



The linkage between Social Capital, Organizational Learning Capability, and Business Performance

A.Jalaludin Sayuti¹ and Heri Setiawan^{2*}

¹ Business Administration Department, State Polytechnic of Sriwijaya, Palembang, Indonesia

² Business Administration Department, State Polytechnic of Sriwijaya, Palembang, Indonesia
heri.setiawan@polsri.ac.id

Abstract. Micro, small, and medium enterprises put up to the improvement of the economy. The survey was conducted to reveal the nexus between social capital, organizational learning capabilities, and business performance of MSMEs in Palembang. MSME owners or managers are determined to be the population based on business criteria. Based on the purposive sample method, a sample of 115 respondents was obtained. The initial data were tested for validity and reliability based on the Cronbach Alpha method, then the tested data were further analyzed employing multiple regression. The study revealed that social capital could boost organizational learning capabilities. Then, social capital and organizational learning capabilities can spur business performance. This survey could be used as a prescription for MSMEs owners or managers in improving business performance.

Keywords: business performance, organizational learning capabilities, social capital, MSMEs.

1 Introduction

Social capital is a system of social connections shared by an organization, including relationships between employees, customers, suppliers, and business partners [1]. Social solid capital creates an atmosphere of trust, cooperation, and engagement within the organization [2]. Substantial social capital in organizations is the foundation for long-term growth and sustainability includes trust, cooperation, and effective communication between members of the organization [3]. Organizations with good social capital tend to be more innovative, as their members feel comfortable sharing ideas and collaborating to create better solutions [4]. In addition, socially solid capital also allows organizations to more easily access external resources such as information, support, and business opportunities [5].

However, social capital alone is not enough to achieve a competitive advantage in the long term. Organizations are also required to have strong learning capabilities [6]. Learning capabilities are an organization's competence to unearth new knowledge, adapt strategies, and innovate based on experience and environmental changes [7]. Learning capabilities involve attitudes and systems that support continuous learning, including organizations' ability to recognize environmental changes, collect relevant data, analyze it, and adapt their strategies and operations as needed [8]. Organizations

© The Author(s) 2024

R. Martini et al. (eds.), *Proceedings of the 7th FIRST 2023 International Conference on Global Innovations (FIRST-T3 2023)*, Advances in Social Science, Education and Humanities Research 830,

https://doi.org/10.2991/978-2-38476-220-0_2

that have good learning capabilities can adapt more quickly to market, technology, or regulatory changes [9]. Learning capabilities assist organizations in gathering relevant data, analyzing it, and making more informed decisions. With strong learning capabilities, organizations can continuously develop better products, services, and processes [10].

The ability of MSMEs to understand market trends, identify opportunities, and adapt their products or services is an important factor in growth and differentiation [11]. Continuous learning enables MSMEs to improve their operational processes, reduce costs, and improve quality [12]. In an era where rapid change and uncertainty are constant, MSMEs that understand and manage the interconnection between social capital and organizational learning capabilities have a greater chance of achieving successful business performance [13]. They can be more responsive to market changes, more innovative in products and services, and more efficient in their operations [14]. Therefore, investment in the development of these two aspects is an important step for MSMEs that want to be competitive at the local and global levels [15]. This survey reveals the effect of social capital on an organization's learning capability. Then, the effect of social capital, and organization learning capability on business performance in the micro, small, and medium enterprises sectors in Palembang.

2 Literature Review and Hypothesis

RBV theory is an approach to facing challenges and seizing opportunities. The RBV approach becomes a theoretical background that aims to determine the relative impact of company resources to increase added value for the company [16]. RBV theory is also a capability lifecycle, which is a capability that spaciously elucidates the prevalent scheme of organizational capability cultivation emanating from a dynamic resource-based theory [17].

Social Capital and Organizational Learning Capabilities

Capability of organizational learning is considered the managerial and organizational attributes or factors that simplify the process of organizational learning or permit an organization to delve [18]. [19] revealed that organizational learning can be improved through appropriate social capital and have a positive impact. Increased organizational learning through cooperation and trust components will be achieved through social capital [20]. The important source of value creation and competitive advantage of diverse firms is supported by social capital and organizational learning capabilities [11]. Based on the description of the concept and previous studies, a hypothesis was formulated:

H1: social capital can increase organizational learning capabilities

Social Capital and Business Performance

Improving performance and utilization of environmental opportunities can be done through the accessibility of vital information sources facilitated by the use of social capital [21]. Measurable accessibility to diverse information that can create innovative performance is driven by the strong social capital of an organization [19]. Innovative organizational performance will be achieved through knowledge sharing from the concept of social capital [20]. Marketing performance can be improved through

improving the quality of social capital [22]. Based on the description of the concept and previous studies, a hypothesis was formulated:

