



The Mediating Effect of Innovation in the Relationship Between Social Capital and Halal Culinary Business's Competitive Advantage

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Abstract

This study aims to examine how the role of innovation in its influence between social capital and competitive advantage. Research conducted on 150 halal culinary businesses in Yogyakarta province, Indonesia. This research uses purposive sampling techniques, primary data are collected through questionnaires distributed to managers and owners of halal culinary businesses. Data is processed using Smart PLS 3.0 software. The results prove the social capital has a direct effect on competitive advantage. Social capital has a positive and significant effect on innovation. Innovation has a positive and significant effect on competitive advantage. The results of the mediation role test obtained that social capital has a positive and significant effect on competitive advantage through innovation variables. That is, innovation in this research model is a mediating variable. This research clarifies the importance of social capital and innovation in achieving competitive advantage.

Keywords: *innovation, social capital dan competitive advantage, the mediating effect*

1. INTRODUCTION

The halal industry is one of the industries that have an economic contribution to the country, especially countries that have a Muslim population. Two countries obtaining their country's economic growth and become *leaders* in the halal industry according to the *State*



of Global Islamic Economic Report 2020/2021 report are Malaysia and Saudi Arabia. The contribution of Musim to the halal lifestyle as the data below:

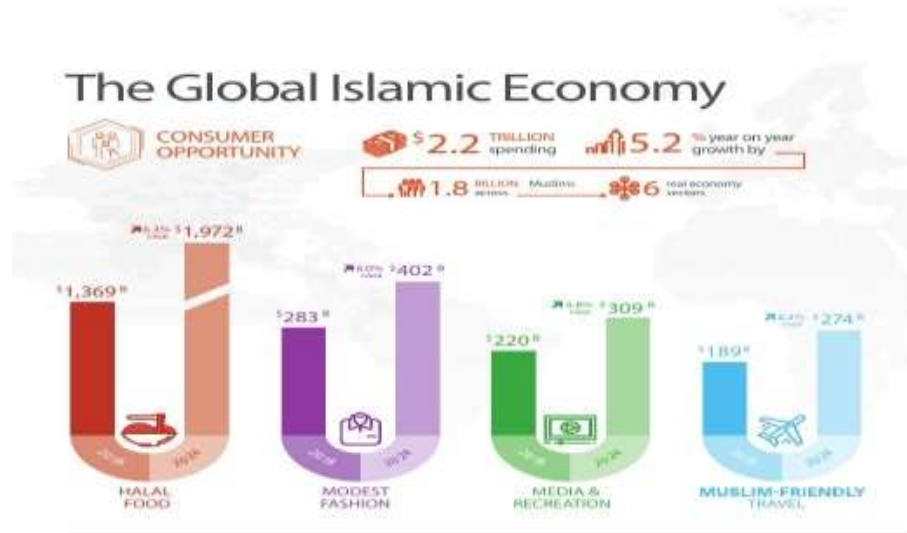


Figure 1: The global halal industry, source: Thomson Reuters (2020)

The contribution of halal industry spending in the form of halal food and beverage products ranks second after Islamic Finance. It is predicted that in 2024 the growth of the halal food and beverage sector will reach USD 1.97 trillion, followed by other halal business sectors. *The Indonesian Sharia Economic Masterplan (MEKSI) 2019-2024* is a design that will be the foundation for developing Indonesia's Sharia economy in the future. Demographically, the majority of Indonesia's population are Muslim, the halal industry has the opportunity to strengthen Sharia economy. Many improvements must be made include the availability of infrastructure, increasing human resources (HR) which is currently still an obstacle, and bureaucratic and structural reforms that must be carried out. The government needs to continue strengthening the halal value chain by orienting toward the food, beverage, fashion, tourism, media, recreation as well as pharmaceutical and cosmetics sectors. In the food and beverage sector, the majority of halal culinary business owner are from SMEs (small and medium enterprises).

