Humanities, Arts and Social Sciences Studies

Research Article

Humanities, Arts and Social Sciences Studies
https://so02.tci-thaijo.org/index.php/hasss
ISSN (Online): 2630-0079

THE EFFECTS OF SOCIAL CAPITAL ORIENTATION ON INNOVATION PERFORMANCE OF SME SECTOR IN THAILAND

Sumittra Jirawuttinunt[*] and Eakapoom Wongsahai

Mahasarakham University, Thailand

ABSTRACT

It is obvious that businesses in Thailand are facing with economic transformation. Thailand 4.0 policy became crucial for innovation-driven economy as to response to fast changing business environment. Social capital orientation is one of vital strategies which create a significant advantage. This study is designed to investigate the effect of social capital orientation on innovation performance via knowledge management capability and entrepreneurial capability which are used as mediating variables for testing their relationships. The data for this study was collected using a cross-sectional quantitative survey. The sample size using Tara Yamane sampling size is 400 small and medium enterprises in Thailand. The data collections are proportion of 6 provincial groups of SMEs and simple random sampling is applied to represent the entire data. The sample consists of managers, senior managers, and chief executive officer. Mail survey questionnaire was used as research instrument. Ordinary Least Square (OLS) multiple regression analysis is applied to test research hypotheses. Research results show that there are four dimensions of social capital orientation, including networking focus, awareness of trust, effective communication, and collaboration creation that have positive effect on knowledge management capability, entrepreneurial capability, and innovation performance. All social capital orientation dimensions can explain assumptions of knowledge management capability at 39.10%, entrepreneurial capability at 40.60% and innovation performance at 38.80%. Moreover, the independent variable such as networking focus is proved to fully support hypotheses. It can conclude that SMEs manager can achieve innovation performance through the developing of social capital orientation. Particularly, networking focus, awareness of trust and effective communication are the important intangible assets for SMEs in Thailand. Thus, the executives should increase networking focus, awareness of trust and effective communication to gain innovation for competitiveness.

Keywords: Social capital orientation; knowledge management capability; entrepreneurial capability; innovation performance; small and medium enterprises

***Corresponding author:**
Sumittra Jirawuttinunt
sumittra.j@acc.msu.ac.th

***Received:** 7 December 2019*
***Revised:** 17 March 2020*
***Accepted:** 2 April 2020*
***Published:** 4 March 2021*

Citation:
Jirawuttinunt, S. and Wongsahai, E. (2021). The effects of social capital orientation on innovation performance of SME sector in Thailand. Humanities, Arts and Social Sciences Studies 21(1): 21(1):109-120.

1. INTRODUCTION

At present, Thailand 4.0 policy has become very crucial for the new economy era that aims at developing Thailand to achieve economic growth and sustainability. One of the key missions of Thailand 4.0 model is to transform industrial sector into innovation-driven economy. Within the industrial structure of the country, most of entrepreneurs in Thailand are "small and medium enterprise sectors (SMEs)", which vastly contribute the success in the economic growth of Thailand. The Office of Small and Medium Enterprise Promotion reported that there were 3,004,679 small and medium enterprises (SMEs) at the end of 2016 or 99.70% of the total number of enterprises nationwide, which contributed to 42.2% Gross Domestic Product (GDP) and employed 14,785,172 peoples or 80.44% of overall employment (Office of Small and Medium Enterprises Promotion, 2017). This report indicated that entrepreneurship in SMEs is the key economic and social development of Thailand. It is clear to conclude that entrepreneurship is vital to the development and existence of firms in this rapid changing environment of the global (Savoiu, 2016). In the age of technology disruption, entrepreneurs appear to practice within severe business competition and must create innovation as to responding moving technological environment as well as the needs of customer behaviors which constantly change. In shortening technology and product life cycles movement, collaboration and cooperation between various firms is not only the key for success, but turns into means for survival in global competition environment (Dičevskaa et al., 2016). A number of academics proposed that social capital considered as a core resource and competence for achieving competitive advantage within ever-changing environment (Barney et al., 2001). The study of Abdollahi et al. (2016) suggested that knowledge management capability had direct effect on social capital capability. In the same way, social capital orientation can enhance entrepreneurial competency for creating innovation (Oly Ndubisi and Iftikhar, 2012). Accordingly, social capital orientation become a part of an overall business strategy and goals by focusing on relationship for mutual benefit in high speed of technology through networks, norms, social trust and cooperation (Wimba et al., 2015). In addition, Tripopsakul (2016) stated that social capital orientation significantly impacts on an entrepreneurial opportunity seeking of Thai entrepreneurs. Therefore, this research study will use SMEs in Thailand as the target group to verify the effect between social capital orientation in four dimensions including networking focus, awareness of trust, effective communication and collaboration creation on innovation performance via knowledge management capability and entrepreneurial capability. The results can inspire small and medium business entrepreneurs and managers to pay attention to and involve in developing social capital orientation for entrepreneurial practices, and guidance to enhance their corporate innovation performance.

2. LITERATURE REVIEW

Through the concept of resource-based view (RBV), it is recommended that resources and valued capability, rarity, non-substitute and inimitability are considered as the strategic assets in achieving a competitive advantage (Barney, 1991). RBV is employed in this research to demonstrate how social capital orientation which includes networking, trust, communication and collaboration can determine as strategy and create competitive advantage as innovation. In this study, social capital orientation is used as independent variable. It is defined as resource and capabilities of social interaction which can improve the strength and success of the business to achieve the economic performance (Pratono and Mahmood, 2014). Many successful businesses have been found upon social capital orientation which creates knowledge management capability and entrepreneurial capability that better create organizational innovation (Ahn and Kim, 2017; Parvaneh, 2017; Ahmadipanah, 2015). To clearly understanding, social capital orientation in this study is categorized in four dimensions; networking focus, awareness of trust, effective communication and collaboration creation. Firstly, networking focus are identified by various form of relationships or interdependences such as values, ideas, financial exchange, trade, friendship, social role or action relationship that enhance competitive advantage (Stuart and Sorenson, 2007). Secondly, entrepreneur who commits on trust which evolves as social interactions and strengthened relationships tend to improve efficient and effective performance (Barney and Hansen, 1994). Thirdly, effective communication such as information technology also influences the entrepreneurship and created a modern entrepreneurship (Rufai, 2014). And lastly, collaborative creation such as teamwork, partnership and alliance have a contribution toward the process of entrepreneurial capabilities and firm performance (Jones et al., 2010). In addition, knowledge management process also claimed to have an impact on firm's innovation capability and innovation performance (Yeşil et al., 2013). Moreover, Lee and Hsieh (2010) also stated that entrepreneurial capability increases innovation performance. With the clearly consideration these relationships, research conceptual framework is proposed as appear in Figure 1.

