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# The role of social entrepreneurship orientation, social capital, and social innovation in Village-Owned Enterprises (VOE) performance: A study in Yogyakarta Province

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**Abstract**

**Research aims:** This study aims to examine the role of social entrepreneurship orientation, social capital, and social innovation in improving Village-Owned Enterprises' (VOE) performance. Specifically, this study examines social innovation as a moderator of the relationship between social capital and performance.

**Design/Methodology/Approach:** This study used a quantitative approach with primary data types taken using a questionnaire instrument. The data were taken from 199 VOE in Yogyakarta Province. The subjects of this research were the managers of VOE in Yogyakarta Province, including directors, secretaries, treasurers, or heads of business units.

**Research findings:** This study revealed that (1) social entrepreneurship orientation and social capital yielded a positive effect on VOE performance, (2) social innovation did not moderate the relationship between social capital and VOE performance, and (3) social innovation positively affected VOE performance.

**Theoretical contribution/Originality:** VOE has a social mission in its business development. Social innovation should be a concern of VOE in achieving its mission. This research contributes to testing the role of social innovation in VOE performance.

**Practitioner/Policy implication:** VOE, village government, and relevant agencies need to develop programs to improve their social entrepreneurship orientation, social capital, and social innovation, such as training programs and increased collaboration.

**Keywords:** Social Capital; Social Entrepreneurship Orientation; Social Innovation; village-Owned Enterprises Performance

## Introduction

The development of the rural economic sector experienced significant changes with the enactment of Act Number 6 of 2014 concerning Villages. This policy allows villages to increasingly develop their potential to realize community welfare (Irawan, 2020). Village development as the smallest government unit is the government's effort to improve the quality of life and welfare of village communities. Improvements remain to be made to the government's rural economic development initiatives.

This is evidenced by the high level of poverty in villages and the many economic and social problems encountered by village communities (Riyanto et al., 2022).

Throughout 2021, the Central Statistics Agency recorded an increase in the poverty index in rural areas from March 2021 of 0.57 to 0.59 in September 2021. This is due to the many policies and programs implemented by the government; however, the failure or success of rural economic development truly depends on the implementing parties, i.e., the government and the community (Bappeda, 2016; Pinheiro et al., 2021).

Besides that, excessive government intervention hampers the creativity and innovation of rural communities in managing and running the rural economic machine (Nuryanti, 2019). The formation of village economic institutions initiated by the government is less effective and depends on government assistance, thereby reducing the spirit of independence of village communities. Therefore, the government is building a new way to manage the rural economy with an institutional system that regulates it (Adlani, 2018). The institutional form is a Village-Owned Enterprise (hereinafter abbreviated as VOE). VOE is a village business entity formed or founded by the village government whose capital ownership and management are carried out by the village government and the community.

Since the government programmed every village to have a VOE in 2014, the development of VOE in quantity has increased significantly. Based on data from the Ministry of Villages, there were 57,273 VOE in Indonesia in 2021. Of this total, there were 45,233 active VOE and 12,040 inactive VOE. Among those active, 15,768 VOE or 35%, were affected by the pandemic and closed their businesses, thus laying off 123,176 workers (Waseso, 2021). This data denotes that the increasing number of VOE has not been managed professionally, as their performance has not been optimal; thus, many VOE could not survive under normal conditions, especially during a pandemic. The pandemic has also caused many VOE to be unable to survive crisis conditions, exposing weaknesses in management and performance. This is because, during the pandemic, the business cycle changed. This phenomenon is a reason to research the factors that play a role in improving the performance of VOE.

Organizational performance is a measure that describes the extent to which an organization has carried out its main activities, thereby achieving the goals set by the organization (Kusnendar, 2018). Performance is an important indicator in supporting the success of VOE organizations or institutions (Permana, 2020). Achieving organizational goals cannot be separated from the resources owned and playing an active role as an actor in efforts to accomplish organizational goals (Fitri, 2015). Thus, the performance of VOE is the achievement of VOE in carrying out its work program according to the stated objectives. Hence, this research used the Resource-Based View (RBV) theory, which focuses on organizational resources in achieving competitive advantage so that they can perform well. Resource factors that are expected to create competitive advantages for VOE are social entrepreneurial orientation, social capital, and social innovation.