In SMEs, social capital is one of the important elements in forming social bonds and interactions in organizational associations where each SME can support each other, especially to share knowledge about the design process and products in improving the innovation ability of SME owners (Sulistyo & Ayuni, 2020). Companies that often innovate



and design will increase their ability to produce creativity, new product ideas, new processes, and new marketing methods. New initiatives and breakthroughs by business people will result in continuous innovation. SMEs that always actively support new ideas, authenticity and experiments, and creative processes with the support of technology will encourage and accelerate innovation capabilities and performance, especially in business. New ideas in product design and processes that take place will be able to attract more consumers and have an impact on increasing sales, profits, and competitive finances of SMEs.

Some of the advantages of SMEs are a simpler organizational structure that offers flexibility, effective and open communication channels, and lower resistance to change (Kim & Shim, 2018). Through social capital, SMEs gain learning, knowledge, and experience so that they can support and accelerate innovation capabilities. This happens because SME associations that bring relationships out of formality between them will create a strong and trusted cohesion, therefore there is a creative exchange of ideas about processes, and products as a manifestation of the desire to improve the performance of each business and efforts to achieve. The social bonds of social capital provide additional information in SMEs therefore it can drive increased efficiency from the reliability of new opportunities of organization commitment at a lower cost (Shane and Venkataraman, 2000).

Innovation studies emphasize the important role of social capital in driving innovation in organizations (Eklinder-Frick, Eriksson, & Hallén, 2014; Sanchez-Famoso, Maseda, & Iturralde, 2014). However, it is important to study the role of employee perceptions of social capital to understand innovation at the individual employee level because past theories of social capital assert that employees' perceived social capital can significantly influence their workplace attitudes and behaviors (Parzefall & Kuppelwieser, 2012). A family business that applies creative solutions to its employees significantly produces better product innovations than other family businesses (Streb & Głód2, 2020). Social capital can unite people so that they can work together successfully and build good working relationships in work practices. Therefore, increasing social capital can increase organizational innovation and human resource empowerment, because it can increase the cohesiveness of employees and managers and create added value by facilitating successful joint activities (Yafnidzar, 2018). A family business that implements creative solutions for its employees significantly produces better product innovation than other family businesses (Streb & Głód2, 2020).

The use of business knowledge with innovation firms improves competition in international market forces to face the challenges, thought greater by the fact that they





usually do not have a professional management or manager structure, especially micro-enterprises. Basically, in entrepreneurship, social capital is needed to increase strategic entrepreneurship, where someone who has strategic entrepreneurship will be able to achieve a competitive advantage. Although social capital is important in strategic entrepreneurship, social capital in reality does not always have an impact on competitive advantage. Sadalia, Irawati & Mass (2014) proved this in their research. Similarly, research conducted by Chuang, et.al (2016) shows empirical results that social capital is not directly able to increase competitive advantage, but requires mediation. Although the issue of social capital and competitive advantage has been studied in previous research, very few have examined the relationship between social capital and competitive advantage or discussed the mediating role between the two. There are still conflicting differences in research results on the effect of social capital on competitive advantage, prompting the authors to conduct further studies to obtain stronger evidence of the role of social capital on excellence by mediating innovation. The relationship between employee creativity and innovation has been widely established Anderson et al., (2014) however, studies on social capital, and innovation on competitive advantage are still few.

This article consists of five parts, in the first part, described the background of the research. The second part describes the literature review and review of previous research that forms the basis for formulating hypotheses. In the third part, the author explains the research method and continues with analysis and discussion. The end contains conclusions, research limitations, and suggestions on advanced research.

2. LITERATURE REVIEW

2.1. Halal Culinary Business

In the Halal Industry Ecosystem Book (2020) that issued by Bank Indonesia explained the halal industry is an activity of processing goods using facilities and equipment permitted by Islamic law. The scope of the halal industry sector is cosmetics and personal care, halal tourism, Islamic financing, hospitality services, halal tourism, fashion, logistics and food and beverages or what is known as culinary. Culinary comes from English, namely culinary, which means something used in cooking or related to cooking. Culinary business can be interpreted as an action that has a motive to gain profits from sales in the field of food and beverages (Alamsyah, 2008:27). According to Ministry of Religion of the Islamic Republic of Indonesia producing halal food is goods intended for human eating or drinking and the ingredients used are halal.