H2: Social capital can increase business performance

Organizational Learning Capabilities and Business Performance

Researchers have shown interest in examining the endowment of organizational learning in improving organizational quality and competitiveness. The creation and enhancement of knowledge and individual learning will encourage the dispersion of knowledge during the organization driven by the building of organizational learning capacity. [23] prove that a learning organization has a positive clout on the performance of an organization. [24] reveal that business performance is driven by innovation and organizational learning. [25] found that organizational learning and teamwork cohesively can improve business performance. [26] emphasized that business performance can be improved by optimally improving organizational learning capabilities. Based on the description of the concept and previous studies, a hypothesis was formulated:

H3: Organizational learning capabilities can increase business performance

3 Methods

MSME owners or managers are determined to be the population based on business criteria. Based on the purposive sample method, a sample of 115 respondents was obtained. The initial data were tested for validity and reliability based on the Cronbach alpha coefficient standard, then the tested data were further analyzed employing multiple regression. The questionnaire was distributed in the form of a Google form to respondents using WhatsApp. Social capital is quantified by 12 items from [27] and organizational learning capabilities are quantified by 10 items from [28]; [29]. Business performance is quantified by 10 items from [30]; [31].

4 Results

Respondent description

The description of respondents amounted to 115 individuals, which can be broken down based on the age of the business owner or manager 34.8% aged < 25 years, 26.1% aged 25-34 years, 22.6% aged 35-44 years, and 16.5% aged > 44 years. The last education of business owners or managers was 7% junior high school, 52.2% high school, 33.9% D3, and 7% S1. The type of business run by business owners or managers is 41.7% traditional food/beverage processing, 46.1% food/beverage processing, 7.8% local handicrafts, and 4.3% service businesses. Then, the length of business undertaken by the owner/manager is 33.9% < 1 year, 50.4% 1-3 years, and 15.7% > 3 years.

Validity and Reliability

Referring to the results of validity testing, it can be stated that all items of the variables studied have met the established value standard .521 through .873. For the reliability value, the results of all variables are declared feasible because > .60.

Table 1. Validity Measurement

Var.	Item	Val. score	Description.
Social Capital	SocCap1	.799	Valid
	SocCap2	.833	
	SocCap3	.690	
	SocCap4	.747	
	SocCap5	.708	
	SocCap6	.873	
	SocCap7	.826	
	SocCap8	.761	
	SocCap9	.756	
	SocCap10	.873	
	SocCap11	.826	
	SocCap12	.761	
Org. Learning Capability	OLCa1	.823	Valid
	OLCa2	.801	
	OLCa3	.798	
	OLCa4	.531	
	OLCa5	.856	
	OLCa6	.870	
	OLCa7	.824	
	OLCa8	.745	
	OLCa9	.756	
	OLCa10	.707	
Business Performance	BusPer1	.689	Valid
	BusPer2	.761	
	BusPer3	.821	
	BusPer4	.799	
	BusPer5	.862	
	BusPer6	.713	
	BusPer7	.795	
	BusPer8	.726	
	BusPer9	.521	
	BusPer10	.707	

Table 2. Reliability Measurement

Var.	α Cronbach
Social Capital	.944
Organizational Learning Capability	.907
Business Performance	.906

Regression Analysis

Table 3. Regression Analysis

Independ	Depend	β	t-value	Sign.
----------	--------	---------	---------	-------

Social Capital	Org. Learning Capability	.54	9.917	.000
Social Capital	Business Performance	.3	8.773	.000
Org. Learning Capability	Business Performance	.48	11.51	.000
		.9	1	
		.70		
		.9		

Hypothesis 1 declares that social capital can improve organizational learning capabilities provably. This could be sight from the value of β .543, t-value of 9.917, and sig .000. This study supports the research of [19] revealed that organizational learning could be enhanced through appropriate social capital and has a positive impact. Research by [20] revealed that increased organizational learning through cooperation and trust components will be achieved through social capital. The study of [11] explains that the important source of value creation and competitive advantage of diverse firms is supported by social capital and organizational learning capabilities. It can be revealed that MSME owners or managers who can prepare optimal social capital for business continuity will be able to spur and improve the learning capabilities of employees in the company.