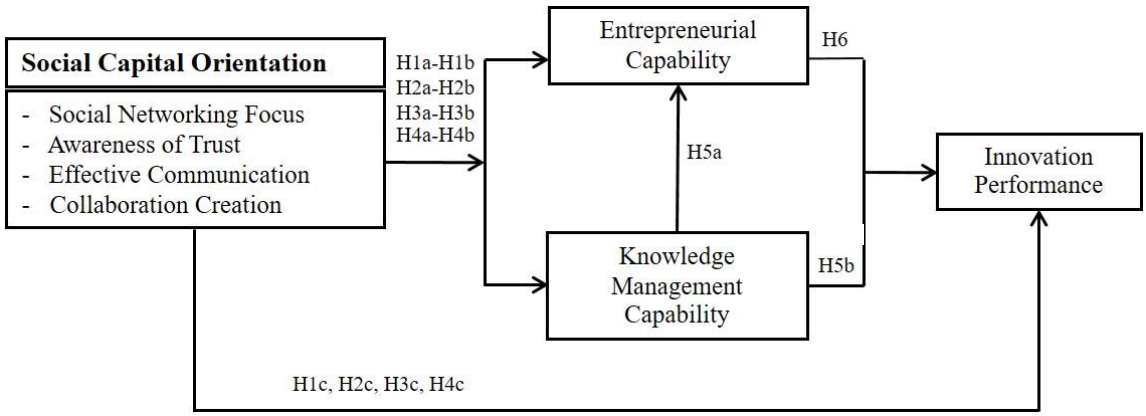

Figure 1: Conceptual Framework of Social Capital Orientation and the Outcomes

2.1 Social capital orientation, knowledge management capability and entrepreneurial capability

Several researchers have identified social capital with various meanings and dimensions. Nahapiet and Ghoshal (1998) described social capital as the entire of current and potential resources that installed within, available through, and even derived from the network of relationships which are acquired by the efforts of an individual and unit. Putnam (2001) considered social capital as trust, norms, and networks that lead to the development of optimized relationship and participation among the members of a society, in which will eventually provide mutual benefits. In the same line with Adler and Kwon (2002) who proposed that social capital should be referred as the network of relationships which increase value through the accessing of resources that embedded within network. Studies by many experts has concluded that social capital orientation is a resource and capability of social interaction which can improve the strength and success of the business to achieve the economic performance within society (Wimba et al., 2015). Nahapiet and Ghoshal (1998) mentioned three social capital dimensions namely; relational, structural, and cognitive. Hijazi and Salamah (2014) categorized social capital elements with social participation, values, and trust. In order to explore different aspects of social capital orientation, this research emphasize on four dimensions, namely: network focus, awareness of trust, effective communication, and collaboration creation. These four dimensions were chosen as they represent some aspects of social capital orientation from a Thai perspective. Knowledge management capability is identified as the ability to build a learning culture for a group of processes and practices that lead to continually create, share, and use knowledge that provide access to new opportunities (Nonaka and Toyama, 2003). Likewise, Rodriguez-Gutierrez et al. (2015) believed that entrepreneurial capability is one of the key success factors for innovation in small and medium sized enterprises. To be able to clearly study the relationships, this research designated social capital orientation in four aspects as follows:

Networking focus is described as the ability of manager to create set of social structure which are connected by several forms of relationship such as values, ideas, financial exchange, trade friendship, and social role or action relationships (Bengesi and Le Roux, 2014a).

Carmeli and Azeroual (2009) proposed that networking influences knowledge combination capabilities contributing to radical and incremental innovations. The study by Swan et al. (1999) showed that community networking is an important part of knowledge management. Similarly, previous study explains major issues that social networking play vital role in knowledge sharing, transformation and collaboration among organization members (Ghaleb et al., 2016). Setyawati et al. (2011) considered networking as an important factor that supports Indonesian entrepreneurship development. Similar to the study by Lechner et al. (2006), who addressed that networking was essential element to change entrepreneurial capabilities as networking contributes to learning. In the same line with Badriyah and Noermijati (2015), purposed that social relation and networking is necessary for enhancing business success, as entrepreneur is expected to have good long-term relationship with stakeholders. Additionally, the study by Pittaway et al. (2004) claimed that network relationships with customers, suppliers and intermediaries are significant factors for achieving innovation performance. The hypotheses are therefore proposed as below:

Hypothesis 1a: Networking focus positively relates to knowledge management capability.
Hypothesis 1b: Networking focus positively relates to entrepreneurial capability.
Hypothesis 1c: Networking focus positively relates to innovation performance.

Awareness of trust is defined as enormous perceptions such as competence, goodwill, values, and contracts to enhance abilities, competencies, productivity, and social assets that a person acquires from actions with a faith in the integrity (Zhang, 2014; Siau and Shen, 2003). Study by Wang et al. (2011) have

proved the positive relationship between trust and innovative performance among Chinese manufacturing firms. Their study also concluded that contract and trust are substitutes, even the environmental uncertainty has effect on trust but there was no indicator on the impact of contracts on innovation performance.

