

The Role of Social Capital in Innovation and Performance: Evidence From Women Owned SMEs in a Matrilineal Society

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Abstract

Women-owned small and medium-sized enterprises (SMEs) may have difficulties in establishing networks and business partnership. This is in particular because they may have limitations in building social interaction, which in turn enhances their entrepreneurial activities and business performance. However, this may differ in matrilineal such as Minangkabau, where women have privileges, including in business activities. They are inherited ancestral properties such as land and houses that can be seen as valuable assets in starting and developing businesses. Therefore, it is interesting to know whether women-owned SMEs in Minangkabau can benefit from social capital, more specifically, bridging social capital. This type of social capital signifies social interaction with weak ties or new people from new places. This paper aims to examine the relationships between social capital, innovation, and performance in the context of women-owned SMEs in Minangkabau. We employed a quantitative approach using smartPLS 4.0. Data were analyzed from 100 women-owned SMEs in Padang, the capital of West Sumatra. It was found that bridging social capital is significantly and positively related to innovation and performance. Additionally, innovation mediated the relationship between bridging social capital and women-owned SME performance. Accordingly, promoting bridging social capital and innovation to women-owned SMEs is an effective way to enhance business performance. This may confirm that women-owned SMEs need to expand their social interaction with new people and from new places. In this case, they can benefit from digital technology facilitating this and increase their degree of innovation.

Keywords: social capital; innovation; performance; women owned SMEs; matrilineal society

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Introduction

Women entrepreneurship in matrilineal societies can be influenced by the unique social, cultural, and economic dynamics that exist within such communities. Matrilineal societies are characterized by descent and inheritance being traced through the female line, and these societies can be found in various parts of the world, including as suggested by Blackwood (2000) Minangkabau which is as suggested by considered as the largest matrilineal system in the world.

Minangkabau society, indigenous to the West Sumatra region of Indonesia, is known for its unique matrilineal kinship system and cultural practices (Bahauddin, 2023). In Minangkabau society, women play significant roles in the family, economy, and community, which can have implications for women entrepreneurship. Social capital focuses on the networks and social connections that individuals and communities have, which can be valuable resources for achieving various goals, including economic and

entrepreneurial success (Lyu et al., 2022). The concept of social capital can be explored in the context of a matrilineal system. Minangkabau society, indigenous to the West Sumatra region of Indonesia, is known for its unique matrilineal kinship system and cultural practices. In Minangkabau society, women often play significant roles in the family, economy, and community, which can have implications for women entrepreneurship (Games et al., 2021). Minangkabau women have historically been involved in various economic activities, including trade, agriculture, and handicrafts. This tradition of economic involvement has paved the way for women to engage in entrepreneurship. Women entrepreneurs can benefit from social networks and support from their families and communities. These networks can offer advice, resources, and assistance in starting and growing businesses. Women entrepreneurs in Minangkabau society may identify market opportunities that align with local cultural practices or products. This cultural authenticity can be a competitive advantage in both local and global markets. In brief, Minangkabau society's unique cultural and economic dynamics, including its matrilineal kinship system and traditional roles, can both empower and pose challenges to women business owners.

The notion of social capital can be explored in the context of a matrilineal system, where descent and inheritance are traced through the female line. Matrilineal societies emphasize community and mutual support. Women within these communities may have access to broader social networks that can offer assistance, mentorship, and connections in the business world. These connections can facilitate entrepreneurship and access to markets. In matrilineal societies, women may have established roles in the local economy. These roles can lead to the development of social capital as women interact with others in their economic activities, building relationships and trust that can be leveraged in entrepreneurial ventures. Cultural norms in matrilineal societies

can promote trust and cooperation among women and within the community (Blackwood, 2008). This trust can be a valuable form of social capital, as it fosters collaboration and support for women entrepreneurs. Social capital can provide access to resources beyond financial assets, such as knowledge, skills, information, and market connections (Curado & Bontis, 2006). Women in matrilineal systems may benefit from these resources through their social networks. For these reasons, the present study uses bridging social capital that refers to open networks encompassing people across various social divisions (Putnam, 2000). Therefore, cultivating and nurturing social capital should be a strategic priority for small businesses especially women-led SMEs seeking to foster innovation. Social capital networks enable small businesses to form collaborations and partnerships with other firms, research institutions, or organizations. These collaborations can lead to joint innovation efforts, where businesses pool resources, share ideas, and develop new products or services together.