2.2. The Effect of Social Capital on Competitive Advantage

Social capital is generally described in the literature as characterized by networks, norms, and beliefs in social relationships that facilitate the cooperation and coordination of people to achieve desired and mutually beneficial goals Akmaludin, et,al (2021). Social capital comes from the organization's values, goals, and principles that have been identified as sources of competitive advantage for the organization. Social capital plays a significant role in the implementation of strategic planning (Soulard, 2018). Social capital sources are interconnected and provide strategic benefits to achieve sustainable competitive advantage (Sadalia, Irawati & Mass, 2014). Various efforts to achieve competitive advantage can be done in various ways, as revealed by Handoyo (2015) in his research examining the role of marketing innovation, marketing orientation, and social capital towards competitive advantage and marketing performance in small and medium enterprises. The results prove that these three independent factors affect competitive advantage. Thus, business actors can increase marketing innovation, marketing orientation and increase social capital to achieve competitive advantage. A good combination of external social, resources, and internal competitive capabilities can be a sustainable force that encourages companies to achieve competitive advantage Zhao, et.al (2019).

Nahapiet & Goshal (1998) describe the dimensions of social capital consisting of structural, relational, and cognitive. Structural capital where organizations with a high level of communication and cooperation among their members, have organizational efficiency and market advantage. Relational capital where social networking companies that have mutual trust have lower financial risk, supervision, and transaction costs and are better prepared for the next capital turnover will bring improvements in competitive advantage (Elfring, 2003). Cognitive capital contributes to understanding among members of the organization, making the transfer of information and knowledge easier. All of this increases the company's competitive advantage (Zhao, et.al, 2019).

The theoretical basis of competitive advantage begins with *the resource-based view* (Barney, 2001). According to *the resource-based view* theory, organizations can gain a competitive advantage by exploiting environmental opportunities and neutralizing challenges by utilizing valuable, scarce, and irreplaceable resources such as human capital (Coff, 1997) and social capital (Dess and Sauerwald, 2014).

H1: Social Capital has a direct effect on competitive advantage





2.3. The Effect of Social Capital on Innovation

Previous research emphasizes the importance of external actors and social interaction both of which can act as the main drivers of company performance to a higher level (Alguezaui & Filieri, 2010). Social capital has an important role in improving innovation capabilities and organizational performance, (Sulistyo & Ayuni, 2020). Chen, et.al, (2016) researched the driving force factors of innovation in organizations, especially the trend of CEO leadership as an external and internal impact of social capital on the top leadership team. As a result, both internal and external social capital mediates the relationship between transformational leadership and organizational innovation. Radical innovation also determines innovation (Landry, et.al, 2002). Internal social capital has the potential to increase the power of innovation in organizations. Sanchez-Famoso et., al. (2014) proved that internal social capital is significantly associated with innovation.

Social capital is the result of mutual trust, mutual social interaction, social groups with a shared collective identity, a common view of the future, and teamwork. Many factors drive organizational innovation, including employee motivation and social capital. Yazdnifar's study (2018) proves that social capital and employee motivation can influence organizational innovation in companies in Tehran, Iran. At the State level, social capital with the support of formal institutions can influence the level of innovation of a country (Lee & Law, 2016). Crescenzi et al. (2013) explained in their research that there is a positive and significant influence of social capital on innovation based on evidence from behavior stimulated by trust, and cooperation between communities. Through a cooperative attitude, information that does not confuse the delivery of information that pleases social capital can be achieved. Social cooperation is the main driver for learning and managing knowledge and competence (Alguezaui & Filieri, 2010).

Yesil and Dogan (2019) examine the influence of social capital on innovation capabilities and their impact on innovation. The results prove that social capital is positively related to innovation capabilities and social capital has a direct effect on innovation. The measurement of social capital refers to the following dimensions: network configuration, social interaction, trust, and shared vision. All dimensions of social capital positively and significantly influence innovation. These findings support the idea that social capital is an important antecedent of innovation and innovation capabilities. Yi Ching (2006) concludes that social capital has a significant influence on innovation. Social capital supports the regeneration and application of new ideas (Faccin et al., 2017).