Barney and Hansen (1994) stated that exploiting on trust enable firms to create competitive advantages. Trust is believed to enhance effective knowledge management process (Hoffman et al., 2005). Paliszkiewicz et al. (2015) proposed that trust management has a relationship with knowledge management as it enhances the effective cooperation in organizations, increases flexibility and positively impact on creativity and eventually reflect corporate innovation. In addition, Bartsch et al. (2013) clarified that trust contributes to innovation and learning within the business. Furthermore, Shi et al. (2015) defined trust as a dynamic and relational form of social capital, in which has an effect on entrepreneurship success in family businesses. It is addressed by Sundaramurthy (2008) and Puffer et al. (2010) that trust plays an optimistic role in supporting network relationships, decreasing role conflicts, and transaction costs. Moreover, the study by Kodila-Tedika and Agbor (2016) show that trust has significance positive effect on entrepreneurial orientation. Therefore, the hypothesis is proposed as below:

Hypothesis 2a: Awareness of trust positively relates to knowledge management capability.
Hypothesis 2b: Awareness of trust positively relates to entrepreneurial capability.
Hypothesis 2c: Awareness of trust positively relates to innovation performance.

Effective communication is defined as the process of interactions and relationships which create and share information with one another by using all possible media to reach a mutual understanding at all levels of organizations (Louhiala-Salminen and Kankaanranta, 2011). It is said that communication is an important tool that can both reveal and remove problems in an organization. Regarding to Shonubi and Akintaro (2016), communication is identified as a process of exchanging or sharing information, and ideas. It is certain that effective communication processes seemingly have a substantial impact on entire employee performance (Titang, 2013; Husain, 2013). The results of Van de Hooff and Ridder (2004) suggested that communication climate has significantly positive influence on knowledge donating, knowledge collecting, and affective commitment. Likewise, the role of communication in the knowledge management is essential, knowledge itself must be transferred through effective communication (Grigorescu et al., 2014). Communication skills and communication technology are essential for today entrepreneurial success as tools for promoting the understanding of the vision, mission, and organizational goals. The study by Hung et al. (2011) found that communication has significant correlation with R&D performance. Therefore, the hypotheses are proposed as below:

Hypothesis 3a: Effective communication positively relates to knowledge management capability.
Hypothesis 3b: Effective communication positively relates to entrepreneurial capability.
Hypothesis 3c: Effective communication positively relates to innovation performance.

Collaboration creation is described as internal and external processes of organization such as coordination, cooperation, partnership, alliance and consortium for developing the capacity to joint or collaborate, which link strategy to performance (Emerson et al., 2012). Goldsmith and Eggers (2004) claimed that skill proficiencies, for instance negotiation, mediation, risk analysis, trust building, or even project management are critical for collaborative networks. Barney (1991) pointed out that the firm will achieve competitive advantage only when they can coordinate the available resources and capability that are impossible by other firms. Ulibarri (2015) claimed that perceived outputs and outcomes are influenced by a range of collaborative participants' opinions. Jones et al. (2010) proposed that the powerful benefits of a collaborative relationship can pull many more innovative thinkers into the process to share crucial information to make a significant impact on entrepreneurial success. Lassen et al. (2008) indicated that collaboration is significant on entrepreneurial innovation. Dickson and Weaver (2011) revealed that networks provide firms with accesses to information, technology, resources, as well as develop new capabilities alongside partners. Bengesi and Le Roux (2014b) stated that coordination has positive influence in SMEs performance. Like O'Leary and Vij (2012) who claimed that collaboration influences on performance outcomes. Therefore, the hypotheses are proposed as below:

Hypothesis 4a: Collaboration creation positively relates to knowledge management capability.
Hypothesis 4b: Collaboration creation positively relates to entrepreneurial capability.
Hypothesis 4c: Collaboration creation positively relates to innovation performance.

2.2 The effect of knowledge management capability and entrepreneurial capability on innovation performance

Knowledge management capability (KMC) is identified as an ability of firm to create a learning culture of processes and practices to continually create, share, deploy and use knowledge to develop new opportunities within a group (Nonaka and Toyama, 2003). Drawing from knowledge-based view (KBV), knowledge capability

is a core resource contributing to sustainable competitive advantage due to its value, uniqueness, and complexity (Eisenhardt and Martin, 2000). Similarly, various studies suggested that KMC has positive relation to firm innovativeness (Rastgoo, 2017). Moreover, Patma et al. (2017) claimed that knowledge management has a significant positive influence on innovation performance.

Entrepreneurial capability is defined as the capacity of entrepreneur to identify and take hold of market opportunities which are importance for survival, profitability and growth of a firm (Zahra et al., 2009). It is said that entrepreneurial capabilities have been used to describe the resources and skills required for effective entrepreneurial activity. Regarding to Lumpkin and Dess (2001), entrepreneurial orientation dimension consists with five aspects; innovativeness, risk taking, proactiveness, competitive aggressiveness, and autonomy. Whiles Wenjing and Liu (2017) proposed four distinct components of individual entrepreneurial capabilities including passion and self-achievement, active learning and analysis, leadership and operation skills, and integrity and commitment. The research results by Ejdys (2016) revealed that entrepreneurial capability has a significant positive correlation with innovation performance. Furthermore, many researches claim that there is meaningful relationship between knowledge management capability and entrepreneurship (Taleghani, 2011; Salih et al., 2015). As described above, the hypotheses are proposed as following:

Hypothesis 5a: Knowledge management capability positively relates to entrepreneurial capability
Hypothesis 5b: Knowledge management capability positively relates to innovation performance
Hypothesis 6: Entrepreneurial capability positively relates to innovation performance.

