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Article

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Role of Social Capital and Social Value Creation in Augmenting Sustainable Performance of Social Enterprises: Moderating Role of Social Innovation

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Abstract

The last two decades represented the scarce discussion of the organizational social capital (SC) and its impact upon the social enterprises' sustainable performance in the developing economies like Pakistan. The main objective of this research is to analyze the impact of social capital on sustainable performance (SP) of social enterprises working in the context of developing economies. This research also tested the mediating role of the social value creation in the relationship of social capital and sustainable performance of social enterprises. Moreover, the contingent effects of social innovation (SI) were also evaluated upon the association of social capital and social enterprises' sustainable performance. Study utilized the deductive reasoning by applying the quantitative method. Data was gathered from the 171 managerial level employees of the 57 social enterprises working in Pakistan. Correlation analysis, regression analysis and Normal test theory was used as statistical test utilizing SPSS v.23. The statistical results confirmed that all the predictor constructs significantly elucidate the consequence constructs. Mediation analysis results also confirm that social value creation mediates the association of social capital and sustainable performance. Similarly, moderation analysis also confirms the moderating role of the social innovation upon the association of social capital and social enterprises'

sustainable performance. This study enriches the available theory through evaluating the mediating role of social value creation and moderating role of social innovation on social capital-sustainable performance link, thus makes a significant contribution to prevailing theory contextualizing the social enterprises of developing economies by emphasizing upon the associations among social capital, social value creation, social innovation and sustainable performance.

Keywords: social capital, social value creation, social innovation, sustainable performance, social enterprises, enterprise' age, enterprise' size, Pakistan.

1. Introduction

The notion of social enterprises has captivated the concentration of scholars, civil society and academia of the various disciplines (Cheah et al., 2019; Molecke & Pinkse, 2017). Social enterprises witnessed the increasing body of knowledge in the disciplines of economics, sociology, management studies as well as other interdisciplinary studies (Plutshack, et al., 2019). According to Evers (2001) and Kim and Lim (2017), policy makers at country levels acknowledges social enterprises as a choice that provide solution for the certain arising problems like social issues, economic crisis as well as failure of welfare state. Social enterprises are in general defined as the enterprises that are explicitly characterized with dual mission of both social performance and financial performance (Cheah et al., 2019).

In the last two decades, similar to other developing economies, in Pakistan numerous social enterprises have emerged and after a short span of time have disappeared, which raises the questions regarding success and performance of social enterprises in developing economies. In spite of the financial stability, the sustainable performance (SP) of the social enterprises is not sure (Berbegal-Mirabent et al., 2019; Mousa & Othman, 2020). Sustainable performance is described as the alignment of the social, environmental and financial objectives while operating the basic business activities in order to augment the value maximization (Di Vaio & Varriale, 2020; Mousa & Othman, 2020). In the stream of management studies, research upon the sustainable performance has a rich history in the context of traditional enterprises (Mousa & Othman, 2020), but in the context of social enterprises the empirical evidences are still lacking, which created a visible gap in the available literature of sustainable performance in the context of social enterprises. Therefore, we suggest that this research gap is particularly significant to address in order to augment the sustainable performance of the enterprises in order to ensure the survival of the social enterprises. So, the basic objective of this research is to address the above mention gap and investigate the prerequisites essential for the enhancement of sustainable performance of social enterprises in developing economies.

In line to the resource based view of the firms, the organizations irrespective of their size, type and nature are required to augment their sustainable performance through newly acquired knowledge resulted from the organizational distinctive resources such as social capital (SC) (Barney, 2001; Johnson, et al., 2018). In addition, social network theory elucidated that the social networks of the enterprises are the significant mechanism for the

enhancement of the sustainable performance of the enterprises irrespective of their size and nature (Miković, et al., 2020). In this perspective, the researches carried out previously have offered enough consideration to performance and sustainability of the enterprises in the context of enterprises' nature and enterprises' performance. However, fewer investigations have provided a specific context relating to the association among social capital and sustainable performance of social enterprises (Bano, et al., 2019). So, in order to measure sustainable performance further specifically, this research recommends that the traditional measures of enterprises performance should be altered with the sustainable performance. The scarcities of investigation emphasize to enlighten the relationship among social capital and sustainable performance is evidently dateable in prevailing theory. This gap within the prevailing theory marginalizes our perceptions relating to actual offerings of social capital in line to sustainable performance of the social enterprises. Although social capital is regarded as a significant component for sustainable performance of enterprises regardless of size and nature (Chenhall et al., 2010), still, this assumption does not explain the fact that the organizations/firms that are focusing on the enhancement of their sustainable performance can use their social capital efficiently. Social capital is imperative, solely social capital is not sufficient to convert unique resources that are acquired by networks into sustainable performance. Therefore, it is significant to explore the interior mechanism that might take part in this association. Existing literature in the domain of social capital has categorized various consequences of social capital which resultantly affect the sustainable performance of the enterprises (Abom, 2004; Miković, et al., 2020). One of the specific components of social capital that entails a discrete foundation for the better performance is the social value creation.

