A Study on the Relationship between Social Capital and Enterprise Performance in the Cultural and Performing Arts Industry: The Mediating Role of Business Model

Guan-yitong ZHOU

Macau University of Science and Technology, Macau, China
Guangdong Polytechnic of Science and Technology, Guangdong, China

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Abstract. Based on the data collected through the investigation of fifty-eight enterprises engaging in cultural and performing arts, this paper attempts to employ the multiple regression analysis model to uncover the relationship among social capital, business model and enterprise performance. A conceptual model about the relationship among social capital, business model and enterprise performance is built in this study according to the social capital theory and the basic theory of resources. From the organizational perspective, this paper will discuss how to promote enterprise performance to make the economic transformation and industrial upgrading of the cultural and performing arts industry in Guangdong, Hong Kong and Macao possible.

Introduction

The effect of social capital on enterprise performance has drawn many scholars’ attention. However, seldom is research made on the relationship among social capital, business model and enterprise performance. Moreover, since the three dimensions of social capital and enterprise performance are not completely relevant, studies are rarely made in many different fields of industries, especially in the cultural and performing arts industry. This paper makes attempts to study the mechanism of how social capital affects enterprise performance in cultural and performing arts industry. It is also concerned with the direct effect of social capital on enterprise performance and the mediating role that business model acts between social capital on enterprise performance. Through this study, the author hopes that a theoretical reference for better management of social capital in the cultural and performing arts industry and promotion of enterprise performance in the operation of different business models can be provided to different organizations.

Literature Review and Research Hypothesis

Enterprise Performance

Enterprise performance is usually deemed as an important way of evaluating an organization’s business activities and measuring to what extent the organizational goal has been achieved (Szilagyi, 1981)[12]. There are many criteria to evaluate an organization’s performance. According to previous studies, those criteria can be divided into two categories (Murphy, Trailer & Hill, 1996)[8]. The first category is the financial criteria, most of which are numerical and thus measurable. Conversely, the other is non-financial ones, which emphasize some immeasurable aspects such as entrepreneurs’ satisfaction. Entrepreneurs seek to find and make advantage of opportunities to make profit. Beside economic factors, some noneconomic factors such as the growth of personal ability and the realization of vision should be taken into consideration. From the social perspective, entrepreneurial activities are conducive to creating new markets, new products, new technology, new systems and new jobs and improving productivity. Thus, when appraising enterprise performance, we should also take into account the economic and social achievements of both individuals and organizations. This study regards enterprise performance as a significant
criterion to evaluate an organization’s business activities and to measure to what extent its goal has been achieved and uses the conclusion of Venkatraman and Ramanujam (1986)[14]. Specifically, both financial performance and non-financial performance will be analyzed to appraise an organization’s performance.

Social Capital

The concept of social capital was first brought forward by Jacobs, an American scholar, in 1960s. Although different scholars have defined social capital from different perspectives, all the definitions share a common characteristic. That is, social capital is the sum of actual and potential resources which are available in the social relation network and those resources that can be acquired or derived from the network. There are three ways to divide social capital into different dimensions. The first method is based on the individual level inside an organization. Secondly, social capital can be divided according to the relation of an organization to its external entity and internal personnel. Ultimately, social capital is also studied on the basis of its own characteristics. When studying the effect of social capital on the creation of value, Nahapiet and Ghoshal pointed out that social capital should be divided into three latitudes and they are structure latitude, relation latitude and cognitive latitude. Structure latitude involves the link patterns of individuals, including social-networking connection and the features of the network’s configuration, such as its density and its connectivity. Relation latitude is concerned with the personalization of connections between individuals and concentrates on properties which are acquired by creating relationship or through existing relationship. Those properties include trust, norm, recognition, expectation and identification. Cognitive latitude refers to the resources that provide a system in which common understanding of expression, interpretation and meaning is possible for participants. For instance, plenty of studies on the relationship between social capital and enterprise performance can be found to be in relation to language, semiotics, culture and customs, and tacit knowledge of an organization. This study is based on the conclusion of Nahapiet and Ghoshal and attempts to elaborate different kinds of social capitals in the cultural and performing arts industry and look at the effect of organizations and clients and social capital in related industry on enterprise performance. Hitt and Ireland (2002) pointed out that a new strategic direction to build intangible human capital and social capital is crucial for an organization to succeed in the twenty-first century [2].

