IMPACT OF SOCIAL CAPITAL ON BUSINESS RESULTS OF ENTERPRISES - TEXTILE AND GARMENT INDUSTRY IN THE SOUTHERN REGION, VIETNAM

Ph.D. Ai Huu Tran, University Van Hien, VN

Ph.D. Dung Anh Tran, University Van Hien, VN

Abstract

Social capital has a long history of development in economically developed countries. Business results of enterprises are significantly increased when applying social capital. Qualitative research is used in the following order: (1) Find new factors and relationships between social capital and business results, (2) Calibrate the scale of each factor of the model to suit the textile industry. Then, combine it with quantitative exploratory research with the tool Exploratory Factor Analysis (EFA), Test the reliability coefficient, Confirmatory Factor Analysis (CFA), Test the model and research hypothesis. research (CB-SEM) and Bootstrap testing in the theoretical model, there are 6 research factors: (1) Leadership social capital, (2) Internal social capital, (3) External social capital, (4) Acquisition of knowledge, (5) Enterprise product innovation and (6) Business results.

Keywords: Social capital, textile enterprises, business results, Vietnam.

Introduction

It is social capital that supports entrepreneurs with more opportunities to access necessary resources for business activities (Dai et al., 2015). The resources that entrepreneurs acquire through their personal networks and social connections enable them to identify business opportunities (Bhagavatula et al., 2010), which in turn, collectively contribute to business results (Akintimehin et al., 2019; Nasip et al., 2017).

The Industrial Organization analyzes operational factors or different departments that contribute to building an overall enterprise strategy, the goal of which is for the enterprise's products/services to conquer the market. The industrial organization model argues that competitive advantage can be achieved when firms implement strategies imposed by the characteristics of external factors (Porter, 1985).

Nowadays, fashion has become a large-scale and highly competitive industry worldwide. Especially in the field of textile and garment fashion, the supply network is quite complex in terms of both division of production activities and geographical dispersion.

Currently, Vietnam's textile and garment industry is facing many big challenges, because cheap labour is no longer comparable to other countries such as Laos, Bangladesh, or Cambodia (Le Thanh Thuy, 2019). Specifically, the survey shows that production technology is much worse than in developed countries. Usage efficiency is very low due to degraded quality and high power consumption (Le Thanh Thuy, 2019).

This conference had the participation of nearly 200 scientists from different professions. The term social capital has been widely used in Western countries. However, in Vietnam, most people still feel new about this term and do not fully understand issues related to social capital. Accordingly, the level of social capital development in the world has gone through at least 3 stages: (1) the stage of approaching the theory of social capital, (2) the stage of basic application of social capital in society, (3) the stage of applying social capital at the national level (Tia Sang, 2006).

1. Research model and hypothesis

Leadership Social Capital (LSC): Social capital is developed from social network relationships and relationships with leaders of other companies, state management agencies and community leader’s important factors affecting performance (Stam et al., 2013). The interaction of External social capital and Internal social capital has a positive influence on financial results (Dai et al., 2015), organizational innovation (Wang et al., 2016), and business results (Nasip and al., 2017).

The structure of an enterprise's social network includes (1) Internal social capital is the quality of the relationship network between individuals, departments/divisions within the enterprise (Hitt & Ireland, 2002; Adler & Kwon, 2002); (2) External social capital is the quality of a business's network of relationships with external partners (Dai et al., 2015) and (3) VXLD is the quality of the network of relationships of business leaders with colleagues, government levels, and business partners (Nguyen & Huynh, 2012; McCallum and O'Connell, 2009).

Unlike the focus on the components that make up the social capital of enterprises, the results of the social capital of enterprises have quite wide variations in different studies. It is possible to synthesize the criteria showing the results of the social capital of enterprises through the research results of scientists using two groups of criteria: (1) the group of criteria showing the orientation of the social capital function of the enterprise and (2) group of criteria showing efficiency and performance of enterprises.

• **Internal social capital (ISC)** is important not only in developing new products but also in increasing the level of product innovation (Goyal and Akhilesh, 2007). According to Cuevas-Rhodes al (2014), internal social capital plays an important role in promoting product innovation for different reasons.

