# COMPARISON OF SOCIAL CAPITAL FOR PERFORMANCE BETWEEN STATE AND PRIVATE ORGANIZATIONS

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## ABSTRACT

The objective of this research is to compare the effect of information sharing and absorptive capacity between social capital and organizational performance which might play a different effect in each state and private organizations. Questionnaires were distributed to 278 respondents in both organizations. The Structural Equation Model (SEM), Regression, and descriptive statistics were used to analysis all effects. The results show that social capital positively affects organizational performance. Moreover, information sharing is a full mediation of the relationship between social capital and organizational performance in state organizations, while in private organization is a partial mediation. Furthermore, absorptive capacity moderates relationship between information sharing and organizational performance. The future research can continue investigate a specific organization which may provide different results to compare or suggest vary organization.

**Keywords:** 1) Social Capital 2) Performance 3) Information Sharing

## 1. Introduction

World economic might suffer a recession in a couple of years, due to major countries also experience facing an economic recession ( Global Economic Perspective, 2018) . Academics and practitioners widely used social capital perspective in different economics and scientific backgrounds to encourage organizations' performance, and use social capital in a properly way can create benefit to businesses ( Macerisnskiene and Aleknaviciute, 2011) . It can be seen that conceptualization and important of social capital is widely perceived by various organizations such as Organization for Economic Co-operation and Development (OECD) note that economic growth will be sustainable,if it is major created by human capital and social capital (Chou and Chow, 2009).In addition, it could said that social capital need to used tools to collaborate each dimensions for encourage or develop performance which is the essential role of information sharing ( Biggemann, 2012) . Furthermore, vary academics and practitioners found that a proficient information sharing has influence to performance in various industries (Susanty, Sirait, andBakhtiar, 2018;Li, Ye, andSheu, 2014;Zelbst, Green, Sower, and Abshire, 2014;Meacham, Toms, Green, and Bhadauria, 2013) . Various organizations broadcast important information, goals, practices, and strategies throughput applying information sharing which it encourages performance (Susanty et al., 2018; Zelbst et al., 2014; Meacham et al., 2013). Fundamental function of state organization is to provide services for people as well as that private organization produce products to its customers. Thus, social determinants appear to be the important role in state and private organizations for internal and external communication which both organizations get benefit from information sharing ( Macerisnskiene and Aleknaviciute, 2011).

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Thus, social capital is a significant perspective to encourage performance as well as that information sharing play a significant mediator on the relation of social capital and performance. Nevertheless, comparison studies to investigate state and private organizations are still need to full field (Navastara, Pradinie, and Martha, 2016). Thus, failure to consider and neglects potential significant explanatory value of unmeasured the combination of social capital, information sharing, and performance. Consequently, the main objective of this research is to compare the effect of those combinations for answer the question, how social capital has influence performance throughput information sharing?

## 2. Literature Review

### Social capital theory

This research, the social capital theory is applied to explain the effects of social capital and information sharing on firms' performance. The social capital theory proposed that the decisions and managements in firms of the best practices and solutions affect to firms' performance (Loury, 1998). Therefore, the social capital theory can explain dependent variables in the conceptual model with respect to structure, cognition, and relationship on information sharing of the firm's performance (Liu, Cheung, and Lee, 2016).

Social capital is first noted by Hanifan (1961) who point out that significance of communities to sustain development as well as Loury (1998) defined as series social resources implanted in relationship. In addition, scholars found values are involved in social relationship, beside social capital is found that an aspect of social structure facilitated values of individuals inside social structure (Coleman and Coleman, 1994). A widely definition of social capital is combination of actual and potential resources not only implanted inside, but also come from network relationship occupy by social unit or individuals (Liu, et al., 2016; Macerisnskiene and Aleknaviciute, 2011; Alguezaui and Filieri, 2010).