H2: Social capital has a positive effect on innovation





2.4. The Effect of Innovation on Competitive Advantage

Innovations applied by companies in their activities by considering the needs and availability of resources to compete tend to be more competitive and have a flexible character to be able to exploit opportunities (Prabhu, 2019). Innovation is an important parameter of competitive advantage to maintain the sustainability of corporate excellence (Jiménez et al., 2008). Radical innovation also determines innovation (Landry, et.al, 2002).

According to Yazdnifar (2018), to achieve a competitive advantage, companies can make various innovation choices such as innovation in products and services, innovation in strategy and structure, and innovation in culture and technology. In addition, innovation can also be done in new processes, marketing methods, or new organizational methods applied within the company and/or workplace and external relations (Rosli and Sidek, 2013). Organizational innovation has an impact on competitive advantage, namely companies that are willing to creatively create and innovate in commercializing new processes, products, and systems Eidizadeh, et.al (2017). Business innovation through products can get rid of competition (Oledimeiji, et.al, 2019). Marketing innovation is important to serve consumers with superior value and it can contribute to sales growth (Naidoo, 2010). Amarakoon (2018) in his research examines how the bankruptcy of learning and innovation in human resource management has an impact on competitive advantage. As a result, human resource management innovations with the support of company leaders have an impact on competitive advantage.

Competitive advantage can be achieved through market orientation and innovation, as an analysis conducted by Udriyah, et.al., (2019) on the influence of market orientation and innovation on competitive advantage and business performance in SME companies in Selangor, Malaysia. The results of his study strengthen and justify the hypothesis that market orientation and innovation affect competitive advantage. Increased market orientation and increased innovation are expected to increase competitive advantage which ultimately improves organizational performance, Dorson (2018) examines how companies in emerging market countries achieve competitive advantage. Both countries create competitive advantages through innovation, product innovation, market innovation, and process innovation. As a result, all innovations carried out are positively related to competitive advantage. Innovation is one of the main drivers of organizational success (Herrera, 2015). Chatzoglou and Dimitrios Chatzoudes (2017) examined whether the role of knowledge management, social capital, organizational capabilities, and organizational culture is



significant to innovation and how it impacts competitive advantage. The research empirically validates the impact of innovation in creating a competitive advantage.

H3: Innovation has a positive influence on competitive advantage

2.5 The Effect of Social Capital on Competitive Advantage Through Innovation

Andriani (2012) shows that the higher the level of social capital, the higher the company's ability to innovate. Social capital is seen as one of the strategic instruments capable of encouraging the growth and development of competitive advantage which in turn is capable of producing good marketing performance and ensuring its sustainability (Ferdinand, 2005). Having social capital will be able to improve the market capabilities getting better social capital, it will be the higher market capabilities. High social capital, contributing to increasing the ability of small and medium industries to be the first to identify new trends and try new business techniques.

H4: Social Capital influences competitive advantage through innovation

Based on the description above, it can be explained the development of hypotheses and research models below (Figure):

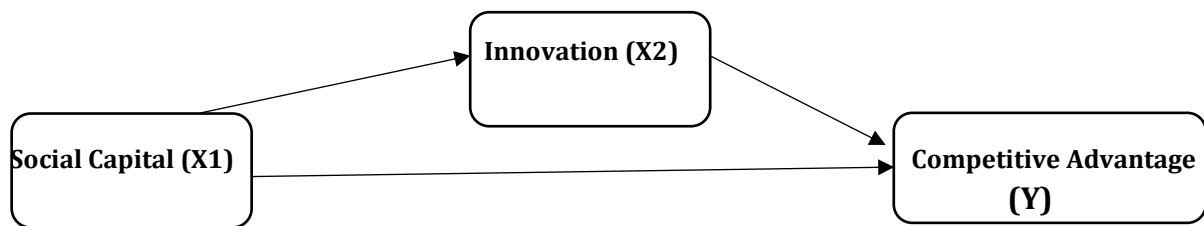


Figure 2. Conceptual framework

Source: Sadalia, Irawati & Mass (2014); Yesil & Dogang (2019); Udriyah, et.al., (2019)

Figure 2 above explains the role of innovation in the relationship between social capital and competitive advantage. Social capital and innovation in this research have the potential to increase competitive advantage.

