The role of strategic entrepreneurship and social capital on sustainable supply chain management and organizational performance

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A B S T R A C T

This study aims to examine the effect of entrepreneurial strategy on organizational performance, the effect of social capital on organizational performance with sustainable supply chain management as a mediating variable. Sustainable supply chain management has an important influence on organizational measurement in various industries. It is used in considering environmental impacts and supplier responsibilities. The population in the current study were 390 logistics managers of companies in the manufacturing industry in Indonesia. The sample in this study was taken by purposive sampling, namely the sampling method based on certain criteria and considerations. In this study, hypothesis testing used the Partial Least Square (PLS) analysis technique with the SmartPLS 3.0 application. The data collection technique used is an online survey. The survey was carried out by distributing online questionnaires designed using the 1 to 7 Likert method to managers in the logistics section of the manufacturing industry. The stages of data analysis were to test convergent validity, discriminant validity test, goodness fit model test to meet the R-square value and test the hypothesis. The results show that entrepreneurial strategy and social capital had an influence on organizational performance and sustainable supply chain management. In addition, sustainable supply chain management mediates between organizational performance and entrepreneurial strategy, while social capital sustainable supply chain management does not mediate the organizational performance variables.

Keywords: Sustainable Supply Chain Management, Organizational Performance, Entrepreneurship Strategy, Social capital

1. Introduction

The manufacturing industry is one of the biggest contributors to the country's foreign exchange and provides many jobs. In the manufacturing industry, increasingly fierce competition has made the advantages of optimizing and integrating the company's supply chain a focus in pushing a company to excel in competition. Organizations need to use a strategic and entrepreneurial perspective to survive in an era of highly competitive business environments. The strategic perspective or the integration of strategy and entrepreneurship is called an entrepreneurial strategy which has a role as a search for opportunities and profits. Modern business competition has an impact on changing the focus of competition between companies independently towards business competition such as supply chains. According to Alamelu et al. (2022) this condition gave rise to an era of competition between business networks, where the role of manufacturing companies has changed from supplying domestic companies to international markets through local companies. Companies need to develop mutual trust and relationships in social capital with business partners, given the higher level of communication of their business operations. The role of social capital and entrepreneurial strategy in the supply chain context is very important to examine, it has the aim of achieving competitive advantage at the supply chain level (Matthews & Marzec, 2012).

Lin et al. (2006) argued that competitive advantage may have an impact on increasing company performance, customer satisfaction, customer loyalty, and the effectiveness of inter-company relationships in the supply chain, especially related to
Entrepreneurship focuses more on organizational behavior in which the organization identifies market opportunities for potential exploitation or for profit. However, strategic management emphasizes achieving a sustainable competitive advantage. The entrepreneurial strategy model has various aspects, the entrepreneurial strategy leverages the company's RBV and integrates perspectives from organizational learning, creative cognition, human capital and social capital. Applying creativity and developing innovation are considered as important aspects of entrepreneurial strategy, besides that according to Alamelu et al. (2022) refers to the application of creativity and the development of innovation. Innovation refers to the willingness to support creativity and experimentation in introducing new products/services, and the use of new technologies in developing new processes. Risk taking and proactivity are key elements of an entrepreneurial strategy assessment.

2.2 Sustainable Supply Chain Management

Sustainable supply chain management refers to three important aspects of sustainable development namely social, environmental, and economic. Organizational performance that is under pressure in its contribution to the welfare of society, seeks to reduce environmental impact to be profitable. Stakeholders play an important role in influencing supply chain partners involved in implementing continuous supply chain management which is very important in organizational measurement in various industries. Supply partners need to improve coordination processes between their key organizations. Chu et al. (2017), Jia et al. (2020) and Khan et al. (2021) mention environmental impacts and supplier responsibilities. Mutual consideration of economic, environmental and social responsibility aspects encourages transparency in the process and collaboration with others. This value chain to achieve collaborative advantage or shared advantage.

2.3 Organizational Performance

Organizational performance provides an assessment to achieve predetermined goals. This capability helps the organization identify its strong and weak areas. Financial and non-financial measures are important factors in assessing organizational performance. According to Alwadani et al. (2022) and Lin et al. (2006) in calculating organizational performance is more
precise using financial and non-financial measures. According to Ye et al. (2022), Wren et al. (2022) and Zhu et al. (2022) some of the dimensions of financial measures include accounting returns, growth and market returns. Non-financial measures refer to satisfaction from the product produced.

