
The Role Of Social Capital On Msme Performance Through Innovative Work Behavior

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Abstract. *The purpose of this study was to examine the effect of social capital on MSME performance through innovative work behavior. The population of this research is the owners of culinary MSMEs in Semarang City. Based on slovin calculation, a sample of 100 respondents was obtained and data collection using purposive sampling. The data analysis method used is validity and reliability test, descriptive analysis test, and hypothesis testing using Structural Equation Mode (SEM) with SmartPLS version 4.0 analysis tool. The results showed that social capital affects innovative work behavior and MSME performance both directly and indirectly. This is supported by the role of innovative work behavior variables in mediating the relationship between social capital and MSME performance. Suggestions for further research should add or combine with other predictor variables so that research can be generalized such as knowledge sharing, and entrepreneurial leadership to improve MSME performance.*

Keywords. *Social Capital; Innovative Work Behavior; MSME Performance*

INTRODUCTION

Tight business competition puts pressure on entrepreneurs to increase competitiveness to defend themselves from environmental changes and is used as a trigger for enthusiasm to be more competitive and productive by improving performance (Kurniawan, Mangunwihardjo, & Perdhana, 2018). Business performance is the result of work that needs to be done by individuals by adjusting the individual's role or responsibility within the company during a certain period related to processes, mission measures, company values and standards (Mutegi, Njero, & Ongesa, 2015).

Performance can be realised from finances, customers, processes, and learning about growth (Chen, Jaw, & Wu, 2016). The creation of business performance is not only influenced by one or two factors, but there are also several other factors that can support the creation of business performance thus entrepreneurs or organisations need to pay attention to other factors that can improve performance in the business environment.

The application of social capital is one of the factors driving the formation of performance owned by individuals in business activities to achieve optimal individual performance (Meflinda, Mahyarni, Indrayani, & Wulandri, 2017). Business actors often lose their business (survive) due to lack of financial capital (money) and lack of information due to lack of good relations with business acquaintances, so that they are able to influence the

external environment such as relationships with other entrepreneurs, agencies, suppliers, consumers, related agencies, and the surrounding community (Basri, Yasni, A, Hanif, & Abdurrahman, 2021; Hadi & Purwati, 2020), so that social capital is needed to increase economic growth through expanding cooperation and trust within the company, market, and country. This is in accordance with research conducted by Ozigi (2018); Menike (2020); and Yen, Chen, and Su (2020) who found that social capital affects the performance of MSMEs. The results of this study are different from research conducted by Meflinda et al. (2017), the study found that social capital has no effect on performance. This is due to factors such as weak trust and lack of cooperation used in business development so that business actors do not get the social capital that should be needed in developing a business.

The application of social capital can be felt and occurs in the business environment when there is a feeling of trust created both with other business actors and with their employees, social networks, and agreed norms to control and maintain individual relationships with other individuals in a social environment (Ghazinoory, Bitaab, & Lohrasbi, 2014).

The trust that arises can encourage individuals to create innovative work behaviour and create pro-social behaviour that can create and encourage trust in cooperation (Crescenzi, Gagliardi, & Percoco, 2013). The resulting innovative work behaviour is another factor that can influence performance improvement (Firdaus & Sakinah, 2022). Innovative work behaviour is individual behaviour that aims to achieve the initiation and introduction of new ideas, processes, products, and procedures, including to implement them with the aim of improving individual, group, and organizational work performance (De Jong & Den Hartog, 2010).

Innovative work behaviour that is owned and grows within the individual will indirectly increase critical thinking ideas, improve solutions to solve problems, improve performance, and continue to build and develop the organisation by producing new innovative ideas (Widodo, 2013). Innovative work behaviour is encouraged by the elaboration of ideas, generalising the results, and being able to realise the ideas generated (Janssen, 2000). Research related to innovative work behaviour affects performance as conducted by Jankelova, Joniakova, and Misun, (2021); Noraisah (2021); and Febriani and Sa'diyah (2021) who found that innovative work behaviour affects the formation of business performance carried out by an individual.

LITERATURE REVIEW AND HYPOTHESES

Resource-Based View (RBV)

The resource-based view (RBV) theory was first pioneered by Wernerfelt (1984). Wernerfelt (1984) explained that the RBV approach is a form of organisational strategy that aims to develop its potential, assuming that the organisation is a collection of tangible and intangible assets that are difficult to replicate. According to RBV assumptions, only organisations with certain resources and capabilities and showing special characteristics will have a competitive advantage to achieve occupational excellence. The focus in this research is intangible assets, which are considered capable of creating better value for companies to compete with other companies. In recent years, researchers have used RBV to define the relationship between business resources and performance (Song et al., 2005).