Relationship among Social Capital, Business Model and Enterprise Performance

Social capital acts as a good indicator for the development of a new enterprise. Scholars have realized that society matters a lot when it comes to starting a business. Studies on the relationship between social capital and enterprise performance mainly focus on the positive effect of social capital on local community, economic performance, organizational performance and individual work performance. On the organizational level, scholars tend to study the cause-and-effect relationship between social capital and enterprise performance and analyze the relationship among administrators’ social capital, strategic decision and enterprise performance. Some of them also emphasize the application of social capital to business model and do some research into the relationship between the accumulation of social capital and the improvement of performance and into the effect of social capital on the growth of an organization. Harrington, E.B (2001) built a model to study the cause-and-effect connection between social capital and organizational performance [3]. Peculiarly, he emphasized the necessity to transform network nodes into social capital and pointed out that enlarging decision makers’ capacity for available information and strengthen their willingness to discuss information are two ways to transform individual social capital into organizational social capital. In terms of social capital, Jeffery A. Thompson (2005)[13] took the construction of social network and the employees’ initiative to play their roles as intermediate variables to study the relationship between personality and job performance. After analyzing the effect of administers’ structure social capital and relation social capital on their performance, Moran (2005) found out that structure social capital is more important for managing implementation-oriented tasks, while relation social capital contributes more to interpreting
When discussing the relationship between social capital and performance, scholars mainly concentrate upon studying the effect of social capital on economic performance, the performance of local government, the performance of agricultural traders, enterprise performance and professional acquisition. On the organizational level, scholars try to figure out the positive impact of social capital on innovation performance and the effect of individual social capital on value creation of enterprises. Lynch and House (2000) found out that the entrepreneurs who possess of social capital and make use of it tend to be more successful [4]. As a unified unit, business model can further the analysis of the development of entrepreneurship theory. Stewart and Zhao (2000) maintained that its decision variables include production or service delivery methods, administrative procedures, resource flows, knowledge management and rear services[11]. Mayo and Brown (1999) [5] More attention should be paid to competitive advantages and sustainability. Decision variables consist of identification of stakeholders, creation of value, differentiation, vision, values, networks and alliances. The characteristics of business model are closely related to the combination of enterprise orientations. The choice of open innovation seems to be more a matter of business strategy than that of industry trends. Essentially, business model consists of two elements, which are the process of creating value and the benefit created though the process. It can act as a tool for focusing and also play a mediating role between an enterprise’s development efforts and value creation. March remarked that collecting new ideas outside the company is an activity closely connected to value creation, while making use of existing ideas is an activity tightly linked to value acquisition. Chesbrough and Appleyard advised that enterprises establish a business model with an open mind and endeavor to link innovation to innovation performance through the model. Plenty of both theoretical and empirical studies can be easily found to confirm this role of business model. Morris & Allen (2005) concluded that efficient entrepreneurial practice and business model is worth studying[7]. Based on the previous review, this paper seeks to verify the following hypotheses:

H1: Social capital has positive effect on enterprises’ financial performance.

H2: Social capital has positive effect on business model

H3: Business model has positive effect on enterprises performance.

H4: Business model play mediating role between social capital and enterprise performance

H4a: Business model play mediating role between social capital and enterprises’ non-financial performance

H4b: Business model play mediating role between social capital and enterprises’ financial performance

![Conceptual model](image-url)
Model and Research Design

Research Framework

This study builds a conceptual model and incorporates social capital, business model and enterprise performance into it and makes discussion about the mechanism of action between the three variables.

Analysis and Conclusion

This research uses SPSS to conduct descriptive statistics analysis, reliability analysis, Pearson correlation analysis as well as regression analysis and then employs Amos to carry out confirmatory factor analysis to test the validity. When reliability coefficient equals between 0.7 and 0.98, the outcome can be deemed to have high reliability. In the study, since the reliability coefficient of every dimension of the questionnaire lies between 0.78 and 0.95, the questionnaire has a certain degree of stability and internal consistency. To make sure that all the questions in the questionnaire involve the connotation of all the dimensions, a confirmatory factor analysis is conducted to test the validity of the questionnaire. In the measurement mode among social capital, business model and enterprise performance, the standardized factor loadings of all the questions are more than 0.5 and the t-value has reached significant level. Additionally, the composite reliability is higher than 0.6, indicating that the research mode has good internal consistency. Moreover, the average explained variance is over 0.5. Thus, it can be concluded that the questionnaire has some degree of convergent validity. Hence, three variables, namely social capital, business model and enterprise performance, are evidently related to each other.

Social capital to the economic structure of the regression analysis of business model variables are significant explanation, business model variables are introduced to explanation (R2) 27.6%, and △R2 is 0.3%, comparing four models It can be seen that social capital is not significantly diminished because after joining business model variable. By the analysis results show that the business model between the economic dimensions of social capital and entrepreneurial performance has a mediating effect. Dimensions of social capital for economy is still significant, display after joining business model, the economic structural satisfaction decreases below reached significant level. Social capital for economy significant dimensions of regression analysis, (R2) 40.3%, the F value of 101.301 (P = 0.000); business model variables are introduced to explanation (R2) 43.4%, and △R2 is 12.8%, can be seen that the four modes of social capital from the because after joining business model between social capital and Enterprise Performance.

Table 1. Mediating effect of business model.

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variable</th>
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<tr>
<td></td>
<td>Structure Latitude</td>
</tr>
<tr>
<td>EP-Financial</td>
<td>0.271***</td>
</tr>
<tr>
<td>EP-Non Financial</td>
<td>0.187*</td>
</tr>
<tr>
<td>Business Model</td>
<td>0.251***</td>
</tr>
<tr>
<td>EP-Financial</td>
<td>0.102</td>
</tr>
<tr>
<td>EP-Non Financial</td>
<td>0.091</td>
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By the above analysis, according to the results of a business model of social capital and entrepreneurial performance dimensions of economy has partial mediating effect. In this empirical study, the author finds out that through resources sharing, entrepreneurs can make effective use of their social capital to acquire resources or information and then integrate them, thus promoting
enterprise performance. The effect of the three dimensions of social capital on enterprise performance is mediated by business model. Specifically, business model is the complete mediator variable both between structure as well as relation latitude of social capital and enterprise performance and between structure as well as cognitive latitude and entrepreneurial growth performance, while a partial mediator both between the cognitive latitude and financial performance of innovation and between structure latitude and entrepreneurial growth performance. This research is a valuable reference to the theoretical and practical development of social capital, business model and enterprise performance. In order to promote the enterprise performance in the cultural and performing arts industry, enterprises should increase their social capital stock and share resources, create complementary value and develop collaboratively with their clients. Furthermore, the analysis result also shows that the effect of social capital on enterprise performance is mediated by business model. It indicates that the acquisition of social capital and the integration and exploration of business model can enhance the enterprises’ competitiveness in the cultural and performance industry.

Further studies can be focused on expanding the scope of data and sample collection and exploring how other internal and external factors will influence the growth of enterprises engaging in the cultural and performing arts.

References