The orientation of social entrepreneurship, social capital, and social innovation are considered relevant and play a vital role in the performance of VOE since VOE are business entities with social enterprise characteristics, which do not only focus on making profits but also have a social mission. Previous research conducted by Pinheiro et al. (2021), Mashudi et al. (2018), Do Adro et al. (2021), and Darmanto and Bukirom (2021) uncovered that social entrepreneurial orientation yielded a positive effect on the performance of social entrepreneurs and VOE. Regarding social capital, the results of previous research demonstrated that social capital had a positive effect on the performance of social entrepreneurs and VOE (Khan et al., 2021; Yudha, 2018; Yohanes et al., 2017; Agyapong et al., 2017). However, Walenta (2019) found no effect of social capital on VOE performance.

Although several studies have examined the role of social entrepreneurial orientation and social capital in improving VOE performance, research on social innovation in VOE remains limited. For this reason, this research examined social innovation as a moderating variable (Khan et al., 2021) as a research contribution. VOE' social innovation is thought to strengthen the influence of social capital on VOE' performance. Networking and collaboration will further improve VOE' performance when VOE carries out social innovation. This research differs from Khan et al. (2021), who examined the relationship between social capital-sustainability performance and social value creation as a mediating variable and social innovation as a moderating variable in social enterprises in Pakistan. This research used a sample of VOE as a social enterprise model and included the social entrepreneurship orientation variable as an independent variable. The selection of social entrepreneurship and social innovation orientation variables is based on the phenomenon where many VOE are only profit-oriented, even though VOE are business ventures with a social mission. This research is relevant to scrutinize as it relates to the performance of VOE in Yogyakarta during the new normal era after several VOE' performances experienced a decline since the COVID-19 pandemic, and research inspecting the performance of VOE with an emphasis on social entrepreneurship, social capital, and social innovation orientation is scarce.

This research contributes by confirming the Resource-Based View (RBV) theory in the VOE context, providing empirical evidence that can be used as a basis for further research. In addition, this research provides practical input for VOE managers and village governments to increase the effectiveness and resilience of VOE through resource management, social entrepreneurship orientation, and social innovation. As such, VOE managers need to improve their capabilities accompanied by training to improve performance. VOE managers must also have entrepreneurial skills and adequate networks in developing business and marketing products. In addition, the village government and VOE managers are preparing a movement program using VOE products.

## **Literature Review and Hypotheses Development**

### **Resource-Based View (RBV) Theory**

Barney (1991) explained that sources of sustainable competitive advantage can come from internal or external companies. The Resource-Based View (RBV) fundamentally asserts that resources that are valuable, rare or unique, difficult to imitate, and have no substitutes can create a competitive advantage for companies with the basic assumption of heterogeneity and immobility of these resources (Barney, 1991). RBV theory elucidates that the primary thing to create a competitive advantage in a company is the application of valuable resources in the company (Masyitoh et al., 2019). RBV also explained that social capital related to human capital and physical capital determines the empowerment process toward creating competitiveness, which ultimately improves community welfare (Widjajanti, 2010). Based on RBV theory, business units operating in villages must have distinctive characteristics and competitive advantages so that they can make a significant contribution to improving the welfare of village communities (Fatimah, 2018). Social capital is a source of sustainable competitive advantage for organizations, so it must be fostered and developed (Maratis, 2018). Social capital is also related to relationships between people within the organization internally and the organization with outside parties externally (Fatimah, 2018). With the resource-based RBV theory, implementing an entrepreneurial orientation driven by social values that have been determined by managers of social organizations, such as VOE, will make it easier to carry out business planning to achieve organizational goals, which are reflected in its performance (Haira et al., 2022).