Resources that can provide competitive advantages are resources developed through various social approaches with social attributes, known as social capital (Oliver, 1997). From the RBV perspective, corporate social capital serves as an important intangible resource for the company (Nielsen & Chisholm, 2009).

The use of the same theory by Spillan & Parnell (2006) explains that the success and failure of a company is understood because of how its resources are used, especially human resources. Organisations are considered successful if they can have unique human resources and are able to develop the uniqueness of human resources. RBV theory simplifies the understanding of the relationship between innovative work behaviour and performance outcomes by using internal organisational characteristics to explain the relationship between strategy and organisational performance outcomes (Damanpour et al., 2009).

The implication of resource-based view theory in this study lies in the company's ability to control existing resources to improve performance. In this case, RBV theory becomes the background of the variables of social capital, innovative work behaviour, and performance.

The Effect of Social Capital on Performance

Social capital is one of the ways used to achieve business goals. Social capital is a relationship or standard used to shape the quality and number of social relationships throughout society and can be used as social glue, which maintains the unity of community members to live together and spreads through cultural mechanisms such as religion, traditions, and habits (Fukuyama, 2002). In the business world, social networks are crucial to the success of a business unit. An entrepreneur will find it difficult to grow their business if they do not have relationships with other entrepreneurs in the same industry. Thus, optimal social capital will help MSMEs support their business (Prasetyo & Harjanti, 2013).

Research conducted by Ozigi Obeitoh (2018); Menike (2020); Yen et al., (2020), and Sutikno (2022), found that social capital affects performance. However, research conducted by Meflinda (2017); Ozgun (2022); Huang et al. (2021), found that social capital has no effect on performance. Social capital variables are measured using three indicators, namely trust, social networks, and norms (Ghazinoory et al., 2014) and MSME performance variables are measured using four indicators, namely finance, customers, processes, learning and growth (Chen et al., 2016).

The Effect of Social Capital on Innovative Work Behaviour

Social capital, which consists of relational and participation assets, enhances business innovation (Amara et al., 2002). MSME actors can work together with many business owners. By working together, people will be more creative and have new ideas to meet business needs (Purwati et al., 2020). Crescenzi et al. (2013) revealed that people who have social capital will show pro-social behaviour, which can affect their confidence and cause them to be more innovative in their work. This is because people who have social capital have the ability to adapt to their environment and have the ability to think creatively in solving problems.

Research conducted by Kim and Shim (2018) found that social capital affects innovative work behaviour. These results are also supported by research conducted by Faisol et al. (2020), Heliawati et al. (2020), and Hanifah et al. (2020), which found that social capital affects the formation of innovative work behaviour. However, research conducted by Wulandari and Malik (2014) found that social capital has no effect on innovative work behaviour.

The Effect of Innovative Work Behaviour on Performance

Jong and Hartog (2010), define innovative work behaviour as a person's actions shown to incorporate and implement things that are new so that they can provide benefits at various levels of the organisation. Due to strong competitive pressures, businesses must continue to innovate to gain an edge over the competition. Janssen (2000) revealed that innovative work behaviour is the process of creating, discovering, and applying ideas to improve performance in the workplace, group, or organisation.

Research conducted by Jankelova et al., (2021); Noraisah (2021); Febriani et al., (2021), found that innovative work behaviour affects performance. In Firdaus and Sakinah's research (2022), it was found that innovative work behaviour affects performance. Likewise, research conducted by Basri et al., (2021), found a positive relationship between innovative work behaviour and performance.

The Effect of Social Capital on Performance through Innovative Work Behaviour

Business performance can change due to various factors such as internal factors and

external factors (Mokodompit, Syarifuddin, & Mutia, 2019). Changes related to business performance can be improved by applying social capital (Menike, 2020). Social capital is needed to establish relationships with people both from within the company and from outside the company or establish interconnected relationships with one another that can encourage the success of a business being run (Menike, 2020). Apart from being supported by the social capital applied, business performance is also supported by the application of innovative work behaviour (Kim & Shim, 2018). These results are supported by research conducted by Pahl, Nguyen, & Nguyen (2022), finding that innovative work behaviour can mediate the relationship between social capital and business performance. This research is in line with research conducted by Ozgun et al., (2022) that innovative work behaviour can fully mediate social capital on business performance.