3. RESEARCH METHODOLOGY

3.1 Sample selection and data collection procedure

The population of this study is SMEs in Thailand in total 3,004,679 businesses (Office of Small and Medium Enterprises Promotion, 2017) that can be categorized into 2,989,378 small enterprises and 15,301 medium enterprises chosen from Office of Small and Medium Enterprises Promotion Annual Report 2016. The sample size of 400 SMEs is formulated by using Taro Yamane sample sizing formula with 95% confidence level (Yamane, 1973). The data collections are proportion of 6 provincial groups of SMEs as shown in Table 1. Simple random sampling was used to represent the entire data as cross-sectional survey. Questionnaires were sent to SME managers, senior managers, and chief executive officer, and 400 received questionnaires were usable. As for non-response test, two independent samples were tested, by comparing early with late response as recommended by Armstrong and Overton (1977). The result of T-tests comparing the first 200 received surveys with the last 200 responses found no differences. Therefore, there is non-response bias.

Table 1: Number of Population and Sample Classified by Provincial Groups

Provincial Group of SMEs in Thailand	Population (Number)	Sample (Number)
Bangkok	544,476	73
Central Region	625,197	83
Southern Region	398,201	53
Eastern Region	165,509	22
Northeast Region	646,388	86
North Region	624,908	83
Total	3,004,679	400

Source: Office of Small and Medium Enterprises Promotion (2017)

3.2 Variables

Within the conceptual model, all variables, except for control variables, were measured by Likert Scale which range from '1 = strongly disagree' to '5 = strongly agree'. The variances of the dependent, independent, and control variables are identified. *Innovation performance* was used as dependent variable. It is indicated by new product and service, new process, new implementation, research, as well as the development Ejdys (2016). Networking focus is adapted from Bengesi and Roux (2014a). *Awareness of trust* is developed from Paliszkiewicz et al. (2015). Effective communication is adapted from Miles et al. (1996). *Collaboration creation* is adapted from Lira (2016) and Ulibarri (2015). *Knowledge management capability is* adapted from Jirawuttinunt and Janepuengporn (2012). *Entrepreneurial capability* is adapted from Rodríguez-Gutiérrez et al. (2015). In addition, some literatures focus that firm type and firm capital may affect innovation performance (Jirawuttinunt and Jhundraindra, 2018). Thus, firm type (FT) and firm capital (FC) are also used as the control variables.

3.3 Validity and reliability

According to Table 2, Confirmatory factor analysis reveals a great potential to inflate the component loadings. As the study by Nunnally and Berstein (1994) stated that all factor loadings that are greater than the 0.40 cut-off are statistically significant. For the scale reliability, the Cronbach alpha coefficients seem to be greater than 0.70, as suggested by Hair et al. (2010). All factor loadings are being between 0.667-0.889, it can be concluded that there is construct validity. In the same line with Cronbach alpha coefficients for all variables, between 0.749-0.877 are classified as acceptable.

Table 2: Results of Measure Validation

Items	Factor Loadings	Cronbach Alpha	Number of Items
Innovation Performance (INN)	0.733-0.865	0.875	5
Networking Focus (NET)	0.721-0.836	0.835	4
Awareness of Trust (TRU)	0.691-0.830	0.846	5
Effective Communication (COM)	0.772-0.849	0.877	5
Collaboration Creation (COL)	0.756-0.889	0.865	5
Knowledge Management Capability (KMC)	0.713-0.889	0.749	5
Entrepreneurial Capability (ENT)	0.667-0.804	0.841	4

3.4 Statistic test

Ordinary Least Square (OLS) is employed to measure all hypotheses in this research. This is possible due to both dependent and independent variables being neither nominal data nor categorical data; therefore, OLS is a fitting method for examining the hypotheses (Hair et al., 2010). Conclusively, relationships mentioned above are shown as following;

$$\textit{Equation 1: } KMC = \beta_{01} + \beta_1 FC + \beta_2 FT + \beta_3 NET + \beta_4 TRU + \beta_5 COM + \beta_6 COL + \varepsilon$$
$$\textit{Equation 2: } ENT = \beta_{02} + \beta_7 FC + \beta_8 FT + \beta_9 NET + \beta_{10} TRU + \beta_{11} COM + \beta_{12} COL + \varepsilon$$
$$\textit{Equation 3: } INN = \beta_{03} + \beta_{13} FC + \beta_{14} FT + \beta_{15} NET + \beta_{16} TRU + \beta_{17} COM + \beta_{18} COL + \varepsilon$$
$$\textit{Equation 4: } ENT = \beta_{04} + \beta_{19} FC + \beta_{20} FT + \beta_{21} KMC + \varepsilon$$
$$\textit{Equation 5: } INN = \beta_{05} + \beta_{22} FC + \beta_{23} FT + \beta_{24} KMC + \beta_{25} ENT + \varepsilon$$

4. RESULTS

4.1 Results of descriptive statistics

The demographic characteristics of the 400 participants show that about 57.82% respondents are male. The age is approximately between 35-45 years old (43.52%) and more than half of them are married (55.50%). The education levels are bachelor's degrees or lower (71.26%). For working experiences, 43.67% have been working with the firms for more than 10 years. Moreover, most of respondents received the revenues 50,000-100,000 Baht or per month (69.75%). The current position of respondents is manager (46.46%). Most of business types are limited companies (60.00%). For corporate types, most of them are manufacturing (51.67%) with registered capital is less than 20,000,000 Baht (36.68%). The period of time in operation is mostly 10 years or less (45.39%). The average sales revenues per year are 30,000,000-60,000,000 Baht (29.56%).

By employing Pearson's correlation coefficient, we can quantify the level of linear association between all pairs of variables, as in Table 3. Regarding to potential problems of multicollinearity, all the correlation coefficients of independent variables are measured at less than 0.8, it can be concluded that there is no significant problem of multicollinearity within independent variables (Hair et al., 2010). Moreover, within the value of 10 as recommended by Hair et al. (2010), the VIF result was 1.078-2.584, indicating no correlation of the independent variables with each other. Finally, this means that there are no substantial multicollinearity problems.