Hypothesis 2 expresses that social capital is in a position to ameliorate business performance can be proven. This could be sight from the value of β .489, t-value of 8.773, and sig .000. The study supports the research of [21] which describes that improving performance and utilization of environmental opportunities can be done through the accessibility of vital information sources facilitated by the use of social capital. A study by [19] revealed that measurable accessibility to diverse information that can create innovative performance is driven by the strong social capital of an organization. [20] explain that innovative organizational performance will be achieved through knowledge sharing from the concept of social capital. Then, [22] describes that marketing performance can be improved by improving the quality of social capital. This study can reveal that MSME owners or managers who support social capital optimally will be able to spur business performance improvement.

Hypothesis 3 which states that organizational learning capabilities can improve business performance can be proven. This could be sight from the value of β .709, t-value of 11.511, and sig .000. The survey bolsters the research of [23] and proves that learning of organizations has a positive clout on the performance of organizations. A study [24] reveals that business performance is driven by innovation and organizational learning. [25] found that organizational learning and teamwork cohesively can improve business performance. Then, [26] emphasized that business performance can be improved by optimally improving organizational learning capabilities. This study reveals that optimal learning capabilities carried out by MSME owners or managers will be able to spur business performance in a better direction.

5 conclusion

The RBV approach serves as a theoretical fundamental that aims to stipulate the relative impact of company resources to increase added value for the company. The outcome of the survey revealed that optimal social capital could boost organizational learning

capabilities and MSME business performance. In addition, organizational learning capabilities can improve MSMEs' business performance. Based on a conceptual way of thinking, the outcome of the survey contributes to providing additional references in the field of strategic marketing, especially strategies that can be applied to improve business performance. Then, from a practical way of thinking, the survey offers knowledge for MSME actors in business management, especially strategies to improve business performance through optimizing social capital and organizational learning capabilities.

References

1. Lefebvre, V.M., Sorenson, D., Henchion, M. and Gellynck, X. 2016. "Social capital and knowledge sharing performance of learning networks", *International Journal of Information Management*, Vol. 36 No. 4, pp: 570-579.
2. Korkeila, H. and Hamari, J. 2020. "Avatar capital: the relationships between player orientation and their avatar's social, symbolic, economic and cultural capital", *Computers in Human Behavior*, Vol. 102, pp: 14-21.
3. Martinez-Perez, A., Garcia-Villaverde, P.M. and Elche, D. 2016. "The mediating effect of ambidextrous knowledge strategy between social capital and innovation of cultural tourism clusters firms", *International Journal of Contemporary Hospitality Management*, Vol. 28 No. 7, pp: 1484-1507.
4. Barao, A., de Vasconcelos, J.B., Rocha, A. and Pereira, R. 2017. "A knowledge management approach to capture organizational learning networks", *International Journal of Information Management*, Vol. 37 No. 6, pp: 735-740.
5. Lins, K.V., Servaes, H. and Tamayo, A. 2017. "Social capital, trust, and firm performance: the value of corporate social responsibility during the financial crisis", *The Journal of Finance*, Vol. 72 No. 4, pp: 1785-1824.
6. Wong, W., and Wong, K. 2011. "Supply Chain Management, Knowledge Management Capability, And Their Linkages Towards Firm Performance". *Business Process Mgmt Journal*, 17(6).
7. Argote, L., and Miron-Spektor, E. 2011. "Organizational Learning: From Experience to Knowledge". *Organization Science*, 22(5).
8. Hassan, S., and Al-Hakim, L. A. Y. 2011. "The Relationships Among Critical Success Factors of Knowledge Management, Innovation And Organizational Performance: A Conceptual Framework. In 2011 International Conference on Management and Artificial Intelligence. pp: 94-103.
9. Halley, A., and Beaulieu, M. 2005. Knowledge Management Practices in the Context of Supply Chain Integration: The Canadian Experience, *Supply Chain Forum: An International Journal*, Vol. 6 No. 1, pp: 66-91
10. Wójcik, P. 2015. "Exploring Links Between Dynamic Capabilities Perspective And Resource Based View: A Literature Overview". *International Journal of Management and Economics*, 45(1).
11. Li, Y., Chen, H., Liu, Y. and Peng, M.W. 2014. "Managerial ties, organizational learning, and opportunity capture: a social capital perspective", *Asia Pacific Journal of Management*, Vol. 31 No. 1, pp: 271-291.
12. Werner, K., Dickson, G., and Hyde, K. F. 2015. "Learning and knowledge transfer processes in a mega-events context: The case of the 2011 Rugby World Cup". *Tourism Management*, 48, pp: 174-187.