Literature Review

There is little research examined the links between social capital, innovation, and performance in the context of women-led SMEs in a matrilineal system such as Minangkabau. Poon et al.'s (2012) study of entrepreneurship in Vietnam pointed out the essential role of bridging capital in increasing high-growth small businesses especially women entrepreneurship. As suggested by Games et al. (2023), bridging social capital that indicates capabilities to establish networks with new people and new places, but this research did not specifically focus on women-led SMEs. Accordingly, the present can provide comprehensive understanding of the role of bridging social capital in enhancing women entrepreneurship in the context of Minangkabau matrilineal system. From the explanations above, we postulate some hypotheses as follows:

H1. Bridging social capital is positively and significantly related to women-led SME performance

H2. Women-led SME innovation is positively and significantly related to women-led SME performance

H3. Women-led SME innovation mediates the relationship between bridging social capital and women-led SME performance.

Methods

The present study employed a quantitative approach using smartPLS 4.0. Data were analyzed from 100 women-owned SMEs in Padang, the capital of West Sumatra. We conducted surveys

from October and December 2022. We approached 150 women SME owners, and a total of 100 usable responses were obtained. All respondents were sent an online questionnaire explaining the study's essence. The scales used to measure these constructs are well-established and have had good measurement properties in prior research. In terms of independent variables (social capital), we use bridging social capital) in which the items were adopted from Williams (2006). In terms of the dependent variable (innovation), we use items suggested by Bradley et al. (2012). All items can be seen in Table 1. All the items were measured on a 5-point Likert-type rating scale (1= strongly disagree; 5 = strongly agree).

Table 1. Measures used in this study

| Construct | Items |
|--|---|
| Bridging social capital | Interacting with other people makes me want to try new things |
| Source: Williams, 2006 | I am willing to spend time supporting community activities |
| | Interacting with other people makes me meet new friends |
| | I often interact with new people |
| Differentiation-related innovation | The way I make products/services is different from what competitors have done. |
| Source: Bradley et al., 2012 | The way I distribute my product/service to the market is different from my competitors. |
| | The way I distribute my product/service to the market is different from my competitors. |
| | My product or service meets a consumer need that has not been met before |
| | There are many products or services that I offer, but I can explain them better to attract consumers than my competitors. |
| | In running my business, I try to find ways to make my product or service less expensive or less expensive than competitors. |
| SME performance | During the last 1-3 years, the overall performance was better compared to competitors |
| Source: Noel and West, 2009; Shoham & Lev (2015) | During the last 1-3 years the business growth performs better than competitors |
| | During the last 1-3 years, different goals have been established with good performance. |

Source: authors (2024)

Results and Discussion

In terms of respondents' backgrounds, majority of women-led SMEs come from SMEs that were established less than five years. They come from various type of businesses such as food various universities. Additionally, the links between the variables included in the empirical analysis and the descriptive statistics are shown in Table 2. Table 3 shows the square root of AVE of

(48 percent), fashion (10 percent), handicraft (8 percent). The vast majority of respondents (75 percent) can be classified as millennials or Generation Z. They are well-educated, as the majority of them (65 percent) have graduated from all constructs greater than the correlation with other constructs, indicating the establishment of discriminant validity for this study

Table 2. Means, standard deviations and correlation among study variables

| Variables | Mean | Min | Max | Bsc | Inn | P |
|-------------------------|------|------|------|---------|---------|---------|
| Bridging social capital | 3.62 | 3.06 | 3.84 | 0.809** | | |
| SME innovation | 3.89 | 3.73 | 4.02 | 0.647 | 0.811** | |
| Performance | 3.72 | 3.71 | 3.73 | 0.737** | 0.661** | 0.883** |

Source: authors (2024)

Table 3. Measurement model results

| Variables | Cronbach α | CR | AVE |
|------------------------------------|-------------------|-------|-------|
| Bridging social capital | 0.940 | 0.946 | 0.646 |
| Differentiation-related innovation | 0.871 | 0.881 | 0.658 |
| Performance | 0.859 | 0.863 | 0.780 |

Source: authors (2024)]

Table 4. PLS path results

| | Original Sample (O) | T-statistics | P-Values |
|--|---------------------|--------------|----------|
| H1: Bridging social capital → SME performance | 0.581 | 5.793 | 0.000 |
| H2: SME innovation → SME performance | 0.240 | 2.157 | 0.031 |
| H3: Bridging social capital → SME innovation → SME performance | 0.155 | 2.005 | 0.045 |

Source: authors (2024)

The Structural model

To assess the quality of our structural model, we evaluated predictive validity using the

coefficient of determination (R^2) that shows that the model introduced explains 42 percent of the variance of differentiation-related innovation and 57 percent of the variance of SME performance.

