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Innovation capability as a mediation in the relationship of social capital and entrepreneurial leadership behavior on the performance of culinary and hospitality sectors' SMEs in Pekanbaru, Indonesia

Abstract. The main objective of the research is to evaluate SME performance issues in the Culinary and Hospitality sectors in Pekanbaru via utilizing a number of company internal environmental parameters to develop the dynamic procedure for improving the efficacy. The purpose of this study is to investigate the relationship between social capital and entrepreneurship with respect to the mediating role of organizational innovation capabilities. The present study is applied in terms of purpose and descriptive-survey in terms of data collection. The statistical population of this study includes faculty members that the study population in this study is 2116 people. The method of cluster and random sampling is simple. The sample size according to Morgan table and Cochran's formula with an error of 0.05 is equal to 325 people. Structural equation modeling technique and PLS Smart software have been used to investigate the causal relationships between variables in a coherent manner. The findings showed that there was not direct link between social capital and culinary and hospitality SMEs' business performance in Pekanbaru. Problems related to strong social capital, such as over-information, problems due to recklessness, and myopia, along with investing a lot of time and money to maintain relationships, can affect the development of entrepreneurial orientation. Based on the research findings in this regard (social capital and entrepreneurial orientation), the structural dimension of social capital (relational and cognitive) has a negative relationship and other dimensions have a positive relationship with entrepreneurial orientation. In this regard (social capital and entrepreneurial orientation) organizational innovation capabilities play a mediating role.
Keywords: Innovation Capability; Social Capital; COVID-19 Pandemic; Entrepreneurial Leadership Behavior; Culinary; Hospitality

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Інноваційний потенціал як посередництво у взаємовідносинах соціального капіталу та поведінки підприємницького керівництва щодо ефективності кулінарного та готельного секторів малого та середнього бізнесу в Пеканбару, Індонезія

Анотація. Основною метою дослідження є оцінка проблем, пов'язаних із роботою малого та середнього бізнесу в секторах кулінарії та гостинності в Пеканбару, використовуючи ряд внутрішніх параметрів середовища компанії для розробки динамічної процедури підвищення ефективності. Завдання цього дослідження – дослідити взаємозв'язок між соціальним капіталом та підприємництвом щодо посередницької ролі для організаційних інноваційних можливостей. Статистична сукупність дослідження включає 2116 осіб. Методика моделювання структурних рівнянь і програмне забезпечення PLS Smart були використані для узгодженого дослідження причинно-наслідкових зв'язків між змінними. Результати показали, що не було прямого зв'язку між соціальним капіталом та результатами бізнесу МСП у сфері кулінарії та гостинності в Пеканбару. Проблеми, пов'язані із сильним соціальним капіталом, такі як надмірна інформація, проблеми через нерозсудливість та зухвалість, а також інвестування великої кількості часу та грошей на підтримку відносин, можуть вплинути на розвиток підприємницької орієнтації. Виходячи з результатів дослідження, структурний вимір соціального капіталу (реляційний та когнітивний) має негативний зв'язок, а інші змінні мають позитивний зв'язок із підприємницькою орієнтацією. У цьому плані організаційні інноваційні можливості відіграють посередницьку роль.
Ключові слова: інноваційна здатність; соціальний капітал; пандемія COVID-19; поведінка підприємницького лідера.

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Инновационный потенциал как посредничество во взаимоотношениях социального капитала и предпринимательского лидерства с показателями работы малых и средних предприятий кулинарного и гостиничного секторов в Пеканбару, Индонезия

