recent COVID-19 crisis and economic downturn, NPOs throughout the globe, including Malaysia, face challenges in achieving sustainability due to worsening resource constraint issues.

Table 1.1 Summary of Survey Findings on COVID-19 on NPOs

Survey	Summary of survey findings
<p>“The Voice of Charities Facing COVID-19 Worldwide” by Charities Aid Foundation. Respondents: 544 organisations worldwide from 93 countries across six continents (CAF America, 2020)</p>	<p>About 67.93% of the respondents reported obstacles in reaching donors and a decrease in funding; 33.97% revealed a rise in operational costs. More than 50% are unable to fully meet the expectations of the beneficiaries due to staffing limitations (48.58%) and system challenges (37.57%).</p>
<p>“Impact of COVID-19 on Civil Society Organisations (CSOs) in Malaysia” by Yayasan Hasanah, a foundation of Khazanah Nasional Berhad. Respondents: 199 organisations in Malaysia (52.26% of the respondents are registered with ROS) (Yayasan Hasanah, 2020)</p>	<p>Top 3 challenges faced during the Movement Control Order (MCO) period:</p> <ol style="list-style-type: none"> 1. Decrease in donations 2. Closure of business/ operations/ retaining staff 3. Safety and health of staff <p>52% of respondents have indicated that the COVID-19 pandemic will significantly impact their financials, while close to 31% have responded that the crisis may put them out of operation</p>

Besides resource constraint issues, ensuring alignment of mission and interest between NPOs and stakeholders is essential for value creation (Bell et al., 2010; Dees, 1998; Sinthupundaja et al., 2019). However, a value-based perspective is not common in the non-profit sector (Weerawardena et al., 2019) and received less attention from previous researchers. Ab Samad and Ahmad (2021) conducted a semi-structured interview with NPOs in Malaysia to identify their challenges. Their findings indicate a misalignment of interest between NPOs and the stakeholders. Moreover, in the aftermath of the COVID-19 crisis, current and potential funders may prioritise alternate agendas instead of contributing or cooperating with NPOs (Linh & Anh, 2020). As a result, the sustainability of NPOs could be jeopardised as value creation is unachievable.

Thus, NPOs must address the value-positioning approach in the quest for organisational sustainability. Subsequently, a question was raised, “what does it take for NPOs operating under limited resources to attain VBS to achieve sustainable development?”. As highlighted by Moldavanova & Wright (2019), the ability of NPOs to accomplish various roles related to sustainable development depends upon various organisational factors. However, studies related to the strategies or factors in NPOs that influence their performance are limited (Adro & Fernandes, 2021). Consistent with the preliminary literature review and interview findings, the prevalent factors influencing NPOs' sustainability include organisational capacities, stakeholder engagement, EO, cross-sector collaboration, and organisational fit.

Tate & Bals (2018) conceptualised the SRBV theory and proposed relevant capabilities under this theory based on a qualitative study. Nevertheless, limited studies tested this theory based on a quantitative approach, especially for the context of nonprofits. Thus, responding to this limitation, this study applies the SRBV theory,

which demonstrates organisational capacities, stakeholder engagement, and SEO as mechanisms to achieve VBS continuously. Most previous studies observed the link between organisational capacities and effectiveness and accountability (see, for example, Brown et al. (2015); Despard (2016a); Shumate et al. (2017); Suárez & Marshall (2014); Williams-Gray (2016); Berghmans (2022)). However, limited attempts directly or indirectly link the organisational capacities as mechanisms to achieve organisational sustainability.

Fu and Shumate (2019) highlighted the need to examine how organisational capacities influence organisational-level outcomes. Due to the limited resources, NPOs need to identify better which organisational capacities are relevant for capabilities development to ensure resources are utilised efficiently and effectively. In line with SRBV, two social capabilities are identified: stakeholder engagement and SEO. In terms of stakeholder engagement, NPOs face greater pressure to ensure stakeholders remain informed about the organisation's operation because they are accountable not only to the funder but also to the public, who trust them as selfless organisations acting for the interest of the beneficiaries (Asogwa et al., 2021).

Given the increasing dependence on stakeholders such as government and funders, NPOs need to understand which elements the stakeholders attach value to (Wellens & Jegers, 2013), hence calling for further study on the relationship between organisational capacity, stakeholder engagement, and VBS. In terms of SEO, Svensson et al. (2020) highlighted that future studies are recommended to investigate the importance of organisational capacity as the precursor of entrepreneurial behaviour. They further emphasised that the empirical evidence on theoretical links between organisational capacity and entrepreneurial behaviour for NPOs is still limited. Similarly, Gali et al. (2020) noted that assessing the impact of EO on

organisational outcomes remains a challenge. Dwivedi and Weerawardena (2018) also highlighted the need to study SEO in economically less-developed countries. Hence, further analysis of the relationship between organisational capacities, SEO, and VBS is warranted.

While SRBV focuses more on the internal perspective, RDT has a stronger external perspective (Nienhüser, 2008) and is orientated at the resources obtained from the environment (Frączkiewicz-Wronka & Szymaniec, 2012). In this study, RDT captures the cross-sector collaboration and organisational fit as a means to adapt and overcome resource constraint issues. Most researchers have taken the company's perspective in terms of collaboration relationships, overlooking the consequences of collaboration for NPOs (Bocquet et al., 2020; Herlin, 2015). The empirical evidence on the outcome of collaboration for NPOs is limited as goal achievement does not necessarily indicate successful cross-sector collaboration or how well cross-sector partners work together (Atouba & Shumate, 2019).

Besides, studies on the success factors that can enhance the ability of NPOs to capture value from their collaboration are also relatively underexplored, thus demanding further examination (Al-Tabbaa et al., 2019). Therefore, a thorough look into the outcomes and association between cross-sector collaboration, organisational fit and VBS from NPOs' perspective is noteworthy. In summary, the inability of NPOs to sustain and adapt to the resource constraint issues may adversely impact the whole society as they play a role in delivering sustainable development efforts (Amagoh, 2015; Hassan et al., 2018; UNDP, 2019; Yayasan Hasanah, 2020).

In order to adapt to the post-COVID crisis, NPOs act as key players to assist the government in stimulating socio-economic indicators by delivering core welfare programmes and initiatives (Das, 2022). Thus, this study seeks to understand better

the factors and strategy of NPOs in an attempt to remain sustained with limited resources while fulfilling the stakeholders' interests.

1.5 Research Questions

In general, this study is motivated by a question: "What does it take for NPOs operating with limited resources to attain VBS in the pursuit to achieve sustainable development?". Accordingly, the following research questions are designed to explore the question further:

1. Do organisational capacities influence stakeholder engagement?
2. Do organisational capacities influence SEO?
3. Does stakeholder engagement influence the VBS of NPOs, in terms of economic and social value?
4. Does SEO influence the VBS of NPOs, in terms of economic and social value?
5. Does cross-sector collaboration influence organisational fit?
6. Does organisational fit influence the VBS in terms of economic and social value?

1.6 Research Objectives

Based on the preceding discussion, the following research objectives are proposed for this study:

1. To examine the influence of organisational capacities on stakeholder engagement.
2. To examine the influence of organisational capacities on SEO.
3. To examine the influence of stakeholder engagement on the VBS of NPOs, in terms of economic and social value.