Scholars are widely divided social capital into three dimensions, the first dimension is *the relational dimension* which reflects the natural connections among individuals within organizations or their network as well as the important aspects of cognitive dimension are trust, objective, norms, vision, obligations, commitment, value, and identification (Chung, Nam and Koo, 2016). The second dimension is *structural dimension* which reflects all type of relationship within organizations as well as it describes invisible elements of the connection between individuals or entities to the extent that the person in the organization is connected (Chang and Chuang, 2011). The third dimension is the *cognitive dimension* which reflects the boundary to which individuals in organizations and their network share a common perspective, understanding, interpretations, and system of meaning (Chang and Chuang, 2011; Krause, Handfield and Tyler, 2007).

### Information sharing

Information sharing reflects a common activity among individual to share any *content* and *quality* of information such as value, objective, and contents that may encourage and facilitate others' works in the organization (Li et al., 2014). For interaction among individuals use social capital to entrance or get embedded resources inside social network (Liu et al., 2016) and scholars found information sharing in organization play a mediating role between social capital and performance. Information sharing reflects to which key information can be communicated to individuals or their network within organizations (Susanty, et al., 2018). Value creation of information sharing within the mediating and effecting role, encourages performance in the way of effectiveness and efficiency, improve productivity, facilitating responsibility, and also increase trust and loyalty (Susanty, et al., 2018; Zelbst, et al., 2014; Jraisat, Gotsi and Bourlakis, 2013; Biggenann, 2012).

**Absorptive capacity**

Liu, et al. ( 2016) stated that absorptive capacity is broadly defined as a set of processes by which organizations acquire, adsorb, transform, and take advantage from knowledge and information to encourage performance (Javalgi, Hall and Cavusgil, 2014). Research demonstrated that information alone is not enough, and absorptive capacity involves in the acquisition part and assimilation of knowledge and information, and absorptive capacity represent fundamental learning activities for knowledge detection and get information (Lenart, 2014).

**Organizational performance**

Many factors may affect the real contribution that performance measurement can procreate for organizations (Calladoand Jack, 2017).The main concern of the performance measurement should reflect accurately the desired purposes ( Hofman, 2004). The basis objective of organizations are creating net value, building a competitive infrastructure, and measuring performance, also concluded competitive advantages by the seeking of efficiency and effectiveness ( Zelbst, et al, 2014). Moreover, performance measurement indicators can measure from responsiveness and productivity represent the internal process perspective, also employee loyalty represent the learning and growth perspective (Gunasekaran, Patel and McGaughey, 2004; Rafale, 2004; Beamon, 1988).

Therefore, the hypotheses of this research could be:

H 1 : Social capital positively affect organizational performance.

H 2 : Information sharing positivelymediates relationship between social capital and organizational performance.

H 3 :Absorptive capacity positively moderates relationship between information sharing and organizational performance

H 4 :The relationship between social capital, information sharing, and organizational performance are result differently between state and private organizations.
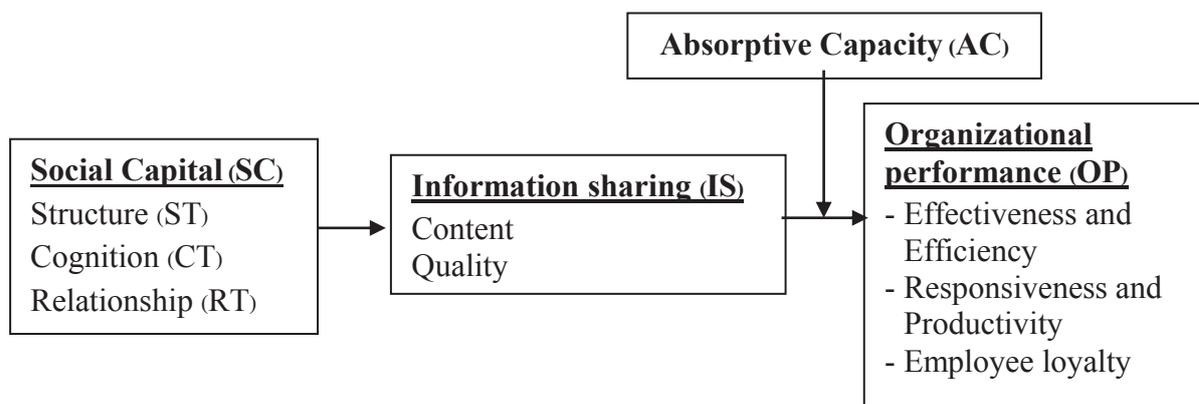