3. RESEARCH METHOD

The research was conducted on 150 halal culinary businesses in Yogyakarta province. Respondents in this study are business owners or managers of halal culinary businesses whose business scale is small and medium. The sampling technique is carried out by *purposive* method, this is used because the author needs special information related to



research (Sekaran & Bougie, 255: 2016). The sampling criteria are a culinary business (restaurant or restaurant) that produces halal products, a business age of more than 3 years, a business that has more than 5 employees, business turnover per month above 25.000.000 rupiah. This research is quantitative research where studies are developed to be replicated to verify and ascertain a research problem (Kumar, 2011). The type of data used is primary data obtained through questionnaires filled directly by respondents. The variables used in this study include social capital (X), innovation (M), and competitive advantage (Y). Data in the questionnaire were measured using a Likert scale in the range of 1 (strongly disagree), 2 (disagree), 3 (disagree), 4 (somewhat agree), 5 (agree), and 6 (strongly agree).

Each variable in this study was measured with dimensions that had been tested by previous researchers. Competitive advantage refers to the dimensions developed by Barney (1990) as valuable, rare, can not be imitated, and irreplaceable. While social capital refers to the dimensions developed by Nahapiet and Ghoshal (1998) are cognitive, relational, and structural. The innovation dimension according to Dorson (2018); Claridge (2018), Weerakoon, et al (2019) covers product innovation, market innovation, organizational innovation, and process innovation.

4. RESULT AND DISCUSSION

The initial stage of the collected questionnaire is screened to ensure that the data obtained can be processed further. 171 questionnaires were collected from managers or business owners, only 150 deserve further processing. From the results of the respondent's analysis, can be explained as follows the respondent halal culinary business ownership, 30% are family businesses, 40% are individual businesses, 5% are franchise businesses and 25% are partnership businesses. Judging from the number of employees working in halal culinary businesses, as many as 45% have employees between 6-10 and the remaining 55% of businesses have employees of more than 10 people. The average business turnover of halal culinary businesses is 25.000.000 to 90.000.000 rupiah as much as 80%, the remaining 20% have a turnover of more than 90.000.000 rupiah. Of all the culinary businesses studied are culinary businesses that produce halal food and beverage products under Islamic law) located in Yogyakarta Province, Indonesia.

The next stage of testing is carried out using Structural Equation Modeling (SEM) and the help of *the Smart PLS 3.0* program. To estimate the validity of convergence this study refers to the results of factor loadings, composite reliability (CR), and average variance extracted (AVE). The factor loading value of each indicator less than 0.7 were excluded from





the analysis, so only indicators whose value is above 0.7 will be further analyzed in this study. In the initial testing stage, as many as 6 indicators whose outer loading value was less than 0.7 were removed from the analysis and not processed further. For outer loading value in the next stage as below:

Table 1. Outer Loading

Indicator	Competitive Advantage	Innovation	Social Capital
IN2		0.707	
IN3		0.767	
IN4		0.726	
IN5		0.777	
IN6		0.820	
IN7		0.809	
IN8		0.812	
IN9		0.716	
KB1	0.742		
KB2	0.816		
KB3	0.778		
KB4	0.775		
KB5	0.833		
KB6	0.823		
KB8	0.705		
MS1			0.854
MS2			0.835
MS3			0.860
MS6			0.895
MS7			0.831

The indicators listed in Table 1 have met the convergent validity criteria. Furthermore, to measure internal consistency, researchers refer to the values of Cronbach's test results, rho A, and composite reliability (CR). Table 2 shows Cronbach's, rho A, and CR values for all constructs above 0.70. Moreover, the AVE value is above (0.50) so it meets the criteria of convergent validity.