### **Social Entrepreneurship Orientation on VOE Performance**

From a resource perspective, the Resources-Based View (RBV) theory explains that companies can build sustainable competitive advantages through the use of heterogeneous resources (Masyitoh et al., 2019). Hybrid entities, such as social enterprises, have available resources to increase competitive advantage (Haira et al., 2022). RBV theory is used to explain the relationship between social entrepreneurial orientation, which is intended to improve company performance (Haira et al., 2022) (Haira et al., 2022). VOE managers who have a social entrepreneurial orientation can create a competitive advantage from the resources they have to achieve organizational goals with their performance. Previous research carried out by Pinheiro et al. (2021), Mashudi et al. (2018), Do Adro et al. (2021), and Darmanto and Bukirom (2021) unveiled that social entrepreneurial orientation had a positive effect on the performance of social organizations. Thus, the existence of a good social entrepreneurship orientation from VOE managers enables VOE to utilize the resources they have to achieve competitive advantages for long-term survival so that VOE performance can increase. Hence, the development of the hypothesis is as follows:

***H<sub>1</sub>: Social entrepreneurship orientation has a positive effect on VOE performance.***

### **Social Capital on VOE Performance**

Resources-Based View (RBV) explains social capital simply as a series of informal values or norms shared among members of a group that enables cooperation between them (Fukuyama, 2002). Social capital has an important role in the effectiveness of organizational performance in achieving common goals, as it allows organizational members to work together more efficiently and utilize existing resources (Alfiandes, 2018). The success of VOE is formed if social capital is managed well so that it is strong (Hasan, 2018). The benefits include the speed of work of various actors within the company, which directly or indirectly improves performance (Agyapong et al., 2017). Based on RBV theory, social capital, which includes trust and external networks of VOE, if managed well by VOE managers, will create a competitive advantage. Social capital that can be managed well increases the effectiveness of VOE performance to gain a competitive advantage, which can then immediately achieve its goals. In previous studies by Khan et al. (2021), Yudha (2018), Yohanes et al. (2017), and Agyapong et al. (2017), social capital generated a positive and significant effect on the performance of VOE. Thus, social capital that can be managed well will increase the effectiveness of VOE' performance to gain a competitive advantage, which can then immediately achieve its goals so that VOE' performance will increase. Thus, the hypothesis was developed as follows:

*H<sub>2</sub>: Social capital has a positive effect on VOE performance.*

### **Social Capital on VOE Performance, with Social Innovation as Moderation**

Per the Resources-Based View (RBV) theory, innovation is referred to as a driver of competitive advantage with a combination of resources that creates a better high-level competency (Khotimah, 2017). To increase competitive advantage, social companies can construct empowerment models to develop innovation by utilizing existing social capital (Sugito & Kamaluddin, 2014). As a substitute for general innovation, social innovation is a related concept in the field of social entrepreneurship that can be used as an important and relevant idea (Khan et al., 2021). It is essential to understand the role of social innovation in developing the performance of social enterprises as they strive to find innovative solutions to problems that exist in society (Abbas et al., 2019). As such, social enterprise managers can develop social innovation in their efforts aimed at achieving company goals and creating positive social impacts (Pasricha & Rao, 2018). Social capital and social innovation obtained through social networks serve as key intangible resources for social enterprises to improve their performance (Osei & Zhuang, 2020). Khan et al. (2021) emphasize the moderating role of social innovation, which can influence the relationship between social capital and sustainable performance in such a way that the influence of social capital on sustainable performance will be bigger when social innovation is high. VOE improve their performance by utilizing existing social capital with support from social innovation in society to solve existing problems with more innovative solutions. Therefore, the formulation of the hypothesis proceeds as follows:

*H<sub>3</sub>: Social capital has a positive effect on VOE performance, which is moderated by social innovation.*

Based on the developed hypotheses, this research formulates a research model presented in Figure 1.