Social capital variables are measured using three indicators, namely trust; social networks; and norms (Ghazinoory et al., 2014). Innovative work behaviour variable is measured using three indicators: creating ideas, promoting ideas, and realising ideas (Janssen, 2000). MSME performance variables are measured using four indicators, namely finance, customers, processes, learning and growth (Chen et al., 2016). Based on the development of the hypothesis, the research model can be seen in Figure 1.

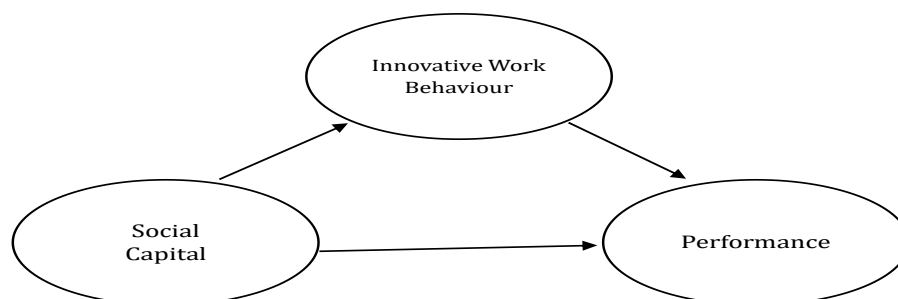


Figure 1. Research model

Based on Figure 1, the hypothesis in this study is as follows:

H1: Social capital affects the performance of MSMEs.

H2: Social capital affects innovative work behaviour.

H3: Innovative work behaviour affects the performance of MSMEs.

H4: Innovative work behaviour can mediate social capital and MSME performance.

METHOD

Quantitative research approach using descriptive analysis. The research method uses cross-sectional, where this research is conducted within a certain period of time. The population and sample used in this study were 100 micro, small and medium enterprises (MSMEs) using purposive sampling, with the criteria of the type of business actors in the culinary sector in the

city of Semarang, operating for more than three years, business owners or employees who are trusted to run and manage the business, and registered with the Semarang City Cooperative and MSME Office.

Social capital variables are measured using three indicators, namely trust; social networks; and norms with 9 question items (Ghazinoory et al., 2014). Innovative work behaviour variable was measured using three indicators: creating ideas, promoting ideas, and realising ideas with 10 question items (Janssen, 2000). Umkm performance variables are measured using four indicators, namely finance, customers, processes, learning and growth with 15 question items (Chen et al., 2016).

Several tests were carried out in this study, namely validity and reliability testing, descriptive analysis test, and hypothesis testing conducted using Structural Equation Mode (SEM) with the SmartPLS version 4.0 analytical tool.

Validity Test and Reliability Test

Based on the results of the validity test for each of the 34 question items, the outer loading value > 0.60 and the AVE value > 0.50 were obtained. These results indicate that all question items used in the study are declared feasible (valid) according to convergent validity testing. In the cross-loading test results, the Fornell Larcker criterion value is obtained with the square root value of each construct $>$ than the other constructs in the model. These results indicate that all question items used in the study are declared feasible (valid) according to discriminant validity testing.

The reliability test results carried out on the three research variables showed Cronbach's alpha value > 0.70 . The results of this reliability test indicate that all variables used in the study are declared consistent (reliable).

Descriptive Analysis Test of Respondents' Answers

Referring to the results of the analysis, the total index value of the performance variable of micro, small and medium enterprises (MSMEs) is 77.49%. This result shows that the implementation of the performance carried out by the business owner has been carried out well, although some are not optimal, this can be seen in the results of the lowest index value of the customer indicator (76.35%).

The results obtained from descriptive analysis obtained the total index value of the social capital variable is 77.44%. The results of this analysis indicate that the owners of micro, small and medium enterprises (MSMEs) have been able to apply social capital in the problem-solving process in a high category, however, there are indicators that get answers with the lowest total index, namely trust (75.20%).

From the results of the analysis, the total index value of the innovative work behaviour variable obtained was 75.76%. The highest index value is in the indicator of creating ideas and the index value with the lowest average is in the indicator of promoting ideas (75.39%). These results indicate that innovative work behaviour has been carried out by micro, small and medium enterprise owners, although improvement and optimisation are needed.

Goodness of Fit (GoF)

Based on the analysis results, the Goodnes of Fit value is 0.705. From these results, it can be concluded that the Goodnes of Fit value in this study is included in the strong criteria. This is because the Goodnes of Fit value is > 0.36 . The goodness of fit results indicates that there is a model fit between the observations and the frequency obtained from the expected value.

Test Coefficient of Determination (R2)

Based on the results of data analysis, the R-Square value is 0.652. These results indicate that the independent variables including social capital and the mediating variable of innovative work behaviour can explain the MSME performance variable by 65.20%, while the remaining 34.80% of the MSME performance variable is explained by other variables outside of the variables used by the researcher.