Table 2. Test Validity and Reliability Construct

	Cronbach's Alpha	Rho A	Composite Reliability	Average Variance Extracted (AVE)
Competitive Advantage	0.894	0.897	0.917	0.613
Innovation	0.900	0.904	0.920	0.590
Social Capital	0.908	0.912	0.931	0.731

Table 3. Discriminant validity

	Competitive Advantage	Innovation	Social Capital
Competitive Advantage	0.783		
Innovation	0.740	0.768	
Social Capital	0.691	0.573	0.855

To test discriminant validity, researchers examined cross-loadings between constructs (Fornell & Larcker, 1981). In particular, the AVE value of each latent factor must be greater than the correlation value of other latent factors. Table 3 shows that the AVE square root of each construct is greater than the correlation with other constructs, indicating that discriminant validity criteria are met.

A research model is said to be good (appropriate) if it meets the model fit criteria, which is indicated by the NFI value. The results of the model conformity test in this study are shown in the table below:

Table 4. Model Fit Test

	Saturated Model	Estimated Model	
SRMR	0.069	0.069	
D ULS	1.003	1.003	
D G	0.437	0.437	
Chi-Square	347.758	347.758	
NFI	0.831	0.831	



Table 4. Describing the FIT model of 0.831 or 83.1% can mean that this research model is very suitable (FIT). To test the magnitude of the influence of endogenous variables on exogenous variables, shown in the table below:

Table 5. R Square

	R Square	R Square Adjusted
Competitive Advantage	0.653	0.649
Innovation	0.329	0.324

The influence of exogenous variables on endogenous variables (competitive advantage) is shown by an R Square value of 0.653, meaning that endogenous variables, competitive advantage are influenced by 65.3% by exogenous variables, namely social capital, and innovation, while 34.7% are influenced by other factors outside the variables studied. The R Square 0.329 means that the endogenous variable of innovation is influenced by 32.9% by the exogenous variable, namely social capital, the rest of other factors also affect innovation that was not studied in this study.

The results of the structural model analysis are as Figure 1. Demonstrate the estimated influence of social capital, innovation, and competitive advantage. Path coefficients, t values, and p values are used as a reference for hypothesis tests. A path coefficient of more than 0.1 with a calculated t value greater than 1.96 and significant at 0.05 is the key to accepting or rejecting the research hypothesis.