2.4 Social Capital

Social capital is the company's ability to gain benefits based on membership in social networks. Reciprocity is very important in developing social capital. According to Tipu et al. (2018) and Tseng et al. (2022), social capital of an organization represents a total set of resources that create value that the organization enjoys due to the relationship between the company and other companies. Social capital is divided into three categories, including: cognitive capital, structural capital and relational capital. According to Zhu et al. (2022), relational capital is a relational that underlines a relationship of trust and feedback based on previous interactions. Cognitive capital shows that the parties interacting with each other have the same meaning and the same interpretation. This encourages them to develop shared values and goals. Structural capital involves structural configuration and provides boundaries for the participants involved in the capital structure. This encourages management communication and technical exchange of participants.

3. Method

The population in the current study were 390 logistics managers of companies in the manufacturing industry in Indonesia. The sample in this study was taken by purposive sampling, namely the sampling method based on certain criteria and considerations. In this study, hypothesis testing used the Partial Least Square (PLS) analysis technique with the SmartPLS 3.0 application. The data collection technique used is an online survey. The survey was carried out by distributing online questionnaires designed using the 1 to 7 Likert method to managers in the logistics section of the manufacturing industry. The stages of data analysis are testing convergent validity, discriminant validity testing, goodness fit model testing to meet the R-square value and hypothesis testing.

Based on the theory described earlier, the hypotheses to be tested in this study are:

- **H1**: Entrepreneurial strategy has a positive effect on sustainable supply chain management.
- **H2**: Entrepreneurial strategy has a positive effect on organizational performance.
- **H3**: Social capital has a positive effect on sustainable supply chain management.
- **H4**: Social capital has a positive effect on organizational performance.
- **H5**: Sustainable supply chain management has a positive effect on organizational performance.

Fig. 1. Research Model

4. Result and Discussion

4.1 Convergent Validity

To test the convergent validity, the outer loading value or loading factor is used. An indicator is declared to meet convergent validity in the good category if the outer loading value is > 0.7. The outer loading value of each indicator in this research variable is presented in Fig. 2. Based on the results of the data in Fig. 2, it is known that there is no variable indicator whose
outer loading value is <0.7, so that all indicators are declared feasible or valid for use in research. and can be used for further analysis.

Fig. 2. Validity Testing

4.2 Discriminant Validity

Based on the results obtained, it can be stated that the indicators used in this study already have good discriminant validity in compiling their respective variables. Apart from observing the cross loading value, discriminant validity can also be known by looking at the Average Variance Extracted (AVE) value for each indicator and with the condition that the value must be > 0.5 for a good model. The AVE test is used to find out whether the average variance in the indicators for each variable is homogeneous or not. Based on Table 1 it can be seen that the AVE value on all variables is > 0.5. Thus, it can be stated that each variable has good discriminant validity so that all variables can be declared valid.

Table 1

<table>
<thead>
<tr>
<th>Reliability Testing</th>
<th>Cronbach's Alpha</th>
<th>rho_A</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial strategy</td>
<td>0.834</td>
<td>0.814</td>
<td>0.723</td>
<td>0.612</td>
</tr>
<tr>
<td>Social capital</td>
<td>0.812</td>
<td>0.845</td>
<td>0.813</td>
<td>0.612</td>
</tr>
<tr>
<td>Sustainable supply chain management</td>
<td>0.824</td>
<td>0.812</td>
<td>0.715</td>
<td>0.612</td>
</tr>
<tr>
<td>Organizational performance</td>
<td>0.845</td>
<td>0.816</td>
<td>0.812</td>
<td>0.645</td>
</tr>
</tbody>
</table>

4.3 Composite Reliability

Composite Reliability is used to test the value of the reliability of indicators on a variable. A variable can be said to meet composite reliability if it has a value of > 0.7 and is said to have a fairly high reliability value if the value is > 0.8. The composite reliability value of each variable used in this study is presented in Table 1. Based on the data in Table 5 can be seen that the composite reliability value of all research variables is > 0.7. These results indicate that each variable has met composite reliability so that all variables have a high level of reliability. The reliability test with the composite reliability above can be strengthened by using the Cronbach alpha value. A variable can be declared reliable or meets the Cronbach alpha if it has a Cronbach alpha value > 0.7. Based on the data in Fig. 2, it can be seen that the Cronbach alpha value for all research variables is > 0.7. Thus, these results indicate that each research variable has met the requirements for the Cronbach alpha value, so that all variables have a high level of reliability.

4.4 Inner Model (Structural Model)

Inner model testing aims to specify the relationship between latent variables.

