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Investigating the Mediating Role of Cross-Border Knowledge and Knowledge Absorption Capacity in the Relationship Between Social Capital and Innovative Performance of SMEs in Kerman Province

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Abstract

Purpose: This research aims to investigate the impact of social capital on the innovative performance of SMEs in Kerman province, with a focus on the mediating role of cross-border knowledge search and knowledge absorption capacity.

Methodology: The study adopts an applied research approach, employing a survey method. A total of 210 SMEs in Kerman province were selected as the sample population, and 420 questionnaires were distributed to managers and vice presidents of these companies. Data collected was analyzed using SPSS 26 and SmartPLS 3 software.

Findings: The results reveal that structural, communicative, and cognitive social capitals significantly influence the innovative performance of SMEs. Social capital impacts innovative performance through the mediating roles of cross-border technical knowledge search, cross-border market knowledge search, and knowledge absorption capacity.

Conclusion: The findings suggest that SMEs in Kerman province should prioritize enhancing their innovative performance to remain competitive. Utilizing social capital, engaging in cross-border knowledge search, and improving knowledge absorption capacity are crucial for innovation and product development in these companies.

Value: Understanding the relationship between social capital, cross-border knowledge, knowledge absorption capacity, and innovative performance is essential for SME managers in Kerman province to enhance their company's performance and competitiveness in the market.

Key Words: *Social Capital, Innovative Performance, Cross-Border Knowledge Search, Knowledge Absorption Capacity, SMEs, Kerman Province.*

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Extended Abstract

Introduction: In the post-Corona era, industries, organizations, and particularly small and medium enterprises (SMEs) are embracing new technologies, with a focus on leveraging information, knowledge, and artificial intelligence. The adoption of these technologies is seen as essential for addressing challenges related to limited resources, communication barriers, and a lack of innovation within companies. Internal resources alone are no longer sufficient to meet the evolving innovative needs of organizations, necessitating the utilization of social capital to access external resources. Companies with robust social capital can leverage their connections to tap into diverse external knowledge and collaborate effectively on innovation-related activities. Accessing such heterogeneous external knowledge can stimulate innovation and enhance companies' performance in this regard. Social capital, as a construct rooted in the interconnectedness of stakeholders within a network, facilitates the exchange of knowledge, fosters innovation, and drives value creation. Thus, there exists a strong correlation between social capital, cross-border knowledge search, knowledge absorption capacity, and innovative performance.

Purpose: The foundation of cross-border knowledge search is built upon social capital, enabling leading SMEs to effectively obtain diverse knowledge beyond organizational boundaries through their network connections. Acquiring heterogeneous knowledge enhances organizations' capacity to absorb new ideas and knowledge, aiding in the conversion of acquired knowledge into improved innovative performance. This study aims to examine the influence of social capital on innovative performance, with a specific focus on the mediating roles of cross-border knowledge search and knowledge absorption capacity.

Methodology: This research adopts a descriptive survey approach, targeting all SMEs in Kerman, totaling approximately 460 companies. The sample size was determined using Morgan's table, resulting in 210 companies being selected. Data collection involved administering 420 questionnaires randomly to managers and assistants within the selected companies. A researcher-developed questionnaire, informed by existing literature and prior research in the field, was utilized for data collection. The validity of the questionnaire was established through face and content validity analysis involving 10 experts, while reliability was confirmed using Cronbach's alpha coefficient among 30 managers in the sample. Data analysis employed statistical methods and structural equation modeling, with SPSS26 and Smart PLS3 serving as the primary analytic tools.

Findings: The research model fitting was validated, with a GOF value indicating a good overall fit. Direct hypotheses regarding the impact of structural, communicative, and cognitive social capitals on innovative performance were supported. Mediation hypotheses were also confirmed, as evidenced by Sobel coefficients exceeding the threshold. Specifically, social capital was found to influence innovative performance through the mediation of cross-border technical knowledge search, cross-border market knowledge search, and knowledge absorption capacity.



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Table 1. Direct hypothesis test results

| No | Hypothesis | t | Path coefficient | Result |
|----|--|--------|------------------|---------|
| 1 | Structural social capital has a significant effect on innovative performance. | 5.237 | 0.199 | confirm |
| 2 | communicative social capital has a significant effect on innovative performance. | 14.853 | 0.704 | confirm |
| 3 | cognitive social capital has a significant effect on innovative performance. | 5.219 | 0.311 | confirm |

Table 2, shows the results of mediating hypotheses.

Table 2. Mediation hypothesis test results

| No | Hypothesis | Sobel | VAF | Result |
|----|---|-------|-------|---------|
| 4 | Structural social capital affects innovative performance, considering the mediating role of cross-border technical knowledge search. | 4.082 | 0.510 | confirm |
| 5 | Communicative social capital affects innovative performance considering, the mediating role of cross-border technical knowledge search. | 2.201 | 0.119 | confirm |
| 6 | Cognitive social capital affects innovative performance, considering the mediating role of cross-border technical knowledge search. | 4.687 | 0.444 | confirm |
| 7 | Structural social capital affects innovative performance, considering the mediating role of cross-border market knowledge search. | 2.812 | 0.321 | confirm |
| 8 | Communicative social capital affects innovative performance, considering the mediating role of cross-border market knowledge search. | 2.922 | 0.132 | confirm |
| 9 | Cognitive social capital affects innovative performance, considering the mediating role of cross-border market knowledge search. | 3.640 | 0.313 | confirm |
| 10 | Structural social capital affects innovative performance, considering the mediating role of knowledge absorption capacity. | 7.708 | 0.776 | confirm |
| 11 | Communicative social capital affects innovative performance, considering the mediating role of knowledge absorption capacity. | 3.420 | 0.15 | confirm |
| 12 | Cognitive social capital affects innovative performance, considering the mediating role of knowledge absorption capacity. | 7.844 | 0.592 | confirm |



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Conclusion: Despite the growing emphasis on knowledge acquisition and innovation in SMEs post-COVID-19, limited research exists on the interplay between social capital, innovative performance, and knowledge components within these companies. Strong social capital within organizations, characterized by shared goals, clear norms, and a robust organizational culture, can enhance performance and foster innovation. The findings of this study contribute valuable

insights for SMEs aiming to enhance their innovative performance through leveraging social capital, cross-border knowledge search, and knowledge absorption capacity. Additionally, this research expands the theoretical understanding of the relationship between social capital and innovative performance in SMEs, particularly in the current post-pandemic landscape.

Value: Innovation is essential for SMEs' survival and growth, with social capital and knowledge playing pivotal roles in this process. This research offers valuable perspectives on the influence of social capital, cross-border knowledge, knowledge absorption capacity, and innovative performance in SMEs, providing actionable insights for organizations seeking to drive innovation and improve performance.

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