• **External social capital (ESC)** of an enterprise is the relationship between the enterprise and individuals representing external relevant organizations (Yli-Renko et al., 2002). External social capital includes assets that are a firm's deep external relationships (Dai et al., 2015)

• **Product innovation PSI):** According to the OECD (2005) classification, organizational innovation is divided into 4 types as follows: (1) product innovation, (2) operational process innovation, (3) innovation in management systems, and (4) innovation in marketing activities.

• **Acquisition Knowledge** is an organization that represents the interests of businesses in the same business industry. Local industry associations play a key role in strengthening foreign affairs for businesses such as providing data on industry output, revenue, and exports to inform member businesses (Hashino and Kurosawa, two thousand and thirteen). Furthermore, it also organizes forums to discuss business activities and lobby with government agencies on issues of common interest. Therefore, leaders must establish good relationships with industry associations and stakeholders to serve the business's goals (McCallum and O'Connell, 2009).

• **Colleague (COL):** This is a partner or people you work with, especially in a job in the same profession. Colleagues can be on the same team or different teams, with similar qualifications and responsibilities for similar jobs. They are people who work together, have the same major or have the same experience as you.

• **Business result**s (BRE): Measuring business performance has been around for a long time and remains one of the dominant topics in organizational and management theories. Business performance measurement to date has gone through three main stages: (1) balanced performance measurement system, (2) flow and transformation mapping, and (3) financial alignment and non-financial (Nelly et al., 2003).

❖ **Research model**

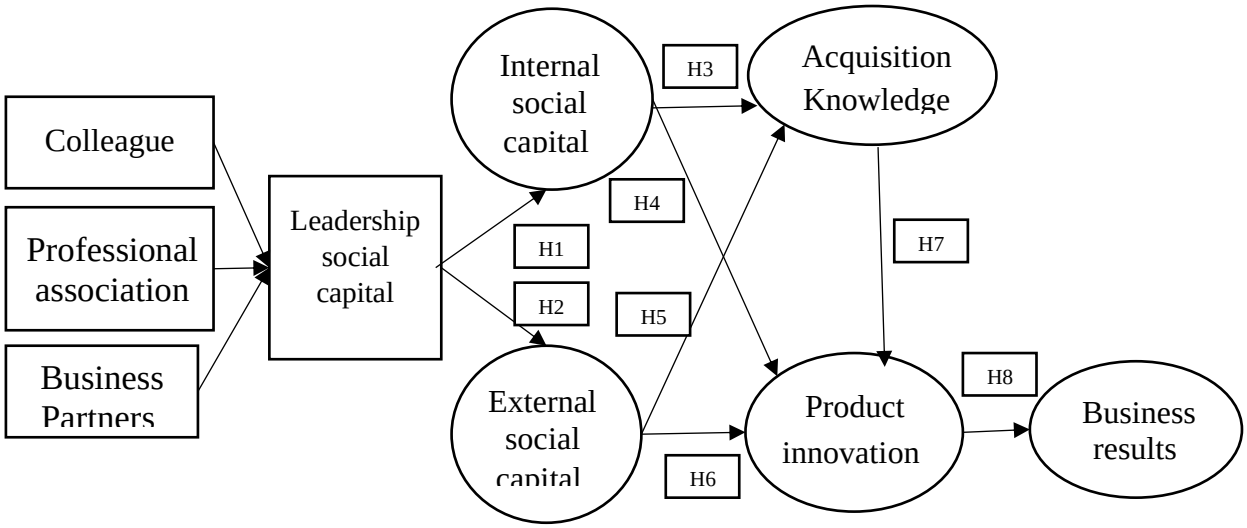

Figure 1: Research model

❖ **Research hypothesis from the theoretical model**

H1: Leadership social capital has a direct and positive impact on social capital within the enterprise.

H2: Leadership social capital has a direct and positive impact on social capital outside the enterprise.

H3: Internal social capital has a direct and positive impact on an enterprise's knowledge acquisition.

H4: External social capital has a direct and positive impact on an enterprise's knowledge acquisition.

H5: Internal social capital has a direct and positive impact on an enterprise's product innovation.