**Figure 1:** Conceptual Model

## 3. Research Methodology

**Population and Sample**

The population and sample of this research are employees of government sectors and private sectorsin the province of central part of the Northeast region of Thailand. Cochran's formula is considered to apply in this study, especially appropriate in situations with large populations of both sectors (Vanichbuncha, 2006)

$$n = \frac{P(1-P)Z^2}{d^2}$$

Where: n is a sample size

P is the (estimated) proportion of the population which has the attribute in question. (To assume that half of the population this gives us maximum variability, so P = 0.50)

Z is the abscissa of normal curve that cuts off an area $\alpha$ at the tails; (1- $\alpha$) equals the desired confidence level (A 90 % confidence level gives us Z values of 1.65, per the normal tables)

d is the desired level of precision (90 % confidence, and at least 10 percent—plus or minus—precision)

So we get

$$n = \frac{(0.50)(1 - 0.50)(1.65)^2}{0.10^2} = 68.06$$

**Data Collection**

From above result, this research used the sample size at least 70 people and the sampling was selected using cluster sampling consisted with the primary sampling unit were provinces in central part of the Northeast region of Thailand (Roi Et, KhonKaen, MahaSarakham, and Kalasin provinces). The second sampling unit were state and private organizations in each province. In addition, 280 questionnaires were distributed via electronic mail, meeting and through field visits to private and state organization. There were 278 questionnaires were usable only 2 uncompleted, the response rate was 99.29%. The key informants were an administrative officer of government sectors and administrative officers or owners of private sectors and collecting questionnaires between August and September, 2018.

**Measurementand Questionnaire**

To reach the objectives, this study provided questionnaire into three parts which the first part is included general information about respondents, the second part is included social capital, information sharing, and absorptive capacity, and the third part is included sector's performance. In addition, A total of 27 items, which on a five-point Likertscale (1 = strongly disagree; 5 = strongly agree) are used to measure four latent factors: (1) Social capital comprised of nine items (2) Information sharing comprised of six items, (3) Absorptive capacity comprised of three items, and (4) Organizational performance comprised of nine items.

**Reliability and Validity**

Before questionnaires were disseminated, these questionnaires were send to two assistant professors and one specialist to provided Index of item objective congruence (IOC)for content validity. The IOC results was between 0.67-1.0, that meant all of them were congruent with the objectives,in keeping with Hemphill and Westie (1950) values of the index .50 or more would be at a minimum of the perfect.Face validity was used for subjectively viewed as questionnaires coveredallobjective to measure which pilot on 30 surveys. Moreover, questionnaires used multiple items scales and provided coefficient alpha was between 0.95 - 0.97,therefore, the results are greater than 0.70 as recommend by Nunnally and Bernstein (1994).

## 4. Results

### 4.1 Descriptive statistics, Correlations, and VIF

All constructs are positively correlated at the .01 significant level, also the correlation coefficients ranged from .511 to .784 (Table 1). In addition, VIF of all constructs are between

1.0 and 2.90 which neither equal nor greater than 10. Thus, the relationships between constructs are not problematic with multicollinearity (Burns and Burns, 2008; Hair, et al., 2010).