Аннотация. Основная задача исследования - оценить проблемы производительности малого и среднего бизнеса в секторах кулинарии и гостиничного бизнеса в Пеканбару путем использования ряда параметров внутренней среды компании для разработки динамической процедуры повышения эффективности. Целью данного исследования является также изучение взаимосвязи между социальным капиталом и предпринимательством в отношении посреднической роли организационного инновационного потенциала. Настоящее исследование является прикладным с точки зрения цели и описательно-опросным с точки зрения сбора данных. Статистическая совокупность этого исследования включает в себя 2116 человек. Техника моделирования структурными уравнениями и программное обеспечение PLS Smart использовались для последовательного исследования причинно-следственных связей между переменными. Выводы показали, что в Пеканбару не было прямой связи между социальным капиталом и эффективностью бизнеса МСП в сфере кулинарии и гостиничного бизнеса. Проблемы, связанные с социальным капиталом, такие как избыточная информация, проблемы из-за безрассудства и недальновидности, наряду с затратами большого количества времени и денег на поддержание отношений, могут повлиять на развитие предпринимательской ориентации. Основываясь на результатах исследований в этом отношении (социальный капитал и предпринимательская ориентация), структурное измерение социального капитала (реляционное и когнитивное) имеет отрицательную связь, а другие переменные имеют положительную связь с предпринимательской ориентацией. В этом отношении организационные инновационные возможности играют опосредующую роль.
Ключевые слова: инновационный потенциал; социальный капитал; пандемия COVID-19; предпринимательское лидерское поведение.

1. Introduction

One of the functions of fostering SMEs in Indonesia is to support the progress of national tourism. In addition to infrastructure, food, energy, and maritime, tourism has been regarded as the national development priority sector. In Indonesia, tourism, as a contributor to GDP, foreign exchange, and employment, has contributed 9.8 million employments or 8.4% of total national employment, and ranks fourth out of the other easiest and cheapest industrial Sector (BPS-Statistic Indonesia). For this reason, tourism is the most appealing and promising Sector to be the core business. In addition, the domino effect of tourism is also tremendous and significant in the economy, especially when related to the culinary and hospitality industries (Tjahjadi et al., 2019).

At the end of 2019, tourism and other business sectors in the world and Indonesia were faced with drastic changes caused by the COVID-19 outbreak. The growth of the culinary and hospitality sectors both in Indonesia and in the Province of Riau, which in previous years was the highest contributor to the economy, has stagnated. The contribution data of GRDP of Riau Province for culinary and hospitality SMEs starting from the third quarter of 2019 to the second period of 2020 saw a 16% decrease and only 8% increase in the third quarter of 2020. In Pekanbaru City itself, the results of the SMESCO Survey on September 29 - October 13, 2020, showed that there were three business sectors most affected by the COVID-19 pandemic, namely culinary/food with 43.09%, service with 26.02%, and convection business with 13.01% (BPS-Statistic Indonesia). The most prominent causes of this decline are the temporary yet mandatory closure of business, stuttered operations, increased operating costs, and low purchasing power. For culinary and hospitality businesses, the primary cause is reduced tourist and business visits in Riau Province and Pekanbaru City due to restrictions put on interprovince travel to curb the transmission of COVID-19.

This study aims to identify the solutions to SMEs' performance problems from the culinary and hospitality sectors in Pekanbaru using a number of company internal environment factors, such as innovation capability, social capital, and entrepreneurial leadership. Therefore, the theoretical approaches used in this study were the Resource Advantage Theory (RAT) of Competition (Hunt and Morgan 1997) and Dynamic Capability (D.C.) by Teece et al. (2009).

While this study refers to studies that have been done before on SMEs that were carried out prior to the COVID-19 outbreak (Purwati et al., 2020), the fundamental difference is that this study focuses specifically on SMEs from the culinary and hospitality sectors. For that purpose, to address research gaps related to social capital and entrepreneurial leadership on SME performance, this study applied a research novelty where the innovation capability variable is assumed to act as a gap filler (mediating variable) between the influence of social capital and entrepreneurial leadership on the performance of SMEs from culinary and tourism sectors in Pekanbaru.

2. Brief Literature Review

Dynamic capability theory is defined as «the ability of companies to integrate, build, and reconfigure internal and external competencies to cope with rapidly changing environments» (Teece et al. 2009).

Organizational capabilities are the leading resource to achieve good organizational performance; whether or not the capability is implemented correctly depends on the available resources. When the resources owned by the company are subpar, the company will experience difficulties in managing these resources, and therefore, its capabilities will not be optimal. This is reinforced by the statements of several researchers who state that when companies can identify, develop and use and maintain resources that are different from their competitors, they will maintain their competitive advantage (Alfian et al., 2021).