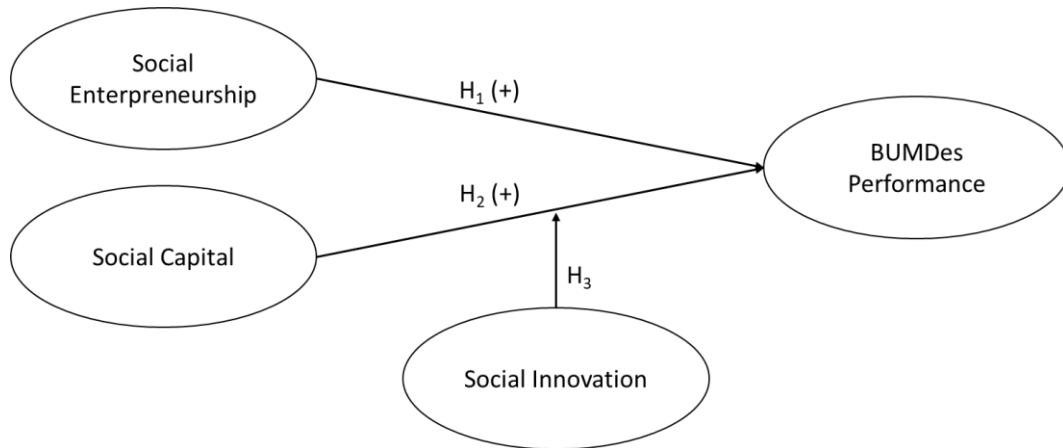


Figure 1 Research Model

## Research Method

This research was conducted using a quantitative approach, using primary data. This research was carried out at VOE Yogyakarta, Indonesia. The minimum sample was 43, which was based on the g-power calculation. G-power is a measure of statistical power that indicates a study's probability of detecting a significant effect. In this study, a g-power of 0.80 was calculated to detect a medium effect with a significance level of 0.05 (Kock, 2017). The g-power calculation indicated that 43 samples were sufficient to achieve adequate statistical power.

This research involved 199 VOE that were actively running their businesses and were spread across four regencies in Yogyakarta, including Bantul Regency, Sleman Regency, Kulon Progo Regency, and Gunung Kidul Regency. The subject of this research was the management of VOE, which covered the director, secretary, treasurer, and head of the VOE business unit. Research data were taken directly without intermediaries by distributing questionnaires directly and online via G-Form. This research employed a sampling technique using purposive sampling with several criteria. The following are the criteria for the research sample: 1) VOE operational work had to be at least more than or equal to one year, and 2) The respondents of this research were VOE managers, including directors, secretaries, treasurers, and heads of VOE business units, with terms of office of more than or equal to one year. Table 1 shows the operational definition of each variable in this study.

**Table 1** Operational Definition of Variables

Variable	Indicator
<b>Dependent</b>	
VOE performance	The questionnaire from Naderi et al. (2019) consisted of four question items, which were then modified by adding the word "VOE" to each question item, and four question items were used in this research.
<b>Independent</b>	
Social Entrepreneurship Orientation	This was measured by several indicators developed by (Naderi et al., 2019), adapted from research by Kraus et al. (2017), with the following indicators: 1) Innovativeness; 2) Risk-taking; 3) Proactiveness; and 4) Socialness
Social Capital	This was determined using indicators of social interaction, network ties, and relationship quality according to the questionnaire in research developed by (Al-Omouh et al., 2020), which was adapted from previous research by (Gölgeci & Kuivalainen, 2020).
<b>Moderation</b>	
Social Innovation	This was measured by indicators of new ideas or opportunities in products, services, models, markets, processes, and others, according to the questionnaire research developed by (Pasricha & Rao, 2018), which was adapted from previous research by (Bulut et al., 2013).

Prior to testing the hypothesis using Partial Least Square (PLS), the researchers performed Common Method Variance (CMV) testing to determine that the data used did not have the potential for bias or error, such as self-reported bias, complexity, ambiguity, and questionnaire scale (MacKenzie & Podsakoff, 2012). The CMV results were valued at 26.58%. This denotes that the CMV was less than 50%, indicating that the data had no potential for bias or error. The collected data were then analyzed using the Structural Equation Model (SEM) statistical analysis method. Partial Least Squares (PLS) is, in fact, a latent variable modeling technique used by several dependent constructs (Fornell & Larcker, 1981) and has been used in many business research and social science fields (Ittner et al., 2003). Hair et al. (2019) explained that the PLS approach was suitable for this research because of minimal data assumptions, a relatively small sample size, and a weak theoretical basis. This research also employed non-probability sampling techniques. Based on power calculations, the minimum sample size for this study was 77 respondents, so this research met it (211 respondents) (Memon et al., 2020).