H6: External social capital has a direct and positive impact on an enterprise's product innovation.

H7: Knowledge acquisition has a direct and positive impact on enterprise product innovation.

H8: Product innovation has a direct and positive impact on the business results of the enterprise.

3. Research method

Implement qualitative and quantitative research methods by using data, techniques and research methods of both qualitative and quantitative schools, solving each specific goal.

First, qualitative research is used in the following order: (1) Find new factors and relationships between social capital and business results, (2) Calibrate the scale of each element of the model that is suitable for the textile industry. Then, combine it with quantitative exploratory research with the PLS-SEM testing tool to predict relationships with a small sample size requirement.

Finally, use quantitative research to quantify and measure the level of relationships, test models and hypotheses in two stages: (1) Use preliminary research to complete the questionnaire and adjust the research model, (2) Use formal research to conclude by collecting, and analysing information from the market, and use statistical methods to process data.

Use statistical software to test measurement models and theoretical models as follows:

1) Testing the reliability coefficient: According to Nunnally and Bernstein (1994), if a measurement variable has a total variable correlation coefficient greater than or equal to 0.3, that variable meets the requirements.

2) Exploratory factor analysis: The criteria for analysis are as follows: Using the extraction method principal axis factoring with Promax rotation (Gerbing and Anderson, 1988). Observed variables with low loadings (< 0.4) were eliminated (Nguyen Dinh Tho, 2012). At each observed variable (Item), the largest difference factor loading must be greater than or equal to 0.3. $0.5 \leq KMO \leq 1$; and the Barlett test is statistically significant (Sig < 0.05). After EFA analysis, the Cronbach's Alpha coefficient of the factors is recalculated to check the reliability of the scales after removing certain variables from the scale from the EFA results.

3) Confirmatory factor analysis (CFA) to test the measurement model of research factors. The specific steps are to evaluate the suitability of market data with the model, discriminant validity, convergent validity, aggregate reliability and extracted variance.

4) Testing the model and SEM research hypothesis): The purpose of Covariance-Based SEM analysis is to evaluate the model's suitability with market information, reject or accept the hypothesis and consider the level of the strength or weakness of relationships.

5) Bootstrap test: Bootstrap is a repeated sampling method with replacement, in which the initial sample acts as the crowd. Bootstrap test to evaluate the reliability of estimates, and confirm or reject the research model.

❖ **Verify the suitability of market data, with the model**

CFA testing of the scale factors in the critical model is described in Figure 1, df= 300, chi-square = 878.449; P = .000 < .05; Chi-square/df=1.843 < 2. TLI = .902 >.9, GFI = .912 >.9 and CFI = .915 > .9. RMSEA = .068 < .08 is acceptable (Hair et al. (2010). Thus, the indexes measuring the model's suitability are all satisfactory, therefore, the conclusion is that market data is compatible with the measurement model.

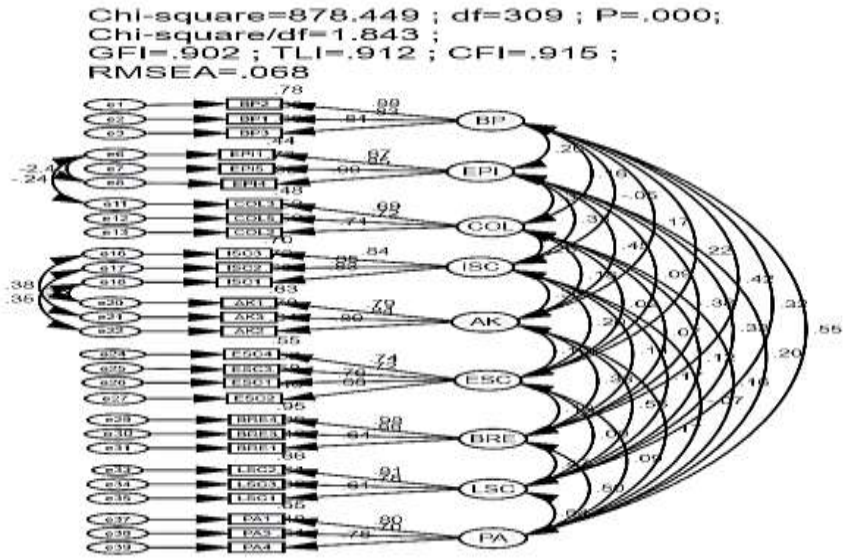

Figure 1: CFA results
(Source: Calculation results)

Table 2: Testing the discriminant value of CFA.