R-Square

In testing this structural model, a goodness fit model test is needed to meet the R-square value. The R-square value is used to measure whether the independent latent variable has a substantive effect on the dependent latent variable. The output R-square value of this study is presented in Table 2 below.
Based on the R-square output above, it can be seen that the R square of Sustainable supply chain management is 0.459 which means that 45.9% of sustainable supply chain management variables can be explained by independent variables of Entrepreneurial strategy and Social capital, while 54.1% is explained by other factors outside the research variables. The R square of Organizational performance is 0.638 which means that 63.8% of Organizational performance variables can be explained by independent variables of Sustainable supply chain management, Entrepreneurial strategy and Social capital, while 36.2% is explained by other factors outside the research variables.

5. Hypothesis Testing

Testing the hypothesis by comparing the t-count value and t-table value is 1.70 at a significance level of 5%. If t-count > t-table and the significance value is below 5% then the proposed hypothesis can be accepted. Statistical significance and t-count values can be seen through the output path coefficient in Table 2, while the t-count results for the parameters of each latent variable can be seen in Fig. 3.

### Table 3

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial strategy → Sustainable supply chain management</td>
<td>5.489</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Entrepreneurial strategy → Organizational performance</td>
<td>2.922</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Social capital → Sustainable supply chain management</td>
<td>7.814</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Social capital → Organizational performance</td>
<td>3.164</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Sustainable supply chain management → Organizational performance</td>
<td>3.988</td>
<td>0.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

5.1 First hypothesis: The effect of entrepreneurship strategy on sustainable supply chain management

Based on the results of testing the first hypothesis, it shows that manufacturing companies that implement entrepreneurial strategies have an effect on sustainable supply chain management. The entrepreneurial strategy variable has a high average index value which means that the entrepreneurial strategy has a good index. The strategy indicator used by the company in facing competition is the highest index value. By implementing entrepreneurial strategies such as strategies for dealing with competition and making definite decisions, it can be shown that entrepreneurial strategies for sustainable supply chain management obtain a significance value of 0.000 < 0.05 and a t-count > t-table value of 5.489 > 1.96 then H1 is accepted. These results improve organizational performance. The sustainable supply chain management variable has a high average index value which means that the sustainable supply chain management variable has a good index. The indicator for decreasing the frequency of environmental accidents is the highest index. By always maintaining a decrease in the frequency of accidents in the environment can improve sustainable supply chain management. This result is in line with the RBV theory put forward by Tseng et al. (2022), Wang et al. (2017) and Ye et al. (2022) that companies that are able to make good use of
their resources can create something that is an advantage for the company compared to other companies. By maintaining the frequency of work accidents and implementing the right strategy in the production process will improve the performance of sustainable supply chain management. In addition, this research is in line with the research of Theodoraki et al. (2018) which states that entrepreneurial strategies have an effect on sustainable supply chain management.

5.2 Second hypothesis: The effect of entrepreneurship strategy on organizational performance

Based on the results of testing the second hypothesis, it shows that the entrepreneurial strategy variable obtains a significance value of 0.000<0.05 and a t-count > t-table value of 2.922 > 1.96 so that H2 is accepted. These results indicate that manufacturing companies that apply entrepreneurial strategies have an effect on organizational performance. The entrepreneurial strategy variable has a high average index value which means that the entrepreneurial strategy has a good index. The strategy indicator used by the company in facing competition is the highest index value. By implementing entrepreneurial strategies such as strategies in dealing with competition and decision making that can definitely improve organizational performance. Organizational performance variables have an average value high average index which means the organizational performance variable has a good index. The company's response indicator to customer demand is the highest index. This study is in line with the RBV theory put forward by Oguntegbe et al. (2021), Theodoraki et al. (2018) that by always maintaining a good response to customer requests and implementing strategies in dealing with appropriate competition will improve organizational performance and improve the ability of the company to succeed in competing is the main or basis of the ability of the company's organizational performance. In addition, this research is in line with the research of Mondal et al. (2022), Mukhsin et al. (2022) and Nu'man et al. (2020) which states that entrepreneurial strategies affect organizational performance.