## Result and Discussion

### Result

Table 2 presents data on the number of VOE and the number of respondents in four regencies in the Special Region of Yogyakarta, covering Gunung Kidul, Bantul, Kulon Progo, and Sleman. The data collection process involved distributing questionnaires to each VOE in the four regencies. The total number of VOE was 199, with a total of 445 respondents. Each regency had a different number of VOE and respondents. Gunung Kidul possessed the highest number of VOE, 57, and Sleman had the highest number of respondents, 120 people.

**Table 2** Research Sample Data

Regency	Number of VOE	Number of Respondent
Gunung Kidul	57	111
Bantul	50	106
Kulon Progo	43	108
Sleman	49	120
Total	199	445

Table 3 displays demographics based on gender, age, and most recent education of respondents. The data collected in this research involved 445 respondents, who were evenly distributed based on gender, age, and level of education. Of the total respondents, 283 people, or 64%, were men, while 162 people or 36% were women. The age distribution indicates that the majority of respondents were in the age range of 36-50 years, with a total of 248 people or 56%, followed by respondents aged 20-35 years, as many as 127 people or 28%, and respondents aged more than 50 years, as many as 70 people or 16%. This information illustrates that research respondents had quite wide variations in terms of demographics, which can provide diverse perspectives on the data obtained.

In terms of recent education, the majority of respondents had a fairly high educational background. A total of 232 respondents, or 52.1%, had a Bachelor's degree (S1), followed by 154 respondents or 35%, who had a senior high school education. A total of 46 respondents, or 10%, had a Diploma education (D1-D3), while 11 respondents, or 2.5%, had completed a Master's degree (S2), and only one respondent or 0.2% each had a Doctoral education (S3) and elementary school. These data denote that the majority of respondents had an adequate level of education, which may contribute to a better understanding and more informative responses to the research questions.

**Table 3** Respondent Demographics

Information	Number	%
<i>Gender</i>		
Male	283	64
Female	162	36
Total	445	100
<i>Age</i>		
20-35 years old	127	28
36-50 years old	248	56
>50 years old	70	16
Total	445	100
<i>Most recent education</i>		
Elementary school	1	0.2%
Senior high school	154	35%
Diplomas 1-3	46	10%
Bachelor's degree	232	52.1%
Master's degree	11	2.5%
Doctoral Degree	1	0.2%
Total	445	100



Table 4 provides data on descriptive statistics for the variables in this study. While the actual range described the difference between the minimum and maximum values in the observed data, the theoretical range reflected the difference between the minimum and maximum values possible in a given context. Standard deviation also measured how far data was spread out from the mean. In this study, the actual mean was more significant for the external social capital, social innovation, and social entrepreneurship orientation variables. Since the actual mean was higher than the theoretical mean, it can be concluded that the mean social capital that occurred in VOE in Yogyakarta was relatively high. Meanwhile, a low standard deviation value indicates that the data tended to vary less, with a value smaller than the mean value. This denotes that the variability in the data was not too large, indicating consistency in the measurement results.

**Table 4** Descriptive Statistical Test Results

Variable	N	Actual Range			Theoretical Range			Std. Deviation
		Min	Max	Mean	Min	Max	Mean	
External Social Capital	199	8	30	23.84	12	30	21	2.20
Social Innovation	199	12	30	23.51	12	30	21	2.29
Social Entrepreneurship Orientation	199	8	20	15.83	8	20	14	1.58
VOE Performance	199	8	20	15.71	8	20	14	1.67

The minimum value of reliability and validity was 0.6. However, the construct's value of the Average Variance Extract (AVE) for SI did not meet the standards, so the outer loading of SI indicators with low values had to be removed. Thus, the SI2 indicator was removed. Generally, convergent validity measures the suitability of several items in measuring the same concept. Hair Jr et al. (2014) explain that outer loading and Average Variance Extract (AVE) are used to test convergent validity, with a recommended score higher than 0.5 for both indicators. After testing, all outer loading and AVE values exceeded the threshold of 0.5, indicating that the convergent validity test had met the specified standards (see Table 5). Table 5 also reveals that the score limit or cut-off for Cronbach's Alpha and composite reliability was a minimum of 0.6. From the SmartPLS output results above, all constructs had composite reliability values above 0.70 and Cronbach's alpha above 0.60. As a result, it can be concluded that the construct had good reliability.