			Estimate	S.E.	C.R.	P
EPI	<-->	ISC	.121	.021	5.842	***
EPI	<-->	BRE	.097	.014	6.829	***
EPI	<-->	AK	.197	.027	7.427	***
EPI	<-->	PSC	.069	.014	4.893	***
ISC	<-->	BRE	.025	.011	2.382	.017
ISC	<-->	ESC	.060	.019	3.129	.002
ISC	<-->	AK	.165	.024	6.970	***
ISC	<-->	PSC	-.002	.012	-.146	.004
BRE	<-->	ESC	.038	.012	3.169	.002
BRE	<-->	AK	.063	.014	4.452	***
BRE	<-->	PSC	.071	.009	7.581	***

AK	<-->	PSC	.041	.015	2.700	.007
ESC	<-->	AK	.075	.024	3.128	.002
ESC	<-->	PSC	.039	.013	2.906	.004

(Source: Calculation results from survey data)

- **Test the suitability of the theoretical model using CB-SEM**

All CFA testing criteria of the measurement model satisfy the statistical testing requirements and are presented in a section that uses Covariance-based structural equation modeling analysis to test the theoretical model and 8 research hypotheses.

Figure 2 describes the indicators in testing the theoretical model as follows: df= 309, chi-square = 888.954; P = .000 < .05; CMIN/df = 1,855 < 2 so very good. Indicators: GFI = .903; TLI = .911 > .9 meets the requirements. As for CFI = .914 > .9, it is acceptable. RMSEA coefficient = .068 < .08, so it meets the requirements (Hair et al., 2010).

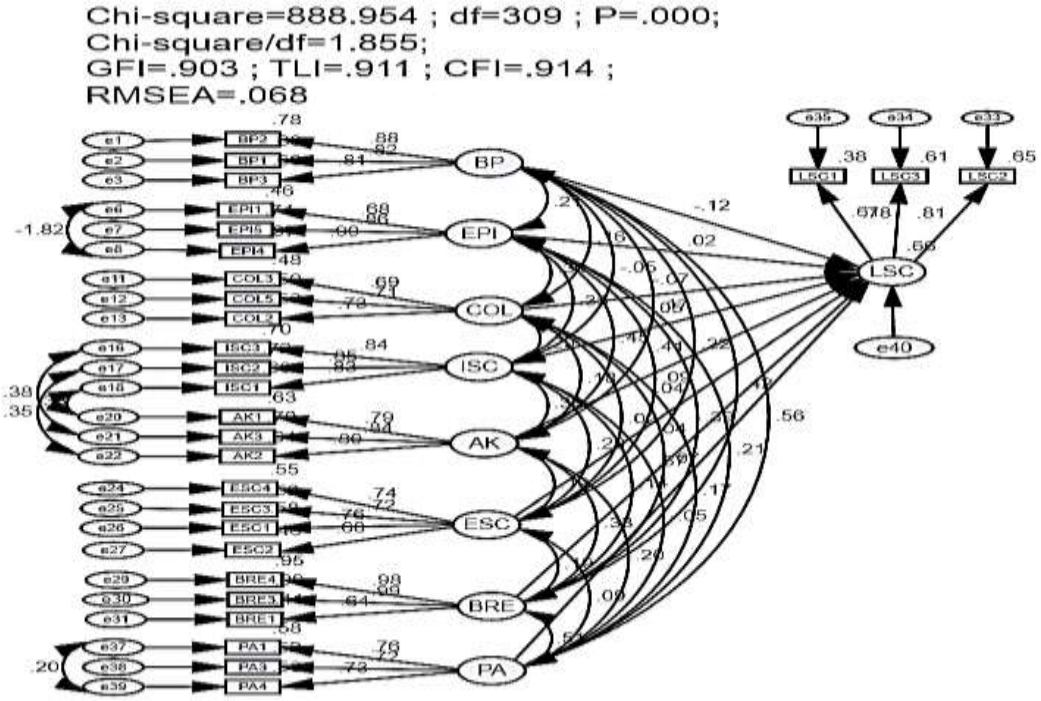

Figure 2: CB-SEM testing results of the theoretical model

(Source: Calculation results from survey data)

- **Bootstrap testing**

Bootstrap testing is used to retest the model and evaluate the reliability of the estimates. Bootstrap is a repeated sampling method with replacement, in this study the number of repeated samples N = 1000.