Table 3: The Correlation Matrix of All Variables in the Regression Analysis

Variables	NET	TRU	COM	COL	KMC	ENT	INN
MEAN	4.109	4.207	2.254	4.144	4.055	3.972	3.995
SD	0.528	0.593	0.517	0.530	0.588	0.452	0.612
NET							
TRU	.699**						
COM	.529**	.648**					
COL	.470**	.581*	.746**				
KMC	.488**	.505**	.587**	.507**			
ENT	.516**	.569**	.522**	.536**	.474**		
INN	.541**	.566**	.513**	.475**	.742**	.503**	

**$p < 0.01$, *$p < 0.05$

4.2 Results of hypothesis testing and discussion

Table 4 shows the OLS regression analysis of social capital orientation (networking focus, awareness of trust, effective communication and collaboration creation) on knowledge management capability, entrepreneurial capability and innovation performance. The finding shows that networking focus is significantly related to knowledge management capability (b3 = 0.202, p < 0.01), entrepreneurial capability (b9 = 0.186, p < 0.01) and innovation performance ((b15 = 0.270, p < 0.01) in positive manner, consistent with prior studies. Thus, ***Hypothesis 1a, 1b and 1c are supported.*** Consequently, Hypothesis 1 is fully supported. Secondly, awareness of trust has significant positive effects on entrepreneurial capability (b 10 = 0.224, p < 0.05), and innovation performance (b16 = 0.192, p < 0.01). In this regard, the results are consistent with previous results presented in the literatures. The positive influence implies that trust with empathy, trustworthy, and reliability are vital for entrepreneurship and contribute to develop long-term relationship among partners, which ultimately leads to entrepreneurial capability and innovation performance. Thus, ***Hypothesis 2b, and 2c are supported.*** On the other hand, the result shows no significant effect of awareness of trust on knowledge management capability (b4 = 0.072, p > 0.05). The unaccepted result of awareness of trust on knowledge management capability linkages can be explained by Renzl, (2008) which suggested that fear of losing unique value will eventually leads to a bad relationship atmosphere. Thirdly, the results show that communication has significant impact on knowledge management capability (b5 = 0.360, p < 0.01) and innovation performance (b17 = 0.171, p < 0.01) but has no significant effects on entrepreneurial capability (b11 = 0.108, p > 0.05). The converse results of the research can be explained by previous works done by Khoshnodifar et al. (2016) which reveals a meaningful and negative relationship between usage rate of information and communication resources and the variables of age as well as duration on the job operation. The study suggested younger entrepreneurs and newly established businesses distinguished use information and communication resources. On the other hand, based on dynamic capability perspectives, they suggest that in the open market economy and ever-changing environment, to free entry and exit of rivals in the business environment, the effective communication need to be equipped with information technology to succeed in entrepreneurial orientation. Thus, ***Hypothesis 3a, and 3c are supported whereas Hypothesis 3b is not supported.*** Besides, the results show that collaboration creation has significant impact on entrepreneurial capability (b12 = 0.225, p < 0.01). This positive effect implies that the better the firms are good at collaboration, the more likely they are to share strategic resources and information, consequently create entrepreneurial capability. In the contrast, the results show collaboration creation has no significant effect on knowledge management capability (b6 = 0.095, p > 0.05) and innovation performance (b18 = 0.102, p > 0.05). Thus, ***Hypothesis 4b is supported whereas Hypothesis 4a and 4c are not supported.*** The contrary results of collaboration creation can be explained by the study of Soraperra et al. (2017) which propose that collaboration has no impact on improving the overall level direction of relationships because it depends on qualifying entire levels of collaboration. Furthermore, Chiocchio et al. (2012) suggested a negative effect of team and individual collaboration on task performance relationships. In addition, Dičevskaa et al. (2016) propose that cooperation among enterprises can be risky and increase complexity, which bring negative effect on innovation creation. Indeed, this finding may reflect difficulties of the collaboration and innovation performance relationships which further research is needed to explore.

Accordingly, the study reveals that knowledge management capability provides significant positive effect on entrepreneurial capability (b21 = 0.447, p < 01) and innovation performance (b24 = 0.645, p < 01). It can conclude that ***Hypothesis 5a and 5b are supported.*** Additionally, the results show that entrepreneurial capability is related to innovation performance in positive manner (b25 = 0.189, p < 01). Thus, ***Hypothesis 6 is supported.*** Based on the results, knowledge management capability and entrepreneurial capability are proved to be mediating variables for testing the relationship between social capital orientation and innovation performance. The results also indicate the positive effect of firm capital which was used as control variable on knowledge management capability and entrepreneurial capability linkage. Thus, firm capital is interesting for exploration for this context in the future research.

Even though there has been implication that social capital orientation is one of the key success factors for innovation performance of SMEs in Thailand, the finding from this research study argues that SMEs in Thailand seem to be weak in the aspect of collaboration creation but rather strong in networking focus and awareness of trust. To overcome such issue, owner and managers of SMEs need to develop an entrepreneurial mindset as well as building teamwork and collaborative skills. Furthermore, modern networking can be stimulated by using social media technology for effective networking. SMEs' managers need to understand the key skills and the importance of information technology for communication and decision making for creating social capital orientation in area of networking focus, awareness of trust and effective communication to achieve superior performance. In same vein with the Thai government, fund should be allocated and invest to upgrade SMEs communication technology, for instance technology for operation learning, information communication technology, and online networking.