**Table 1:** Descriptive statistics, Correlations, and VIF

| Construct | Mean | SD | VIF | Correlation Matrix (n = 278) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | (ST) | (CT) | (RT) | (IS) | (AC) | (OP) |
| Structure (ST) | 3.93 | .91 | 2.45 | 1 | | | | | |
| Cognition (CT) | 3.67 | .86 | 2.90 | .746** | 1 | | | | |
| Relationship (RT) | 3.73 | .89 | 2.39 | .680** | .738** | 1 | | | |
| Information sharing (IS) | 3.72 | .83 | 1.0 | .552** | .673** | .784** | 1 | | |
| Absorptive capacity (AC) | 3.82 | .83 | 1.0 | .556** | .585** | .705** | .772** | 1 | |
| Organizational performance (OP) | 3.90 | .79 | - | .511** | .592** | .633** | .685** | .754** | 1 |

**Note:** Two-tailed; SD: standard deviation, **p < .01

### 4.2 Hypothesis analysis

The global fit indices shows a good results which indicated the proposed model provide an acceptable fit to data (GFI = 0.95; AGFI = 0.90; NFI = 0.98; NNFI = 0.98; CFI = 0.99; RMR = 0.02) (Hair, Black, Babin, Anderson and Tatham, 2006).

#### 4.2.1 State organization

The results of state organization show (Figure 2) that social capital positively affects organizational performance ($\beta$= 0.58, p < .01), thus, *H1* is supported. Moreover, information sharing is positively mediated relationship between social capital and organizational performance ($\beta$= 0.47, p < .01), thus, *H2* is supported. Furthermore, the results from regression analysis shows a positively significant moderating effect of absorptive capacity ($\beta$= 0.78, p <.01), thus, *H3* is supported. However, the relationship between social capital, information sharing, and organizational performance is not differently between state and private organizations, thus, *H4* is not supported (Table 2).
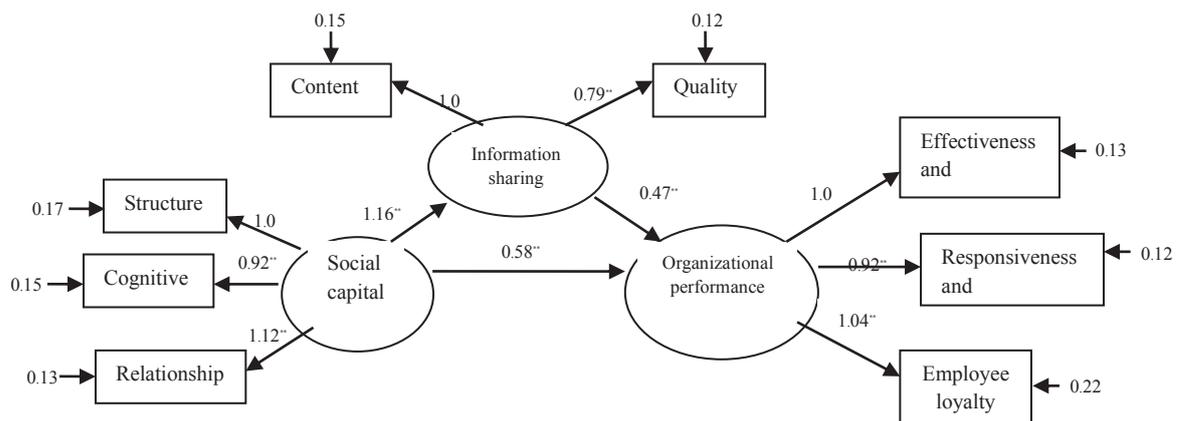