Table 4 shows the path coefficients associated with each of the hypothesized direct effects in our model, along with the respective significance levels (P value).

Table 4 showed that bridging social capital was found to be positively and significantly ($\beta = 0.581$, P value < 0.05) related to SME performance, hence supporting H₁. Additionally, SME innovation was found to be positively and significantly ($\beta = 0.240$, P value < 0.05) related to SME performance, therefore supporting H₂. Lastly, SME innovation was found to be positively and significantly mediated the link between bridging social capital and SME performance ($\beta = 0.155$, P value < 0.05).

Discussion

The role of bridging social capital has been confirmed for both SME innovation and performance in this study. This means that bridging social capital can contribute positively to women-led SME innovation and performance. This is in line with previous studies (e.g. Games et al., 2023; Rhaiem & Amara, 2021; Bradley et al., 2012) that emphasized the importance of bridging social capital and innovation. This is encouraging as Minangkabau women can see their social interaction with new people and new place as a way to enhance innovation and business performance. In the past, Minangkabau men are seen as those who are capable of building bridging social capital since they experience *merantau* (voluntary migration) (Games et al., 2024). The present study confirms that Minangkabau women even if they have small enterprises in Minangkabau origin in West Sumatra, they need to establish bridging social capital.

Matrilineal system encourages entrepreneurship especially among Minangkabau men who tend to migrate (Games et al., 2021). The present study found that Minangkabau women who are seen as *limpapeh rumah gadang* (the guardian of big house) need to expand their business horizon by benefitting from new people and new places. In

other word, they need to gain trust not only from inner-groups, but also from out-group in order to establish business partnership. Women-led SMEs in this study are predominantly young women (aged less than 35). This may indicate the emergence of new type of women entrepreneurs in Minangkabau: those who embrace openness to changes to innovate based on collaboration or partnership through bridging social capital. A study by Games et al. (2024) has confirmed that high-growth entrepreneurs embrace open-mindedness. In addition to that, more specifically, Bulanova et al. (2016) suggested that high-growth women entrepreneurs need to include fun and excitement while they are running their businesses. They may see business activities, including social interaction, as fun activities and enjoy the process of implementing innovation.

Conclusions

The present study has found some findings that can enrich entrepreneurship and gender research, especially with regard to social capital and small business innovation. Regarding theoretical contributions, we emphasized the importance of bridging social capital in enhancing innovation and performance in women-led SMEs in Minangkabau. Minangkabau matrilineal system indeed has given opportunities for Minangkabau women to conduct entrepreneurial activities even though they may not opt to do so. The present study confirms that if women want to become successful entrepreneurs, they need to establish networks from out-groups (bridging social capital). In the past, perhaps it is sufficient to gain trust from strong ties such as families and friends. The present study confirms that it would have been better for Minangkabau women entrepreneurs to establish networks through bridging social capital. In terms of managerial implications, Minangkabau women can play their role as *limpapeh rumah gadang* and business owners by benefitting from resources including digital innovation. Additionally, combining bridging social capital and innovation

can lead to women-led SME performance. This means that bridging capital and innovation are inseparable.

The present study focused on the bridging social capital, innovation, and performance of Minangkabau women-led SMEs in West Sumatra, Indonesia. The present study analyzed the data from relatively small size (100 respondents) from ranah (West Sumatra) and most of them come from young generations. Future studies need to expand their research that include women-led SMEs from Minangkabau in rantau (outside West Sumatra). Future research can also compare or explore the social capital (bridging and bonding) of other ethnic groups or from gender and generational differences. Additionally, we found that women SME owners can benefit from online social capital as they use online platforms such as social media and websites as ways to enhance business partnerships. Therefore, future research can investigate the relationships between online social capital, innovation, and SME performance. Future research can also focus on particular groups of women entrepreneurs, such as nascent entrepreneurs, startups, and minority groups. From the findings of the present study, policymakers can assess women entrepreneurs on their specific characteristics, such as the commitment to bridging social capital in the broadest sense. Those who are showing their preferences to innovate through bridging social capital (new people from new places) are regarded as SMEs with high-growth aspirations. Policymakers in this case can facilitate business matching, partnership and investment that include foreigners.

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