Table 4: The Results of Regression Analysis for Effects of Social Capital Orientation Dimensions on Its Consequences Constructs

Independent Variables	Dependent Variables					Hypothesis Testing Results
	1 KM(a)	2 ENT(b)	3 INN(c)	4 ENT	5 INN	
H1: Networking focus (NET)	0.202** (0.055)	0.186** (0.054)	0.270** (0.055)			Fully Supported
H2: Awareness of trust (TRU)	0.072 (0.058)	0.224** (0.057)	0.192** (0.058)			Partially Supported
H3: Effective communication (COM)	0.360** (0.063)	0.108 (0.062)	0.171** (0.063)			Partially Supported
H4: Collaboration creation (COL)	0.095 (0.061)	0.225** (0.060)	0.102 (0.061)			Partially Supported
H5a: KM⟶ENT H5b: KM⟶INN				0.447** (0.044)	0.645** (0.037)	Fully Supported
H6: ENT⟶INN					0.189** (0.038)	Fully Supported
FC	0.034 (0.089)	0.162 (0.088)	0.051 (0.089)	0.341** (0.097)	0.060 (0.073)	
FT	-0.104 (0.082)	-0.078 (0.081)	-0.153 (0.082)	-0.124 (0.090)	-0.083 (0.068)	
F	43.617	46.465	43.178	43.778	137.542	
Adjusted R^2	0.391	0.406	0.388	0.243	0.578	
VIF	2.584	2.584	2.584	1.078	1.332	

Beta coefficients with standard errors in parenthesis, $^{**}p < 0.01$, $^{*}p < 0.05$

5. CONCLUSION

As the goal of this research is to empirically confirmed the relationship between social capital orientation and innovation performance via knowledge management capability and entrepreneurial capability, the results indicate that three dimensions of social capital orientation including networking focus, awareness of trust and effective communication show positive direct effect on innovation performance whereas collaboration creation has positive indirect effect on the relationship via entrepreneurial capability. Moreover, the finding indicates that networking focus is the most important dimension to explain the role of social capital orientation on innovation performance among Thai SMEs. Based on these results, they suggest the optimal strategic choice for SMEs in Thailand for increasing innovation performance is to focus on the three components of social capital orientation, including networking focus, awareness of trust and effective communication. The findings support the notion that firms which actively cultivate and enhance their social capital orientation are inclined to improve innovation performance. Moreover, the study shows the strong influence of collaboration creation on entrepreneurial capability. It can summarize that entrepreneurial capability seem to be the mediating effect between social capital orientation and innovation performance linkage. Likewise, effective communication also has strong influence on knowledge management capability. Our findings have important implications for firms to describe social capital orientation in the line of RBV which has been increasingly known as the key competitive advantage of innovation performance of SMEs. However, collaboration creation has no direct effect on innovation performance. Additionally, further study may consider studying specific industry and regions to approve the findings. In conclusion, this research provides significant understanding of how SMEs in Thailand can create social capital orientation in order to increase knowledge management capability, entrepreneurial capability, and ultimately, achieve innovation performance. Particularly, networking focus, awareness of trust and effective communication are the important intangible assets for SME in Thailand, thus, the executives should increase networking focus, awareness of trust and effective communication to gain innovation for competitiveness.

ACKNOWLEDGEMENT

This research has been financially supported by Mahasarakham Business School. Without the support, this research cannot be completed. Researchers would like to express our gratitude to Mahasarakham Business School for sponsoring this research.

REFERENCES

Abdollahi, B., Farhadi, R. and Ahmadipanah, M. (2015). Analysis of the impact of social capital and knowledge management on organizational Innovation (Kharazmi University Staff). *Journal of World Scientific News* 11(5): 18-30.

Adler, P. S. and Kwon, S. W. (2002). Social capital: prospects for a new concept. *Academy of Management Review* 27(1): 17-40.

Ahn, S. Y. and Kim, S. H. (2017). What makes firms innovative? The role of social capital in corporate innovation. *Sustainability* 9(9): 1564.

Armstrong, J. S. and Overton, T. S. (1977). Estimating non-response bias in mail surveys. *Journal of Marketing Research* 14(3): 396-402.

Badriyah, N. and Noermijati, N. (2015). Social competence, human capital and entrepreneurial success (a study on the owner of fish trading business). *Asia-Pacific Management and Business Application* 3(3): 182-195.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management* 17(1): 99-120.

Barney, J. B. and Hansen, M. H. (1994). Trustworthiness as a source of competitive Advantage. *Strategic Management Journal* 15(S1): 175-190.

Barney, J. B., Wright, M. and Ketchen, D. J. (2001). The resource-based view of the firm: ten years after 1991. *Journal of Management* 27(6): 625-641.

Bartsch, V., Ebers, M. and Maurer, I. (2013). Learning in project-based organizations: the role of project teams' social capital for overcoming barriers to learning. *International Journal of Project Management* 31(2): 239-251.

Bengesi, K. M. K. and Le Roux, I. (2014a). Strategic entrepreneurial response of small and medium enterprises in developing economies. *International Journal of Business and Management* 9(2): 190-200.

Bengesi, K. M. K. and Le Roux, I. (2014b). The Influence of dimensions of networking capability in small and medium enterprise performance. *International Journal of Business and Social Science* 5(2): 189-200.

Carmeli, A. and Azeroual, B. (2009). How relational capital and knowledge combination capability enhance the performance of work units in a high technology industry. *Strategic Entrepreneurship Journal* 3(1): 85-103.

Chiocchio, F., Grenier, S., O'Neill, T. A., Savaria, K. and Willms, D. J. (2012). The effects of collaboration on performance: a multilevel validation in project teams. *International Journal of Project Organisation and Management* 4(1): 1-37.

Dičevskaa, S., Nikolovskib, P., Karadjovac, V., Zdravkoskid, I. and Menkinoski, G. (2016). Strategic Alliances and Innovations in the International Business. *International Journal of Sciences: Basic and Applied Research* 27(1): 57-64.

Dickson, P. H. and Weaver, K. M. (2011). Institutional readiness and small to medium sized enterprise alliance formation. *Journal of Small Business Management* 49(1): 126-148.

Ejdys, J. (2016). Entrepreneurial orientation vs. innovativeness of small and medium size enterprises. *Journal of Engineering, Project, and Production Management* 6(1): 13-24.

Eisenhardt, K. M. and Martin, J. A. (2000). Dynamic capabilities: what are they? *Strategic Management Journal* 21(10-11): 1105-1121.

Emerson, K., Nabatchi, T. and Balogh, S. (2012). An integrative framework for collaborative governance. *Journal of Public Administration Research and Theory* 22(1): 1-29.