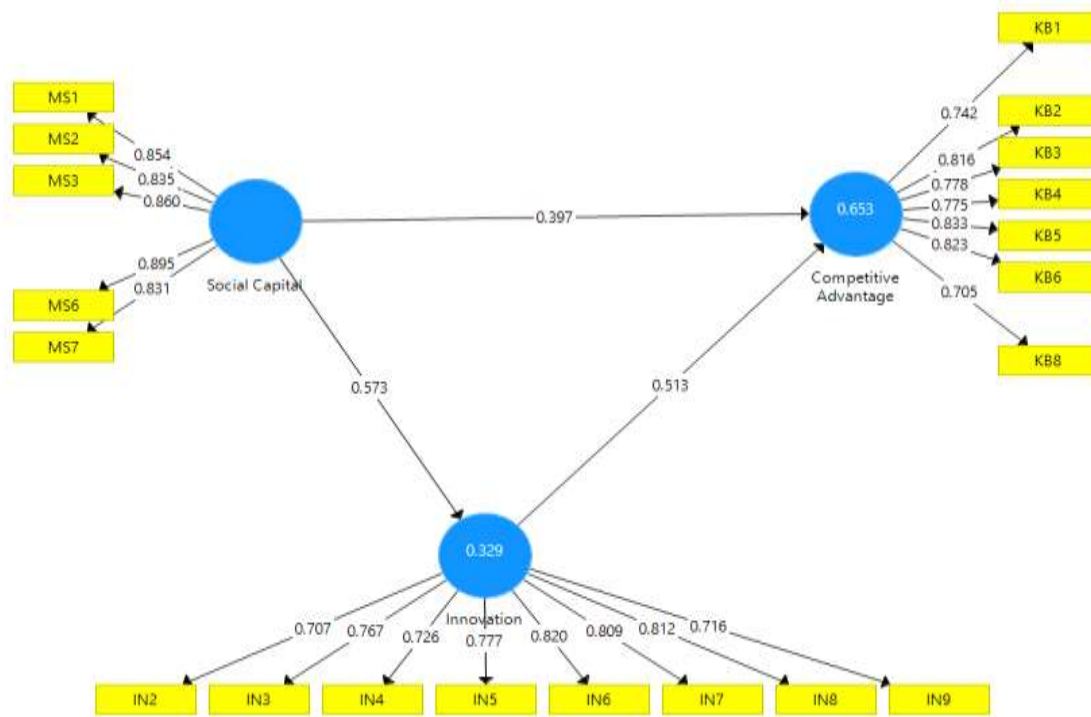


Figure 2. Path coefficient analysis

To prove the hypothesis is done by comparing the value of statistical t with the t table. A hypothesis is said to be accepted if the value of t is calculated > t table (1.96). As for testing the significance of influence in research by comparing the calculated p-value with the p-value. It is said to be significant if the calculated p-value is < p-value (0.05). This means that a hypothesis is said to be accepted if the value of t is calculated > t table (1.96), with a significance value of < of 0.05. The results of the hypothesis test are described in the table below:

Table 6. Hypothesis Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Innovation -> Competitive Advantage	0.513	0.506	0.066	7.753	0.000
Social Capital -> Competitive Advantage	0.397	0.401	0.070	5.686	0.000



Social Capital -> Innovation	0.573	0.573	0.085	6.769	0.000
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4.1 Hypothesis 1: Social Capital has a direct effect on competitive advantage.

The effect of the social capital contribution on competitive advantage with a t-value of 5,686 > t-table (1.96) with a p-value of 0,000 < 0.05, the hypothesis is accepted. This means that social capital has a positive and significant direct effect on competitive advantage. The contribution of social capital to competitive advantage is 0.397 and positive, meaning that an increase in social capital will increase competitive advantage. The better the social capital, the better the company's competitive advantage will be. Sources of social capital are interconnected and provide strategic benefits to achieve a sustainable competitive advantage (Sadalia, Irawati & Mass, 2014).

This study reinforces the results of Handoyo's research (2015) which examines the role of marketing innovation, marketing orientation, and social capital on competitive advantage and marketing performance in small and medium enterprises. The results prove that the three independent factors influence competitive advantage. Halal culinary business is not a single entity, but a plural entity that involves social elements such as intra- and extra-organizational social networks, bonds between human resources, relationships, shared values, shared orientation, and vision which play an important role in mutual benefit and progress within the organization. Social capital is a combination of values from business relationships that are integrated with social networks. Social capital helps companies to seek new knowledge to monitor imperfect conditions and how companies should operate to proactively understand and fulfill consumer needs and desires (Nafei, 2016). Social capital can be mobilized to achieve organizational success (Liu & Fang, 2016).

4.2 Hypothesis 2: Social Capital has a positive effect on innovation

The effect of the contribution of social capital to innovation with a t-value of 6,769 > t-table (1.96) with a p-value of 0,000 < 0.05, the hypothesis is accepted. This means that social capital has a positive and significant effect on innovation. The contribution of social capital to innovation is 0.573 and is positive, meaning that an increase in social capital will increase innovation. The better the social capital, the better the company's innovation will be.