13. Guo, H., Tang, J., Su, Z., and Katz, J. A. 2017. "Opportunity recognition and SME performance: The mediating effect of business model innovation". *R&D Management*, 47(3), pp: 431-442.
14. Mahmood, S. and Ahmed, A. 2015. "The role of organizational learning in understanding the relationship between total quality management and organizational performance", *Pakistan Journal of Commerce and Social Sciences*, Vol. 9 No. 1, pp: 282-302
15. Chuang, M. Y., Chen, C. J., and Lin, M. J. J. 2016. "The impact of social capital on competitive advantage: The mediating effects of collective learning and absorptive capacity". *Management Decision*, 54(6), pp: 1443-1463.
16. Foss, N. J. 2000. "The Resource-Based Tangle: Towards a Sustainable Explanation of Competitive Advantage. Institut for Industri Ekonomi Og Virksomheds Strategi, pp: 1-42.
17. Hoopes, D. G., T. L. Madsen and G. Walker. 2003. "Why is there a resource-based view? Toward a theory of competitive heterogeneity", *Strategic Management Journal*, 24(10), pp: 889-902.
18. Chiva, R., Ghauri, P., and Alegre, J. 2014. "Organizational Learning, Innovation and Internationalization: A Complex System Model". *British Journal of Management*, 25(4), pp: 687-705. <https://doi.org/10.1111/1467-8551.12026>
19. Golmoradi, R., and Ardabili, S. F. 2016. "The effects of Social Capital and Leadership Styles on Organizational Learning." *Procedia - Social and Behavioral Sciences*, 230, pp: 372- 378.
20. Turkina, E., and Thai, M. T. T. 2013. "Social capital, networks, trust, and immigrant entrepreneurship: A cross-country analysis". *Journal of Enterprising Communities: People and Places in the Global Economy*, 7(2), pp: 108-124
21. Johnson, S. G., Schnatterly, K., and Hill, A. D. 2013. "Board composition beyond independence: Social capital, human capital and demographics". *Journal of Management*, 39(1), pp: 232-262.
22. Sholekhah, M. I., Widodo, J., and Wahyono, W. 2020. "The Effect of Social Capital and Learning Organization on Marketing Performance Through the Marketing Strategy". *Journal of Economic Education*. 9 (1), pp:1-8
23. Kordab, M., Raudeliuniene, J., and Meidute-Kavaliauskiene, I. 2020. "Mediating Role of Knowledge Management in the Relationship Between Organizational Learning and Sustainable Organizational Performance", *Sustainability*, 12, pp: 1-20
24. Garcia-Morales, V.J., and Llorens-Montes, F.J. 2006. "Antecedents and consequences of organizational innovation and organizational learning in entrepreneurship", *Industrial Management and Data Systems*, Vol. 106 No. 1, pp: 21-42.
25. Montes, J.L., Moreno, A.R., and Morales, V.G. 2005. "Influence of support leadership and teamwork cohesion on organizational learning, innovation and performance: an empirical examination", *Technovation*, Vol. 25 No. 10, pp: 1159-1172.
26. Pham, T. L., and Hoang, V., H. 2019. "The relationship between organizational learning capability and business performance: The case of Vietnam firms", *Journal of Economics and Development*. Vol. 21 No. 2, pp: 259-269
27. Fandino, A.M., Marques, C.M.V.A., Menezes, R. and Bentes, S.R. 2015. "Organizational social capital scale based on Nahapiet and Ghosal model: development and validation. Organizational social capital Scale based on Nahapiet and Ghosal model: development and validation", *Review of Contemporary Business Research*, Vol. 4 No. 2, pp: 25-38.
28. Jerez-Gómez, P., Céspedes-Lorente, J., and Valle-Cabrera, R. 2005. "Organizational Learning Capability: A Proposal of Measurement". *Journal of Business Research*, 58 (6), pp:715-725. <https://doi.org/10.1016/j.jbusres.2003.11.002>.
29. Alegre, J., and Chiva, R. 2008. "Assessing the impact of organizational learning capability on product innovation performance: an empirical test", *Technovation*, Vol. 28 No. 6, pp: 315-326

30. Hubbard, G. 2009. "Measuring organizational performance: beyond the triple bottom line", *Business Strategy and the Environment*, Vol. 18, pp: 177-191.
31. Mohammad, I., H. 2019. "Mediating effect of organizational learning and the moderating role of environmental dynamism on the relationship between strategic change and firm performance", *Journal of Strategy and Management*, Vol. 12 Issue: 2, pp: 275-297, <https://doi.org/10.1108/JSMA-07-2018-0064>

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