Ghaleb, O. A. M., Mosleh, M. A. S. and Al-ariki, H. D. E. (2016). The role of social networking in knowledge management process: a review. *International Research Journal of Engineering and Technology* 3(12): 104-106.

Goldsmith, S. and Eggers, W. D. (2004). *Governing by Network, the New Shape of the Public Sector*. Washington DC: The Brooking Institution.

Grigorescu, A., Maria-Magdalena, L. and Al Zink, F. (2014). Communication-central vector in knowledge management. *Management Strategies Journal* 26(4): 538-548.

Hair, J. F., Black, B. B., Anderson, R. and Tatham, R. L. (2010). *Multivariate Data Analysis*. New Jersey: Pearson Education.

Hijazi, H. A. and Salamah, H. (2014). Impact of social capital on knowledge sharing at the public sector in Jordan. *Information and Knowledge Management* 4(1): 20-30.

Hoffman, J., Hoelscher, M. L. and Sherif, K. (2005). Social capital, knowledge management and sustained superior performance. *Journal of Knowledge Management* 9(3): 93-100.

Hung, C. L., Kuo, S. J. and Dong, T. P. (2013). The relationship between team communication, structure, and academic R and D performance: empirical evidence of the national telecommunication program in Taiwan. *R and D Management* 43(2): 121-135.

Husain, Z. (2013). Effective communication brings successful organizational change. *The Business and Management Review* 3(2): 43-50.

Jirawuttinunt, S. and Janepuengporn, K. (2012). Intellectual capital orientation and sustainable performance of medical service business: an empirical study of private hospitals in Thailand. *International Journal of Strategic Management* 12(3): 25-40.

Jirawuttinunt, S. and Jhundraindra P. (2018). The effect of human capital capabilities on entrepreneurial capabilities and the performance of Thailand's small and Medium enterprises. *Humanities, Arts and Social Sciences Studies* 18(2): 535-556.

Jones, A. L., Warner, B. and Kiser, P. M. (2010). *The "New Kid" on the University Block: Been Wondering What People Mean When They Say "Social Entrepreneurship"?* [Online URL: www.scup.org/phe.html] accessed on March 15, 2019.

Khoshnodifar, Z., Ghonji, M., Mazloumzadeh, S.M. and Abdollahi, V. (2016). Effect of communication channels on success rate of entrepreneurial SMEs in the agricultural sector (a case study). *Journal of the Saudi Society of Agricultural Sciences* 15(1): 83-90.

Kodila-Tedika, O. and Agbor, J. (2016). Does trust matter for entrepreneurship: evidence from a cross-section of countries. *Economies* 4(4): 1-17.

Lassen, A. H., Laugen, B. T. and Middel, R. (2008). Collaborative entrepreneurship: on the influence of internal and external collaboration on corporate entrepreneurial innovation. Paper presented at *the 9th international CINET conference: radical challenges in innovation management: Continuous Innovation Network, Aalborg University*, Denmark. September 7-9.

Lechner, C., Dowling, M. and Welpe, I. (2006). Firm networks and firm development: the role of the relational mix. *Journal of Business Venturing* 21(4): 514-540.

Lee, J. S. and Hsieh, C. J. (2010). A research in relating entrepreneurship, marketing capability, innovative capability and sustained competitive advantage. Journal of Business and Economics *Research* 8(9): 109-119.

Lira, L. (2016). *The effect of collaboration on performance in public management: evidence from community policing. University of Kansas.* [Online URL: https://kuscholarworks.ku.edu/handle/1808/22470] accessed on January 6, 2020.

Louhiala-Salminen, L. and Kankaanranta, A. (2011). Professional communication in a global business context: the notion of global communicative competence. *IEEE Transactions on Professional Communication* 54(3): 244-262.

Lumpkin, G. T. and Dess, G. G. (2001). Linking two dimensions of entrepreneurial orientation to firm performance: the moderating role of environment and industry life cycle. *Journal of Business Venturing* 16(3): 429-451.

Miles, E. W., Patrick, S. L. and King, W. C. (1996). Job level as systematic variable in predicting the relationship between supervisory communication and job satisfaction. *Journal of Occupational and Organisational Psychology* 69(3): 277-289.

Nahapiet, J. and Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage, *Academy of Management Review* 23(2): 242-266.

Nonaka, I. and R. Toyama (2003). The knowledge-creating theory revisited: knowledge creation as a synthesizing process. *Knowledge Management Research and Practice* 1(1): 2-10.

Nunnally, J. C. and Bernstein, I. H. (1994). *Psychometric Theory*. New York: McGraw-Hill.

O'Leary, R. and Vij, N. (2012). Collaborative public management: where have we been and where are we going? *The American Review of Public Administration* 42(5): 507-522.

Office of Small and Medium Enterprises Promotion. (2017). *Executive Summary White Paper on Small and Medium Enterprises 2017*. [Online URL: http://www.industry.go.th/psd/index.php/2016-05-02-05-17-59/item/view/4061_06092e25c38dc85a170c6bde4a26ddfe] accessed on March 17, 2019.

Oly Ndubisi, N. and Iftikhar, K. (2012). Relationship between entrepreneurship, innovation and performance: comparing small and medium-size enterprises. *Journal of Research in Marketing and Entrepreneurship* 14 (2): 214-236.

Paliszkiewicz, J., Gołuchowski, J. and Koohang, A. (2015). Leadership, trust, and knowledge management in relation to organizational performance: developing an instrument. *Online Journal of Applied Knowledge Management* 3(2): 19-35.

Parvaneh, R. (2017). The relationship between strategic knowledge management and organizational innovation (case study: Bushehr's Medical Sciences University and Health Care Center). *International Review of Management and Marketing* 7(3): 150-155.

Patma, T. S., Djajanto, L. and Mauludin, H. (2017). The Relationship between knowledge management capabilities and product innovation and its impact on marketing performance. Paper presented at *the 2nd international conference on accounting, management, and economics (ICAME-2017).* Makassar. October 10.