Table 3 presents the Bootstrap results showing that the CR index all have absolute values less than or equal to 2, so it can be said that the deviation is very small. Therefore, the estimated indexes meet the testing requirements.

Table 3: Estimated results using Bootstrap

Parameter			SE	SE-SE	Mean	Bias	SE-Bias	CR
LSC	←-	PA	.169	.004	.721	.004	.005	0.8
LSC	←-	BRE	.079	.002	.033	-.001	.002	-0.5
LSC	←-	ESC	.050	.001	-.037	.001	.002	0.5
LSC	←-	AK	.063	.001	.391	.002	.002	1
LSC	←-	ISC	.055	.001	.039	-.006	.002	-3
LSC	←-	COL	.091	.002	-.050	.004	.003	1.33
LSC	←-	EPI	.054	.001	.021	-.001	.002	-0.5
LSC	←-	BP	.100	.002	-.119	-.003	.003	-1

(Source: Calculation results from survey data)

Conclusion

Firstly, build and test a model of the relationship between social culture, knowledge acquisition, product innovation and business results for the case of fashion textile and garment enterprises in Vietnam. Enterprise social capital indirectly affects business results through the mediating role of knowledge acquisition and product innovation.

Second, Leadership social capital directly affects Internal social capital and External social capital. This confirms the role of the Leadership social capital prefix in promoting Internal social capital and the outside of textile enterprises.

Third, this study also shows that social capital does not directly affect business results but affects the chain of social capital; acquiring knowledge, innovating products and business results. This result will improve business results for textile and garment enterprises. This is one of the new contributions of the study.

Fourth, the contribution to the measurement model is shown through exploring the composition of professional associations to add to the Leadership social capital multidimensional scale.

Fifth, this result will motivate businesses in the textile and garment sector to increase the use of social capital to improve business results.

Sixth, the research also provides management implications for textile and garment enterprises, especially implications for government agencies, represented by industry associations to promote their role in promoting businesses to strengthen relationship network quality, improving business results through the use of social capital**.**

Limitations of the study

First, the study only considers the results of social capital in terms of efficiency and business results of enterprises. Meanwhile, many other factors demonstrate the results of social culture that need to be tested in the context of the textile industry in Vietnam. This is also a suggestion for further research.

Second, this research was only conducted on textile enterprises in the southern region of Vietnam. Therefore, the generalizability of the research results will be higher if it is repeated with a broader sample structure, including businesses in the Central and Northern regions.

References

Akintimehin, O.O., Albi, O. J., Eluyela, D. F., Okere, W., Ozordi, E., 2019. Social capital and its effect on business performance in the Nigeria informal sector. *Journal homepage: www.heliyon.com* [e-journal] 5 (2019) Available at ScienceDirect [Access 17 May 2020].

Bhagavatula, S., Elfring, T., Tilburg, A. V., Bunt, G. V. D., 2010. How social and human capital influence opportunity recognition and resource mobilization in India's handloom industry. *Journal of Business Venturing*, 25 (2010): 245–260.

Bourdieu, P., 1990. *The Logic of Practice*. Stanford : Stanford University Press.

Chen, L. C., Tseng, C. Y., 2012. Benefits of cross-functional training: three departments of hotel line supervisors in Taiwan. *J. Hosp. Tour. Manag,* 19: 115–122.

Coleman, J. S.,1990. Foundations of Social Theory. *The Demand for Effective Norms*, 241–527

Dai, W., Mao, Z., Zhao, X., & Mattila, A., 2015. How does social capital influence the hospitality firm's financialperformance? The moderating role of entrepreneurial activities. *International Journal of Hospitality Management,* 51: 42–55.