**Table 5** Outer Loadings, AVE, and Reliability Test Result

Indicators	Question	Outer Loadings	Cronbach's Alpha	Composite Reliability (rho_c)
<b>External Social Capital – AVE (0.530)</b>				
ESC1	VOE are well connected with business/enterprise partners (institutions, ministries, financial institutions, communities, government, consumers, suppliers, other VOE, VOE associations, and others).	0.750	0.822	0.871
ESC2	VOE obtains the necessary resources and capabilities through its business network.	0.750		
ESC3	VOE has strong relationships and collective actions with business/enterprise partners.	0.729		
ESC4	VOE has strong ties with business partners and has high trust and commitment from VOE partners.	0.793		
ESC5	VOE has strong ties with business partners and has high trust and commitment from VOE partners.	0.688		
ESC6	VOE social networks influence strategies, decisions, processes and activities.	0.651		
<b>VOE Performance – AVE (0.628)</b>				
KIN1	The village government, community, and consumers are satisfied with VOE products/services.	0.801	0.802	0.871
KIN2	VOE has operated efficiently.	0.826		
KIN3	VOE has been able to achieve the set goals and objectives.	0.816		
KIN4	VOE can adapt to environmental changes so that they can achieve their mission and vision during environmental changes.	0.723		
<b>Social Entrepreneurship Orientation – AVE (0.617)</b>				
SEO1	VOE seeks to increase social impact and services to beneficiaries.	0.761	0.792	0.865
SEO2	VOE often provide new ways to solve social problems that arise in society.	0.812		
SEO3	VOE places a big focus on partnerships with other VOE or the government to ensure accelerated achievement of social missions.	0.811		
SEO4	VOE managers are not afraid to take risks when carrying out activities with social aims.	0.755		
<b>Social Innovation – AVE (0.536)</b>				
SI1	VOE managers improve the quality of people's lives by developing social services and new products.	0.757	0.787	0.852
SI2	VOE managers look for solutions to create political and social change in society.	0.513		
SI3	VOE managers develop new training techniques to increase the community's innovative capacity.	0.663		
SI4	VOE managers use new technology to solve problems and find solutions to social needs.	0.694		
SI5	VOE managers are looking for ways to increase social participation and collaboration with the community.	0.759		
SI6	VOE managers create new ideas that will produce social value and make society more effective.	0.781		

According to Table 6, the discriminant validity of the measure indicates the extent to which the items differentiate between constructs or measure different concepts (Hair Jr et al., 2014). Fornell–Lacker criterion and Heterotrait–Monotrait ratio (HTMT) are two widely accepted techniques for testing discriminant validity. The Fornell-Lacker criterion is that the square root of the AVE of each construct must be greater than the correlation with other latent constructs (Fornell & Larcker, 1981).

**Table 6** Discriminant Validity

	ESC	VOE Performance	SEO	SI
ESC	<b>0.728</b>			
VOE Performance	0.627	<b>0.793</b>		
SEO	0.593	0.623	<b>0.785</b>	
SI	0.547	0.535	0.558	<b>0.732</b>

Table 7 reveals that HTMT was used to measure the similarity between variables. HTMT can achieve higher levels of specificity and sensitivity compared to Fornell-Lacker, and the criteria for all constructs are less than 0.85 (Henseler et al., 2015; Hair Jr et al., 2014).

**Table 7** Heterotrait- Monotrait Ratio (HTMT)

	Heterotrait-monotrait ratio (HTMT)
PERFORMANCE <-> ESC	0.766
SEO <-> ESC	0.736
SEO <-> PERFORMANCE	0.773
SI <-> ESC	0.662
SI <-> PERFORMANCE	0.646
SI <-> SEO	0.687

Based on Table 8, testing the first hypothesis demonstrated that the original positive sample value was 0.357, with a t-statistic value of 3.885 greater than 1.66 and a p-value of 0.000 less than 0.05, accepting H<sub>1</sub>. This means that social entrepreneurial orientation had a positive effect on the performance of VOE in Yogyakarta. The second hypothesis, according to hypothesis testing, showed the original positive sample value of 0.272 with a t-statistic value of 2.456 greater than 1.66 and a p-value of 0.007 less than 0.05, so H<sub>2</sub> was accepted. This indicates that social capital had a positive effect on the performance of VOE in Yogyakarta. Table 8 in hypothesis 3 shows that the original positive sample value was 0.01 with a t-statistic value of 0.182 less than 1.66 and a probability value (p-value) of 0.428 greater than 0.05, rejecting H<sub>3</sub>. In other words, social innovation could not moderate the relationship between social capital and VOE performance in Yogyakarta. However, the test results uncovered a positive effect of social innovation on VOE performance.