This research strengthens research (Tjokropandojo, et.al, 2019) that social capital can foster innovation. The existence of social capital in the SME business will remove barriers and facilitate the diffusion of innovations. Innovation can be created from individuals or





groups of human resources who have knowledge, ideas, and insights that are in one group which will be a major force for creating innovation. The existence of social capital makes it easier for employees to share knowledge, skills, and information to facilitate the emergence of innovation. Social capital supported by social networks will support SMEs to create new culinary products, and new culinary menus, diversify operations and services in the SME's business, and expand new markets. Social networks such as suppliers, business partners, and culinary business associations, need to be managed properly. New ideas or ideas are sometimes obtained from external sources which companies follow up with innovation. The company's ability to manage external parties also contributes to business progress. Social capital can be directed to achieve long-term organizational achievements. Entrepreneurs must have the ability to extract and utilize resources to achieve the desired results (Adler and Kwon, 2002: 20).

4.3 Hypothesis 3: Innovation has a positive effect on competitive advantage

The effect of the social capital contribution on competitive advantage with a t-value of $7,753 > t\text{-table} (1.96)$ with a p-value of $0,000 < 0.05$, the hypothesis is accepted. This means that innovation has a positive and significant effect on competitive advantage. The contribution of innovation to competitive advantage is 0.513 and positive, meaning that increased innovation will increase the company's competitive advantage. The better the innovation, the better the company's competitive advantage will be.

The results of this study are in line with research conducted by Oladimeji, Amida & Essie (2019), and Dorson (2018), namely, innovation has a positive and significant effect on competitive advantage in companies. The company's innovations affect production costs, product sales, and product quality. The existence of a new operating method or process within the company can save production costs. In process innovation, culinary businesses can use new production methods, easier ways to order and keep up with the times based on information technology, and use the latest tools or facilities that are more effective and efficient which can increase productivity.

Product innovation is carried out by increasing the variety of culinary products, making culinary products unique and different from competitors, and making product packaging more attractive and also necessary for product development to increase sales. Innovation is one source of creating competitive advantage (Zach & Hill, 2017). Innovation is also an important parameter for assessing competitive advantage as well as a measure of long-term competitiveness. The competitive advantage of halal culinary businesses in



Yogyakarta is quite good but still needs to be improved, such as increasing new ideas in modifying halal culinary products, new marketing breakthroughs, and improving the company's brand image so that it is easy for consumers to remember, building company differentiation so that it is seen as different by consumers.

4.4 Hypothesis 4 : Mediation Effect Test

The mediation effect test was carried out by comparing the data from the path coefficient with the specific incident effects. For this reason, the bootstrapping-specific indirect effect data is presented as follows:

Table 7. Mediation Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Social Capital -> Innovation -> Competitive Advantage	0.294	0.292	0.064	4.597	0.000

To test the indirect (through) effect by looking at the specific indirect effect values in the table above. The correlation of social capital to competitive advantage through innovation with a t-value of 4,597 with a p-value of 0.00. With t count 4.597 means >1.96 and p-value 0.000 means <0.05 so it is significant. That is, social capital has a positive and significant effect on competitive advantage through the innovation variable. Innovation in this research model is a mediating variable. Considering that the direct effect of social capital on competitive advantage is significant, and the indirect effect of social capital on competitive advantage through innovation is also significant, the role of the innovation variable becomes a partial mediation variable (Duryadi, 102: 2022).

5. CONCLUSION

The results of the study explain several important points: first, that social capital has a direct and significant effect on competitive advantage. Second, social capital has a positive and significant effect on innovation. Third, Innovation has a positive and significant impact on competitive advantage. Fourth, social capital influences competitive advantage indirectly



(through) innovation. Innovation in this study acts as a mediating variable. Nevertheless, the results of the distance analysis show that the influence of social capital on competitive advantage can be directly or indirectly (through) innovation variables.

The social capital and innovation have a positive role in competitive advantage, business institutions need to pay attention to good social capital in their business institutions, and how to build good and healthy social capital so that they can strengthen business institutions and achieve glory. Strengthening competitive advantage can also be achieved by creating various innovations. With the innovations carried out, it is expected that business institutions can be better than their competitors.

Other researchers can add other independent variables, considering that competitive advantage is thought to be influenced by many factors outside of this study. Empirical studies regarding the relationship between social capital and competitive advantage and the relationship between social capital and innovation have not been widely studied. According to researchers, the limitations of relevant references can be a reason for further research on social capital to be carried out in the future

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