5.3 The third hypothesis: The effect of social capital on sustainable supply chain management

Based on the third hypothesis testing, it shows that the social capital variable on sustainable supply chain management variables obtains a significance value of 0.035 <0.05 and t-count > t-table value of 7.814> 1.96, so H3 is accepted. These results explain that social capital influences sustainable supply chain management. The social capital variable has a high index value which means that the social capital variable has a good index. On high deep communication indicators, the company regarding important issues with the main supplier has the highest index, this indicates that the company has good communication with the main supplier. Thus, it can improve the company's good relationship with the main supplier. The sustainable supply chain management variable has a high average index value which means that sustainable supply chain management has a good index. The indicator for reducing the frequency of environmental accidents has the highest index, indicating that reducing the frequency of environmental accidents will improve sustainable supply chain management. So that the environmental performance that the company has implemented has been going well with a marked decrease in the frequency of work accidents or environmental accidents. This research is in line with the stakeholder theory put forward by Nu'man et al. (2020) and Oguntegbe et al. (2021) that good communication between stakeholders and companies will improve environmental performance with supply chain partners which in turn will improve sustainable supply chain management. In addition, this research is in line with the research of Mukhsin et al. (2022) and Theodoraki et al. (2018) which states that social capital influences sustainable supply chain management.

5.4 Fourth hypothesis: The effect of social capital on organizational performance

Based on the fourth hypothesis testing, it shows that the social capital variable on organizational performance obtains a significance value of 0.000 <0.05 and t-count > t-table value of 3.164> 1.96, so H4 is accepted. These results indicate that social capital influences organizational performance. The social capital variable has a high average index value which means that social capital has a good index. The indicator of high communication within the company regarding important issues with the main supplier has the highest index, this shows that the company has good communication with the main supplier. Thus, it can improve the company's good relationship with the main supplier. Organizational performance variables have a high average index value, which means that organizational performance variables have a good index. The company's response indicator to customer demand is the highest index. This is in line with Jia et al. (2020), Joshi and Sharma (2022), Khan et al. (2021) and Lin et al. (2006) and confirm the stakeholder theory that by always maintaining good communication and response to customer requests will improve organizational performance. Good communication between stakeholders and the company will increase power over the availability of resources used for the company's operational activities. In addition, this research is in line with Khan et al. (2021) and Lin et al. (2006) and confirms the positive effect of social capital on SCM performance.

5.5 Fifth hypothesis: The effect of sustainable supply chain management on organizational performance

Based on the results of testing the fifth hypothesis, it shows that the sustainable supply chain management variable on organizational performance obtains a significance result of 0.000<0.05 and t-count > t-table 3.988> 1.96, so H5 is accepted. These results explain that sustainable supply chain management affects organizational performance. The sustainable supply chain management variable has a high average index value which means that the sustainable supply chain management variable has a good index. The indicator for reducing the frequency of environmental accidents is the highest index value,
reducing the frequency of environmental accidents will make it easier for companies to improve sustainable supply chain management. Organizational performance variables have a high average index value which means that organizational performance variables have a good index. The company's response indicator to customer demand is the highest index. This research is in line with the stakeholder theory and RBV theory put forward by Alamelu et al. (2022), Alwadani et al. (2022), Joshi and Sharma (2022), Khan et al. (2021) and Lin et al. (2006). The results of this test can explain that social capital implemented by companies does not support sustainable supply chain management because for now developing any firm, entrepreneurial skills are more important than manager skills. Good relationships or communication will describe which parties the company is responsible for, with good and intense communication will be able to improve organizational performance. The results are in line with the stakeholder theory put forward by Huang and Kung (2010) and state that close communication and relationships between stakeholders and companies can improve organizational performance, where stakeholders provide the resources needed by the company. But in practice, sustainable supply chain management does not mediate between social capital and organizational performance. Social capital implemented by companies does not support sustainable supply chain management because for now developing entrepreneurial skills are more important than manager skills. Thus, social capital does not directly affect organizational performance through sustainable supply chain management. This research is not consistent with the research of Chu et al. (2017), Fu et al. (2022), Hong et al. (2022), Khan et al. (2021) and Lin et al. (2006).

6. Conclusion

Based on the results of the research that has been described, it can be concluded that entrepreneurial strategy has a positive influence on sustainable supply chain management, entrepreneurial strategy has a positive influence on organizational performance, social capital has a positive influence on sustainable supply chain management, social capital has a positive influence on organizational performance, sustainable supply chain management has a positive influence on organizational performance, entrepreneurial strategy has an indirect influence on organizational performance through sustainable supply chain management but sustainable supply chain management does not mediate any relationship between social capital and organizational performance. This research has several limitations, namely the number of respondents consisting of only 45 companies is certainly still lacking to conduct research. In addition, this research was only conducted in Central Java. On the basis of the limitations described above, the suggestions that can be used for further research are that future research is expected to be able to conduct research to all manufacturing companies in Indonesia.

References


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