Based on the dynamic capability concept, basic organizational knowledge needs to be integrated into organizational capability. The concept of capability includes organizational structure, processes, and knowledge needed to perform operations more efficiently (Sugiyanto & Marka, 2017). Organizational capabilities consist of various structured elements that recur when an organization executes various activities. In order for an activity to be regarded as part of capability, a capability must possess certain levels that have become routine. An activity can qualify as a capability if it has been able to play a recurring role in the organization. So, not all activities can be viewed as capabilities. Capability can be relied on, structured, patterned, and recurs regularly.

3. Method

In terms of SME performance, many researchers argue that social capital provides advantages for SME organizations. Trust and togetherness can build and improve SMEs' performance

and encourage innovation. Through this social capital, SMEs will thrive and maintain existence and performance in business competition because social capital helps entrepreneurs access new learning opportunities, knowledge, and materials.

Several previous studies found that social capital significantly affects innovation performance, and the effect varies between organizations in the manufacturing and services sector (Huang and Chen, 2017).

Studies on SME performance by Vosta and Jalilvand (2014) showed a similarity where cognitive, relational, and structural aspects of social capital positively affect SME performance both financially and non-financially. Contradicting results are obtained by (Li et al. 2014)thereby, improving firm performance. In particular, the authors are interested in addressing the following research questions. First, can the development of social capital (expressed in three dimensions: cognitive capital, structural capital, and relational capital, showing that the three aspects of social capital have no effect on SME performance.

Based on previous studies mentioned above, the research hypothesis is formulated as follows:

H1. *Social capital has a significant effect on the performance of SMEs in the Culinary and Hospitality Sector in Pekanbaru*.

Entrepreneurial leaders can operate in large organizational contexts as well as in budding organizations. Entrepreneurial leaders are an expert that understand how to solve problems and use knowledge to create social contexts that facilitate value creation and problem solving in an SME. Entrepreneurial leaders use a discovery-based approach to determine problematic boundaries and mandates a strategic commitment to new business development that results in value creation.

H2. *Entrepreneurial leadership has a main impact on the performance of SMEs in the Culinary and Hospitality Sector in Pekanbaru*.

H3. *The significant effect of Social Capital on SME performance in the Culinary and Hospitality Sector Is Mediated by Innovation Capability*.

H4. *The significant effect of Entrepreneurial Leadership on SME performance in the Culinary and Hospitality Sector Is Mediated by Innovation Capability.*

3.1. Conceptual Framework

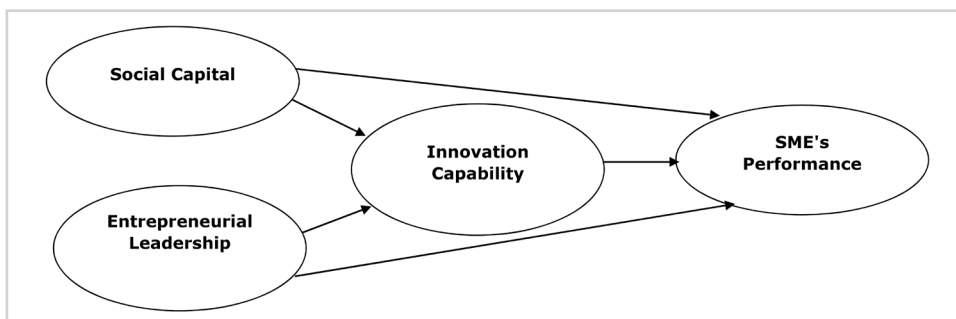According to the literature review, the present research uses the following conceptual frame and theory (Figure 1).

Figure 1:
Conceptual Framework
Source: Data processed by researchers (2020)

3.2. Research Method

3.2.1. Population

Population in a study refers to a group of individuals or objects that exhibit common characteristics. This study's population were Small Medium Enterprises (SME) in the Culinary and Hospitality Sector in Pekanbaru, Riau, totaling 599 SMEs, where 501 of those were culinary SMEs, and 98 were hospitality SMEs (Information Center for Indonesian Investment Data and Riau MSMEs, 2020).

3.3. Samples and Sampling Techniques

Hair et al. (2012)and, consequently, acceptance in their domain. Interestingly, relatively little attention has been paid to assessing the use of partial least squares structural equation modeling (PLS-SEM suggested that the proper sample size for SEM analysis tools is between 100-200

with the intention that it can be used in estimating interpretations by SEM. This study followed that and used 200 respondents as the samples. Of the 200 SMEs, the sampling was carried out proportionally with a probability sampling technique, namely Proportional Sampling, in which 200 SMEs were divided based on the culinary business sector and the hotel business sector, which were then calculated proportionally. Through calculation, 167 culinary SMEs (83.5%) and 33 hospitality SMEs (16.5%) were obtained.