Social value creation can be described as the outcome of social entrepreneurship that creates short term, intermediate or long term impacts and bring outcomes in the form of social change while resolving the social issues, problem and satisfying the needs (Brieger, et al., 2020; Faludi, 2020). Caldwell, et al., (2017) suggested that social enterprises willfully and purposefully manage and organize their entrepreneurial actions to address the social problems in innovative manner which in results creates social values. Social value is created by the mobilization of relational resources with exterior organizations by exceeding the transaction cost (Gauthier et al., 2019). These relational resources enable the enterprises irrespective of nature and size to realign and reorganized their relationships further effectively and rapidly in order to resolve the social, economic and environmental problems (Gauthier, Cohen & Meyer, 2019). On the basis of argument put forward by Caldwell, et al., (2017) and Gauthier, Cohen and Meyer (2019), if the antecedents and consequences of social value creation are analyzed, it is obvious to claim the role of social value creation as a mediating construct in the association of social capital and sustainable performance of social enterprises. So, this study establishes that the introduction of mediator in the form of social value creation may acknowledge the relationship between social capital and sustainable performance of enterprises further strongly.

This research also examines the contingent effects of social innovation upon the association of social capital and sustainable performance of the social enterprises. Social innovation is the procedure that develops and deploys the effective and efficient solutions for the

difficult, challenging and rottenly general environmental and social problems in maintenance of social developments (Avelino, et al., 2019; Tracey & Stott, 2017; Meister Broekema et al., 2021). It is evident prominently from the available theory that the deployment of unique assets helps in enhancement of social innovation to ensure the sustainable performance of social enterprises more aggressively which is considered as the basic component for the sustainable development of society; thus, social innovation plays a moderating role to further augment the relationship of social capital and sustainable performance of social enterprises.

The basic objective of this research is to add to the prevailing theory relating to the sustainable performance of the social enterprises in developing economies like Pakistan via social capital accumulation and social value creation. This study also enlightens the mediating role of social value creation and the contingent role of social innovation upon the social capital and sustainable performance. This study tries to depict a comprehensive framework involving the sustainable performance of social enterprises in developing economies that is thoroughly lacking in the prevailing literature.

This study contributes to the existing knowledge by examining the intervening effects of social value creation in the association of social capital and sustainable performance contextualizing the social enterprises of developing economies such as Pakistan. Furthermore, this research also add to the available theory by also testing the contingent effects of social innovation upon the association of social capital and sustainable performance of social enterprises of developing economies. The coming section of this paper is set as; in the proceeding section the constructs utilized in the study and their relationship is explained and hypotheses are developed under the heading literature review. After the literature review, the research methodology and data analysis methods are discussed. The contributions of the research, implication for the managers and limitation of the research are discusses in last section.

2. Literature Review

2.1 Social capital and Sustainable Performance

Sustainable performance is defined as the alignment of the social, environmental and financial objectives while operating the basic business activities in order to augment the value maximization (Di Vaio & Varriale, 2020; Mousa & Othman, 2020). The notion of sustainable performance is advanced as a device of communication among the major components that are generally involved in economic, environmental and social balance upon diverse levels of complexities of the informational areas (Johnson, et al., 2017). According to Mousa and Othman (2020) as the requirement of the sustainable procedures in the enterprises becomes open, reporting of sustainability entails the original values for those who are having responsibility to evaluate the existing financial standing of the enterprises and forecasting the enterprises performances in future (Di Vaio & Varriale, 2020).

Sustainable performance is the rearrangement of the three dimensions of the performance that are social, economic and environmental performance (Berbegal-Mirabent et al., 2019). Social performance is described as the extent to which a social enterprise craft value, like as contribution to community, provision of social services and job creation (Di Vaio & Varriale, 2020). Mousa and Othman (2020) stated that social performance relates to the outcome of the enterprises that impacts the social system in which they operates. Social performance can be measured by evaluating the effects of the enterprises upon their stakeholders at local, national and global levels (Berbegal-Mirabent, et al., 2019). The economic performance includes the inclusive facets of the economic exchanges of the enterprises which contains the conventional indicators utilized in financial accounting, however also includes the intangible components that are generally not depicted in financial terms (Di Vaio & Varriale, 2020). The enterprise environmental performance relates to the effects of the enterprises over the natural resources which include earth, air, water and ecosystems (Berbegal-Mirabent, et al., 2019). The operations of the majority of the enterprises that depict social and environmental reporting are certified through the environment management system like ISO 14001.