**Table 8** Hypothesis Testing Results

Hypothesis		Original sample (O)	T-statistics	P-values	Conclusion
Social Entrepreneurship Orientation -> VOE Performance	H <sub>1</sub>	0.357	3.885	0.000	Supported
Social Capital -> VOE Performance	H <sub>2</sub>	0.272	2.456	0.007	Supported
Social innovation -> VOE Performance		0.517	2.534	0.006	
Social innovation x Social Capital -> VOE Performance	H <sub>3</sub>	0.016	0.182	0.428	Unsupported

## Discussion

### The Influence of Social Entrepreneurship Orientation on VOE Performance

The first hypothesis (H<sub>1</sub>) predicts that social entrepreneurial orientation influenced the performance of VOE in Yogyakarta, accepting H<sub>1</sub>. This indicates that VOE in Yogyakarta are trying to increase social impact and services to beneficiaries. VOE in Yogyakarta often provide new ways to solve social problems that arise in society. Furthermore, VOE in Yogyakarta has been able to provide a large focus on partnerships to achieve social missions. This is explained by VOE' lack of fear of taking risks when carrying out activities with social aims so that VOE could improve their performance. The results of this research corroborate the Resources-Based View (RBV) theory with a resource perspective, which regards that VOE can build a sustainable competitive advantage through the use of heterogeneous resources (Barney, 1991; Masyitoh et al., 2019; Haira et al., 2022). This proves that VOE managers in Yogyakarta have had a social entrepreneurial orientation that could create a competitive advantage from the resources they have to achieve organizational goals with their performance.

The results of this study are consistent with previous research conducted by Pinheiro et al. (2021), Mashudi et al. (2018), Do Adro et al. (2021), and Darmanto and Bukirom (2021) explained that social entrepreneurial orientation influenced the performance of social organizations/VOE. The existence of a social entrepreneurial orientation from VOE managers in Yogyakarta has confirmed that VOE in Yogyakarta could utilize the resources they have to achieve a competitive advantage for the long-term survival of their VOE so that VOE performance could also increase. Thus, the higher the social entrepreneurial orientation of VOE managers in Yogyakarta, the higher the VOE performance will be.

### The Influence of Social Capital on VOE Performance

In this study, H<sub>2</sub> was accepted, and social capital was found to influence the performance of VOE in Yogyakarta. This indicates that VOE in Yogyakarta is well connected with its business partners, and VOE has utilized the necessary resources and capabilities through its business network. VOE in Yogyakarta also have strong relationships and take collective action with their business partners. Furthermore, VOE in Yogyakarta has received high trust and commitment from its business partners. VOE have gained and increased value-

added knowledge from their business networks. VOE' social networks could influence their strategies, decisions, processes, and activities so that VOE in Yogyakarta could improve their performance. The test results could verify that social capital yielded an effect on VOE performance in accordance with the RBV theory, proposing that social capital includes trust and external networks, which, if managed well by VOE managers, will create a competitive advantage (Haira et al., 2022; Fatimah, 2018; Widjajanti, 2010). This ascertains that the social network between VOE in Yogyakarta and external VOE parties is well connected, thus creating a competitive advantage for the effectiveness of their performance.

The results of this study align with previous research by Khan et al. (2021), Yudha (2018), Yohanes et al. (2017), and Agyapong et al. (2017), which exhibited that social capital influenced the performance of VOE. In this way, social interactions, network ties, and the quality of existing relationships from external VOE networks in Yogyakarta with business partners, such as institutions, ministries, financial institutions, communities, and village governments, have been well connected. This connection of good social capital could create a competitive advantage, increasing the performance of VOE. In other words, the higher the social capital owned by VOE in Yogyakarta, the higher the VOE performance will be.