Pittaway, L., Robertson, M., Munir, K., Denyer, D. and Neely, A. (2004). Networking and innovation: a systematic review of the evidence. *International Journal of Management Reviews* 5/6(3and4): 137-168.

Pratono, A. H. and Mahmood R. (2014). Social capital and firm performance: moderating effect of environmental turbulence. *Asian Social Science* 10(19): 59-68.

Puffer, S., McCarthy, D. and Boisot, M. (2010). Entrepreneurship in Russia and China: the impact of formal institutional voids. *Entrepreneurship Theory and Practice* 34(3): 441-467.

Putnam, R. (2001). Social capital: measurement and consequences. *Canadian Journal of Policy Research* 2(1): 41-52.

Rastgoo, P. (2017). The impact of organizational culture on creativity: the mediating role of knowledge management (case study: medical sciences and health services university in Bushehr). *International Review of Management and Marketing* 7(4): 83-90.

Renzl, B. (2008) Trust in management and knowledge sharing: the mediating effects of fear and knowledge documentation. *Omega* 36(2): 206-220.

Rodríguez-Gutiérrez, M. J., Moreno, P. and Tejada, P. (2015). Entrepreneurial orientation and performance of SMEs in the services industry. *Journal of Organizational Change Management* 28(2): 194-212.

Rufai, I. A. (2014). The impact of communication technologies on the performance of SMEs in a developing economy: Nigeria as a Case Study. *The Electronic Journal of Information Systems in Developing Countries* 65(1): 1-22.

Salih, A., Salameh, H., Hijazi, H. I. and Zaid, M. A. (2015). The Role of knowledge management in developing the characteristics of entrepreneurial organization entrepreneur styles as moderator variables (applied study in the Jordanian pharmaceutical manufacturing sector). *International Journal of Small Business and Entrepreneurship Research* 3(7): 1-16.

Savoiu, G. (2016). *Enterprise, Entrepreneur and Entrepreneurship: The Main Semantic Chain in Contemporary Economics*. [Online URL: oaji.net/articles/2014/941-403074429.pdf.] accessed on December 26, 2016.

Setyawati, S. M., Shariff, M. N. M. and Saud, M.B. (2011). Effects of learning, networking and innovation adoption on successful entrepreneurs in central Java, Indonesia. *International Journal of Business and Social Science* 2(5): 145-156.

Shi, H. X., Shepherd, D. M. and Schmidts, T. (2015). Social capital in entrepreneurial family businesses: the role of trust. *International Journal of Entrepreneurial Behaviour and Research* 21(6): 814-8841.

Shonubi, A. O. and Akintaro, A. A. (2016). The impact of effective communication on organizational performance. *The International Journal of Social Sciences and Humanities Invention* 3(3): 1904-1914.

Siau, K. and Shen, Z. (2003). Building consumer trust in mobile commerce. *Communications of the ACM* 46(4): 91-93.

Soraperra, I., Weisel, O., Zultan, R., Kochavi, S., Leib, M., Shalev, H. and Shalvi, S, (2017). The bad consequences of teamwork. *Economics Letters* 160(1): 12-15.

Stuart, T. E., and Sorenson, O. (2007). Strategic networks and entrepreneurial ventures. *Strategic Entrepreneurship Journal* 1(3-4): 211-227.

Sundaramurthy, C. (2008). Sustaining trust within family businesses. *Family Business Review* 21(1): 89-102.

Swan, J., Newell, S., Scarbrough, H. and Hislop, D. (1999). Knowledge management and innovation: networks and networking. *Journal of Knowledge Management* 3(4): 262-275.

Taleghani, M. (2011). Knowledge management and organizational entrepreneurship: organization of education in Guilan province. *International Journal of Information and Education Technology* 1(5): 389-391.

Titang, F. (2013). *The Impact of Internal Communication on Employee Performance in an Organization*. [Online URL: https:/ssrn.com/abstract=286567] accessed on November 15, 2019.

Tripopsakul, S. (2016). The study of entrepreneurial opportunities seeking in entrepreneurial process: the evidence from GEM data. *NIDA Business Journal* 19(1): 45-64.

Ulibarri, N. (2015). Collaboration in federal hydropower licensing: impacts on process, outputs, and outcomes. *Public Performance and Management Review* 38(4): 578-606.

Van den Hooff, B. and Ridder, J. A. (2004). Knowledge sharing in context: the influence of organizational commitment, communication climate and CMC use on knowledge sharing. *Journal of Knowledge Management* 8(6): 117-130.

Wang, L., Yan, J. H. Y. and Zhang, M. (2011). The impact of trust and contract on innovation performance: the moderating role of environmental uncertainty. *International Journal of Production Economics* 134(1): 114-122.

Wenjing, L.V. and Liu, J. (2017). *Entrepreneurial Capabilities in the Founding and Survival of New Ventures*. [Online URL: https://journals.aom.org/doi/abs/10.5465/ambpp.2017.16511abstract] accessed on October 14, 2019.

Wimba, I. G. A., Budhi, I. M. K. S., Yasa, I. G. W. M. and Saskara, I. A. N. (2015). Effect of social capital on entrepreneurial orientation and transaction cost to improve firm performance in wooden craft SMEs in Bali province-Indonesia. *International Journal of Economics and management* 3(10): 240-272.

Yamane, T. (1973). *Statistics: An Introductory Analysis*. 3rd ed. New York: Harper and Row Publication.

Yeşil, S., Koska, A. and Büyükbeşe, T. (2013). Knowledge sharing process, innovation capability and innovation performance: an empirical study. *Procedia-Social and Behavioral Sciences* 75: 217-225.

Zahra, S., Filatotchev, I. and Wright, M. (2009). How do threshold firms sustain corporate entrepreneurship? The role of boards and absorptive capacity. *Journal of business venturing* 24(3): 248-260.

Zhang, M. J. (2014). The Impacts of Trust and Feelings on Knowledge Sharing among Chinese Employees. *New England Journal of ENT* 17(1): 20-28.