Dakhli, M. and D. De Clercq., 2004. Human capital, social capital and innovation: a multi-country study, *Entrepreneurship and Regional Development*, 16: 107–128.

Goyal, A. and Akhilesh, K., 2007. Interplay among innovativeness, cognitive intelligence, emotional intelligence and social capital of work teams. *Team Performance Management*, 13: 206–226.

Gunday, G., Ulusoy, G., Kilic, K., and Alpkan, L., 2011. Effects of innovation types on firm performance. *Int. J. Production Economics*, 9: 662-676.

Hair, J.F., Anderson, R.E., Babin, B.J. and Black, W.C., (eds.), 2010. *Multivariate Data Analysis.* New Jersey: Prentice Hall.

Hashino, T., & Kurosawa, T., 2013. Beyond Marshallian Agglomeration Economies: The Roles of Trade Associations in Meiji Japan. *Business History Review,* 87:489-513.

Le Thanh Thuy, 2019. *Textile industry in the trend of Industrial Revolution 4.0.* <htpp://Finance Magazine, https://tapchitaichinh.vn/tai-chinh- Kinh-doanh/nganh-det-may-trong-xu-the-cach-mang-cong-nghiep-40312074.html> . [Access date: May 15, 2020].

Lin, C. Y., & Kuo, T. H., 2007. The mediate effect of learning and knowledge on organizational performance. *Industrial Management & Data Systems*, *107*(7): 1066–1083.

Lin, N.,1999. Building a Network Theory of Social Capital. *Insna connections,* 22(1): 28-51.

Lin, N., 2001. *Social Captial: A theory of social structure and action*. London: Cambridge University Press.

McCallum, S., & O'Connell, D., 2009. Social capital and leadership development. *Leadership & Organization Development Journal*, *30*(2): 152–166.

Nahapiet, J., & Ghoshal, S.,1998. Social Capital, Intellectual Capital, and the Organizational Advantage. *The Academy of Management Review*, *23*(2): 242–266.

Nasip, S., Fabeil, N. F., Buncha, M, R., Hui, J. N. L., Sondoh Jr, S. L., & Halim, D. N., 2017. The Influence of Entrepreneurial Orientation and Social Capital on the Business Performance Among Women Entrepreneurs Along West Coast Sabah, Malaisia. *Proceedings of International Conference on Economics 2017,* (ICE 2017): 377-395.

Neely, A., 2002. Business Performance measurement. Cambridge: Cambridge University Press. *The Learning Organization*, 3: 227-245.

Nguyen Dinh Tho, 2012. *Scientific research in business*. Ho Chi Minh: Labor and Social Publishing House.[Accessed 15 May 2015].

Polder, M., Leeuwen, G., Mohnen, P., and Raymond, W., 2010. *Product, Process and Organizational Innovation: Drivers, Complementarity and Productivity Effects* (June 18, 2010). CIRANO - Scientific Publications 2010s-28 [online] Available at < http://dx.doi.org/10. 2139/ssrn.1626805

Porter M. E.,1985. *Competitive Advantage*. New York: Free Press.

Putnam, R. D.,1993. The prosperous community: Social capital and public life [online]. Available at: *http://xroads.virginia.edu/~hyper/detoc/assoc/13pu*.

Thu Hoai, 2019. *Vietnam Textile and Garment reached 39 billion USD in total export turnover in 2019.* <http://tapchicongthuong.vn/bai-viet/det-may-viet-nam-dat-39-ty-usd- tong-kim-ngach-xuat-khau-nam-2019-67200.htm>. [Access date: January 15, 2020].

Tia Sang, 2006. *Social capital from theory to practice in Vietnam*. <https://tiasang.com.vn/ -dien-dan/von-xa-hoi-tu-ly-thuyet-den-thuc-tien-o-viet-nam-6145>. [Access date: April 15, 2019].

Yli-renko, H., Autio, E., & Tontti, V., 2002. Social capital , knowledge , and the international growth of technology-based new firms. *International Business Review*, *11*: 279–304.