Effect Size (F2)

The effect size of this study has an average value of 0.522. These results indicate that the model used in the study has a strong effect size.

Predictive Relevance (Q-Relevance Predictive)

The Q2 value of the MSME performance variable is 0.577, and the Q2 value of the innovative behaviour variable is 0.480. The results of the Q2 predict value, RMSE, show results > 0 (zero). These results indicate that the dependent variable has predictive relevance.

Hypothesis Test

Direct Effect Test

Based on the results of data analysis, the path coefficients (direct effect) are obtained in Table 4 below.

Table 4. Path Coefficient Results (Direct Effect)

Variable	OriginalSample	T-Statistic	P-Values	Description
Social Capital →Performance	0.528	5.700	0.000	accepted
Social Capital →Innovative Work Behaviour	0.706	12.961	0.000	accepted
Innovative Work Behaviour →Performance	0.342	3.614	0.000	accepted

Table 4 shows the original sample and T-statistic values of social capital on MSME performance are 0.528 and 5.700 and the p-value (0.000) < 0.5 . This shows that **hypothesis 1**

which states that social capital affects the performance of MSMEs is **accepted**. This study shows that there is high social capital in MSME owners that will encourage improved performance. This shows that the better the MSME owners are in networking with various groups, the more insightful and can open wider opportunities for marketing and market share of these MSME products. The results of this study are in line with previous research which reveals that social capital affects performance (Adeodu, Zakeri, & Yusuf, 2019; Kim & Shim, 2018).

Hypothesis 2 which states that social capital affects innovative work behaviour is **accepted**. This is because, based on Table 4, the original sample and T-Statistic values of social capital on innovative work behaviour are 0.706 and 12.961 with a p-value (0.000) <0.5 so that hypothesis 2 is accepted. This study shows that there is high social capital in business owners will be able to encourage the development of innovative work behaviour. This shows that the better the business owners are in networking with various groups, the more insightful the business owners are to continue to innovate so that they can open up marketing opportunities and open up new methods of running their business. The results of this study are in line with previous research which reveals that social capital affects innovative work behaviour (Faisal et al., 2022; Kamewor, Mohammed, & Teye, 2021; Pham et al., 2022).

The original sample and T-Statistic values of innovative work behaviour on MSME performance are 0.342 and 3.614 with a p-value (0.000) <0.5. These results indicate that **hypothesis 3** which states that innovative work behaviour affects the performance of MSMEs is **accepted**. Innovative work behaviour produced by business actors has an important role in creating opportunities and surviving business competition, so as to create superior MSME performance. The results of this study are in line with previous research which reveals that innovative work behaviour affects the performance of MSMEs (Ozgun et al., 2022; Pham et al., 2022; Santoso, Zuniawan, Wijayanti, & Hadi, 2020).

Indirect Relationship Test

Based on the results of data analysis, the path coefficients (indirect effect) are obtained in Table 5 below.

Table 5. Results of Path Coefficients (Indirect Effect)

Variable	OriginalSample	T-Statistic	P-Values	Description
Social Capital →Innovative Work Behaviour→Performance	0.242	3.276	0.001	accepted

Based on Table 5, the original sample and T-statistic values of social capital on MSME performance through innovative work behaviour are 0.242 and 3.276 with a p value (0.001) <0.5. These results indicate that **hypothesis 4** which states that social capital affects MSME

performance through innovative work behaviour is **accepted**. This research can be concluded that the higher the social capital that exists in MSME actors, the higher the performance. Furthermore, if MSME actors have high innovative work behaviour, it will further improve performance. The results of this study are in line with previous research which reveals that innovative work behaviour can mediate the effect of social capital relationships on performance (Ozgun et al., 2022; Pham et al., 2022; Santoso et al., 2020).

CONCLUSION

The results of the study can be concluded that social capital affects the performance of MSMEs and innovative work behaviour both directly and indirectly. This is supported by the role of innovative work behaviour variables in mediating the relationship between social capital and MSME performance.

Based on the contribution or contribution of the research variables seen in the remaining contribution from the R-Square results of 65.20%, it shows that there are other variables that are not included in this study, but contribute to the performance of MSMEs, so future researchers should add other variables such as knowledge sharing and entrepreneurial leadership and be able to generalise the research results by conducting research on different objects. In addition, it is hoped that MSME owners will be able to increase their sense of trust in running a business and in collaborating, increase the promotion of ideas, and are expected to be able to improve good relations with customers.

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