**p < .01

**Figure 2**: State organization

#### 4.2.2 Private organization

The results of private organization show (Figure 3) that social capital positively affects organizational performance ($\beta$= 0.48, p < .01), thus, *H1* is supported. Moreover, information sharing is positively mediated relationship between social capital and organizational performance ($\beta$= 0.25, p < .01), thus, *H2* is supported. Furthermore, the results from regression analysis shows a positively significant moderating effect of absorptive capacity ($\beta$= 0.117, p <.01), thus, *H3* is supported. However, the relationship between social capital, information sharing, and organizational performance is not differently between state and private organizations, thus, *H4* is not supported (Table 2).
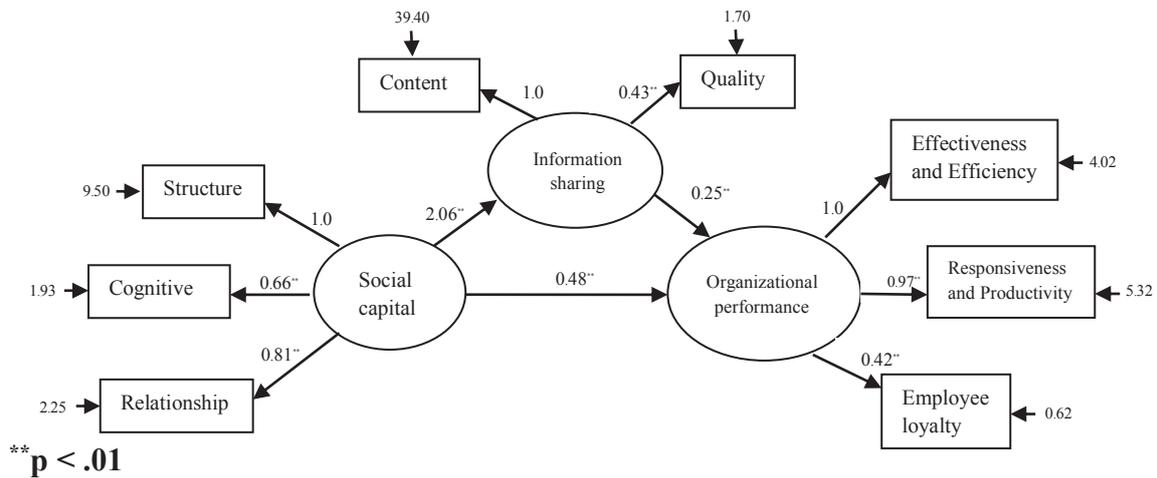


**p < .01**

**Figure 3**: Private organization

### 4.2.3 Summary of results

All hypotheses analysis results of the state and private organization are shown in Table 2.

**Table 2:** Summary of findings

| Hypotheses | State Organization | Private Organization |
|------------|--------------------|--------------------|
| Hypothesis 1 | Supported | Supported |
| Hypothesis 2 | Supported | Supported |
| Hypothesis 3 | Supported | Supported |
| Hypothesis 4 | Not supported | Not support |

## 5. Conclusions

This research examines comparisons to the effects of information sharing and absorptive capacity between social capital and organizational performance, and how relationship in each variable has influence to others in the context of state organization compare to private organizations. As results from this research (Table 2) found that social capital has a positive direct and indirect effect to organizational performance. Moreover, both the state and private organizations are not different in the association of social capital, information sharing, and absorptive capacity which information sharing is the mediator to mediate the relationship between social capital and organizational performance. Furthermore, absorptive capacity moderates the relationship between information sharing and organizational performance.

### 5.1 Theoretical implication

The finding of this research provides a contribution of social capital literature in three major ways. Firstly, this research provides a new platform of adapting social capital by wider information a necessary actor such as information sharing and absorptive capacity.Secondly, absorptive capacity consist with acquire, adsorb and transform knowledge this are necessary for sharing information to be success.

### 5.2 Managerial implication

As previously highlighted, this research verifies the platform which represents the new platform of using sharing information and absorptive capacity to encourage social capital to share their cognitive, structures, and relationship in the successful way. The state and private organizations should provide information sharing with a sufficient content and high quality to their staffs for getting the better performance. Furthermore, the state and private organizations still need to provide a good environmental climate or activities for their employees to feel comfortable to acquire, adsorb, and transform their knowledge, also provided any material if staffs needed.

### 5.3 Limitation and future research

The research limitation that note and future research can investigate to fulfilled this literature. All most two third of despondences were female which may provide bias results. The future research can continue investigate a specific organization such as travel organizations or education institutions which may provide more knowledge.

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