Based on the number of samples that have been calculated proportionally, the sampling of this study was carried out using a simple random sampling approach. Considering that the unit of analysis in this research was SME, the respondents were the owner of the SMEs, and one owner would represent one SMEs.

3.4. Research Instrument

The instrument in this study was a questionnaire. The questionnaire was conducted in 2 ways: one administered personally to groups of individuals and one distributed through the mail. At the same time, the measurement in the questionnaire used a 5-point Likert scale (Albaladejo and Romijin, 2000; Filippetti and Archibugi, 2011; Albaladejo and Romijin, 2000; Rajapathirana and Hui, 2018).

4. Results and Discussion

4.1. Respondent Profile

The demographic data of SMEs in the culinary and hospitality Sector in Pekanbaru are presented in Table 1.

Table 1 shows that in this study the number of companies with revenues between Rp. 300,000,000 to Rp. 2,500,000,000 or in the small business category were 165 business units (82.5%) and the number of companies with revenues of Rp. 2,500,000,000 to Rp. 50,000,000,000 was as many as 35 business units (17.5%) and companies with this category were medium sector companies. When viewed from each business sector, the culinary business was dominated by small enterprises with 146 business units, while medium-sized enterprises in this Sector were only 21 business units. In contrast, the hospitality sector was dominated by medium enterprises with 19 business units while there were only 14 small business units. 109 enterprises from both sectors have ran for more than 10 years. In terms of ownership, the majority of SMEs were managed by male respondents with 102 enterprises (51%). The difference can be seen from each Sector where the majority (89) of culinary businesses were managed by women, while only 78 business units were managed by men. For the hospitality sector, 24 of the respondents were male and only 9 of the respondents were female. For both sectors, the dominant age of the respondents was between 35 to 50 years, totaling 88 respondents. For the education level, the majority of SME owners have D3/S1 education, totaling 112 respondents (56%), while 63 (31.5%) of business units were managed by owners with high school/vocational school education.

Table 1:
Demography of the Respondent

Category		SME's Sector (unit)		Total	Percentage (%)
		Culinary	**Hospitality**		
Annual Revenue (Rp)	300 Million – 2.5 Billion	146	14	165	82.5
	>2,5 Million – 50 Billion	21	19	35	17.5
	Total	167	33	200	100
Age of entreprise	Less than 5 years	45	7	52	26.0
	5 years - 10 years	30	9	39	19.5
	More than 10 years	92	17	109	54.5
	Total	167	33	200	100
Gender	Male	78	24	102	51.0
	Female	89	9	98	49.0
	Total	167	33	200	100
Age of owner	Less than 35 years old	76	9	85	42.5
	35 years old - 50 years old	72	16	88	44.0
	more than 50 years old	19	8	27	13.5
	Total	167	33	200	100
Education	Diploma/Degree	94	18	112	56.0
	Master/phD	15	8	23	11.5
	High School	57	16	63	31.5
	Middle School	1	1	2	1.0
	Total	167	33	200	100

Source: Data Processed (2020)

3.2. Confirmatory Factor Analysis (CFA)

Confirmatory Factor Analysis (CFA) was performed to test the validity and reliability of the latent constructs. The Loading Factor value of all statement items in this study was greater than 0.5, which meant that the research constructs were valid. Furthermore, for construct reliability, the required extracted variance value must be equal to or greater than 0.5. Meanwhile, the required construct reliability value must be equal to or greater than 0.70. From Table 2 it is known that all research variables have a variance extracted value that was greater than 0.5, and a construct reliability value that was greater than 0.7. Thus, it can be concluded that the construct reliability has met the requirements. The goodness of fit analysis were as follows:

Table 2:
Test Goodness of Fit Indices

No	Cut off Value	Result	Conclusion
1		414.398	
2	≥ 0.05	0.471	*Proper*
3	≥ 0.95	0.888	*Not*
4	≥ 0.95	0.841	*Not*
5	≥ 0.95	0.958	*Proper*
6	≥ 0.95	0.954	*Proper*
7	≥ 0.95	0.951	*Proper*
8	≥ 0.95	0.954	*Proper*
9	0.045 - 0.085	0.077	*Proper*

Source: Data Processed (2020)

Table 2 shows the results of GoF Indices test. Significant probability, TLI, CFI, NFI, IFI and RSMEA obtained model-fit results, while GFI and AGFI obtained marginal fit results, though in this case, marginal fit results were acceptable. The hypothesis outcomes in the current research are provided in Table 3 and Figure 2.