#### **The Influence of Social Capital on VOE Performance with Social Innovation as Moderation**

Social innovation could not influence the relationship between social capital and the performance of VOE in Yogyakarta ( $H_3$  rejected). VOE managers in Yogyakarta have not been able to develop new social services and social products; VOE managers in Yogyakarta have not been able to create political and social change in society; and VOE managers have not been able to increase the community's innovative capacity and have not been able to develop new technology for social needs. Furthermore, VOE managers have not been able to increase social participation and collaboration with the community and have not been able to create new ideas that will produce social value by utilizing well-connected social capital to support VOE performance to be more aggressive. The test results could prove that social innovation could not moderate the relationship between social capital and VOE performance. Following RBV theory, to increase competitive advantage, VOE can construct an empowerment model to develop innovation by utilizing existing social capital. This theoretical statement aligns with VOE in Yogyakarta, where if their social capital is well connected, they can continue to develop social innovation in the form of new products or services, thereby triggering more aggressive VOE performance to create competitive advantages.

The facts of this research revealed that many VOE managers encountered difficulty continuing to develop new social innovations. Something unique and new in the form of a product or service remains difficult to develop because some VOE in this research chose not to take high risks. Most VOE also chose to run service and product units that tended to be the same as other VOE (Widodo, 2022). VOE managers have yet to develop a substantial number of novel approaches and innovations pertaining to social products and

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services that are comparatively distinct from others. Some VOE located in their city found it more difficult to create new products or services with other VOE whose areas have great potential to create new products or services of a social nature for the community. Consequently, it allows social innovation factors not to be able to support social capital to improve the performance of VOE in Yogyakarta. The results of this study contrast prior research by Khan et al. (2021), displaying that social innovation could moderate the relationship between social capital and the sustainable performance of social companies. The performance of VOE in Yogyakarta can be improved by utilizing quite well-connected social capital, even though it is not supported by existing social innovation. Nevertheless, the performance of existing social capital will be more aggressive if frequently developed social innovations can support it.

## **Conclusion**

This research aims to obtain empirical evidence regarding the relationship between social entrepreneurial orientation and social capital on VOE performance, moderated by social innovation in Yogyakarta. The results of the analysis revealed that social entrepreneurial orientation exerted a positive effect on the performance of VOE in Yogyakarta. The higher the social entrepreneurship orientation of VOE, the more VOE performance will improve. Social capital has also been shown to have a positive effect on the performance of VOE in Yogyakarta. Thus, the higher the social capital a VOE has, the more VOE performance will improve. Meanwhile, social innovation could not moderate the relationship between social capital and VOE performance. However, this research found that social innovation could improve the performance of VOE. Overall, this research discovered that social entrepreneurship orientation, social capital, and social innovation of VOE are important factors that can support VOE performance.

This research has practical implications, suggesting that the government and VOE need to increase the entrepreneurial orientation of VOE managers through various training and increasing cooperation and partnerships with various agencies in the context of developing VOE, including higher education institutions. In addition, VOE must create social innovation and superior products to increase economic sustainability by providing social products or services to beneficiaries, namely the wider community, after the pandemic.

Limitations of this research include the following: 1) The sample area coverage was only carried out in Yogyakarta Province and could not reach other provinces due to limited research time; 2) There was the possibility of survival bias because the VOE that were respondents are those that were actively running their businesses and ignored inactive VOE so that the indicators for each variable were reported to be relatively good; consequently, the coverage of the results did not vary; 3) The question items in the questionnaire used were not all related to the phenomenon of the pandemic and the new normal era; and 4) This research did not carry out a pilot test as an initial test of the questionnaire and did not perform an average difference test (bias test) as a test of differences in the average results of respondents' answers taken using questionnaires in

hard file form and via Google form, allowing bias to occur due to different methods possibly.

For those reasons, recommendations for further research are as follows: 1) Expanding the scope of the sample area so that it is not only at the level of one province, or using samples from different places and expanding the research to cover areas throughout Indonesia to find new empirical evidence, and 2) Using social innovation variables which are confirmed to be independent variables on VOE performance. Further research can also attempt to add or replace other independent or dependent and intervening or moderating variables, such as human capital, social value creation, or transformational leadership.

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### Conflicts of Interest

The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.



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