Table 3:
Hypothesis Test

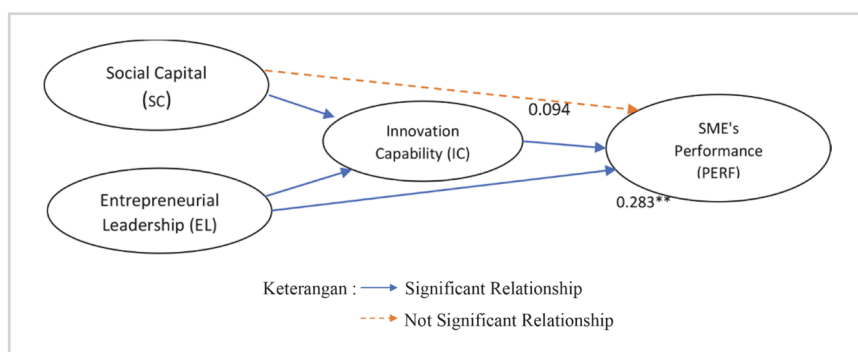|	Hypothesis	C.R.	P	Conclusion
H1	Social Capital > SME's	1.685	0.092	Rejected
H2	Entrepreneurial leadership > SME's	3.129	0.002	Accepted
H3	Social Capital > Innovation Capability > SME's	2.317	0.047	Accepted (Full)y Mediation)
H4	Entrepreneurial leadership > Innovation Capability > SME's performance	3.423	0.005	Accepted (Partial Mediation)

Source: Data Processed (2020)

Figure 2:
Hypothesis Test Model
Source: Compiled by the authors

4. Conclusion

In today's highly competitive service business environment, especially banks, innovative performance can provide a reliable foundation for sustainable competitive advantage, service differentiation, and effective response to changing customer needs. Meanwhile, the optimal use of customer knowledge and knowledge resources in the organization, can improve the ability to innovate and improve organizational performance. What is key here is to have quality and valuable knowledge that is compatible with the needs of the organization in this area. Among the various infrastructures and enablers for the realization of these valuable organizational capabilities, the present study examined the effect of social media and the mediating role that social capital can play

in this field. The results of data analysis confirmed the mediating role of the dimensions of social capital in the effect of integrated use of social media on improving the quality of organizational knowledge and innovative performance of the organization. The main findings can be concluded as follows:

1. It shows that social capital is not the only determinant of business success. However, this study found that the relationship of social capital and business performance may be mediated by innovation capabilities. The role of innovation capability in the relationship between social capital and business performance shows that social capital is an important capital for SMEs in the culinary and hospitality Sector in Pekanbaru where this capital plays a role as a determinant of a company's innovation ability.

2. The leadership of SME entrepreneurs in the culinary and hospitality Sector in Pekanbaru has an important role, directly and indirectly, through capabilities in improving the financial and non-financial performance of SMEs. Through proactive attitudes, risk taking, innovation and ethics, entrepreneurial leadership can be an important factor to drive innovations in SME organizations.

3. This study has addressed the problem of SME business performance in the culinary and hospitality Sector found in the SME business phenomenon in Pekanbaru where the impact of the COVID-19 pandemic is thoroughly felt in both SME sectors, especially with the free-falling number of tourists and business visits to the city of Pekanbaru. However, this study also found that the role of strong social capital and entrepreneurial leadership facilitate the creation of innovative operational or marketing strategies in order to survive amidst the pandemic. The various strategies that have been pursued by the culinary and hospitality Sector SMEs in Pekanbaru have made these two sectors able to survive in the midst of a pandemic, at least to anticipate non-financial performance so as not to decline.

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