It is evident from the literature that in comparison to conventional enterprises, social enterprises consider the sustainable performance as a core strategy for their continuous operations (Niesten, et al., 2017; Shah, et al., 2019). Sustainable performance indicators can augment the intangible resources of the enterprises like social capital, human capital and image (Székely & Knirsch, 2005). The determinants of the sustainable performance are largely discussed in the relevant stream of knowledge. Ciemleja and Lace (2011) enlighten the contribution of organizational knowledge resources in augmenting the sustainable performance of the social enterprises. Székely and Knirsch (2005) linked sustainable performance of the social enterprises with the accumulation of knowledge acquire through the relationships established through networks. Chenhall, Hall and Smith (2010) emphasized upon the decisive part of difficult to intimating knowledge resources such social capital for the enhancement of social enterprises sustainable performance. In relation to the social enterprises, Miković, et al., (2020) suggested that social enterprises are focusing on the formulation of new strategies to replace the policies that are adversely affecting the society and community. There are a number of factors available that can be depicted as potential determinants for the sustainable performance of social enterprises. However, the existing problem is that, large number of investigations has overseen the role of social capital and its development as a sturdy prerequisite for the social enterprise. Even though Bano, et al., (2019) recently acknowledged the significance of intellectual capital for ensuring the survival of the social enterprises in developing economies.

The notion of social capital is generally described through enterprise norms and enterprise behavioral networks and social associations (Johnson, et al., 2017; Miković, et al., 2020). Social capital augments trust within the community as well as enterprises and its act a link among interior morality and norms (Abbas et al., 2019). Social capital of the social enterprises contributes to the enterprises through formulation and establishment of association with several stakeholders and partners for the purpose of sustainability and social value creation (Johnson, et al., 2017). Precisely, social capital facilitates the social

entrepreneurs in establishment of relationships and social value by enhancing cooperation among employees, government, and local community and target users (Abas, et al., 2019). For the reason that social enterprises accumulate resources by relational possession with exterior components and these relational possessions craft added value which surpass the transaction cost, social capital be able to augment the social, economic as well as environmental performance of the social enterprises. Social capital helps social enterprises in strengthening the enterprise capability to enhance the cooperation for the accomplishment of sustainable development. The above argument resulted in the formulation of following hypothesis.

- **H₁:** Social capital is positively associated to sustainable performance of social enterprises.

2.2 Social capital and Social Value Creation

Social value creation is defined as the consequence of social entrepreneurship that crafts short term, intermediate or long term impacts and bring outputs in the form of social alteration while addressing the social issues, problem and satisfying the social requirements (Caldwell et al., 2017; Faludi, 2020). Brieger, et al., (2020) suggested that social enterprises intentionally and persistently managed and organized their entrepreneurial measures for the redresses the social issues in further innovative way which consequently creates social values. Gauthier, Cohen and Meyer (2019) suggested that social value is created by the mobilization of relational resources with exterior organizations by exceeding the transaction cost. Relational component of the social capital is one of the significant facets in social value creation by product, service and operations' innovation (Pret & Carter, 2017). Several researches also discussed the significance of the knowledge and information disseminations and sharing between the stakeholders of the networks for the augmentation of enterprise innovative capabilities which in turn enhance the social value creation (Gauthier et al., 2019; Pret & Carter, 2017). Additionally, Singh (2016) suggested that social enterprises organize different combination of unique knowledge resources created through networks for the improvement of their innovative capabilities through efficiently and effectively aligning along with exploiting the partners' resources. Social capital furthermore adds to the reduction of cost, risks and uncertainties in developing novel technologies (Weber, et al., 2017). Organizational social capital in often hold a significant part it the entrepreneurial action of social enterprises which is the reason of social value creation (Faludi, 2020). The above discussion resulted in the formulation of subsequent hypothesis.

- **H₂:** Social capital is positively associated to social value creation of social enterprises.

2.3 Social Value Creation and Sustainable Performance

Even though there are few earlier investigations upon the measurement indicators and methodology for the analysis of performance of social enterprises, it is still hard to evaluate and compare the social enterprises performance (Mousa & Othman, 2020). Due to the reason that the social enterprises scope is comparatively wide and it is evident from

available knowledge that it is intricate to analyze their performance evenly. Few available researches entail the conceptual outline for analyzing the social enterprises' performance however does not reveal the definite indicators as well as tools for measurement (Di Vaio & Varriale, 2020). On the other side, few other researches entail the methods for measurement but that are too specified for some areas of interest and also hard in application to social enterprises in other fields. Di Vaio and Varriale, (2020) and Faludi (2020) also suggested that it is difficult to develop mechanism for measuring performance of social enterprises that is appropriate to all kind of social enterprises, for the reason that the social enterprises performance is diverse in line to size of enterprise, operations, purpose as well as stakeholders. Although of the social enterprises performance measurement diversity, earlier investigations have developed the consensus on the multidimensionality of the social enterprises performance. Simply in other words, financial performance like operating profits and sale or revenue and non-financial performance like social value must be considered for measuring the performance of social enterprises.

The social value creation is the definite goal of the social enterprises. It is evident from available literature that, the main difference between traditional enterprises and social enterprises is that the formal enterprises work for the enhancement of profit maximization and financial return, whereas social enterprises emphasize the social value creation (Pret & Carter, 2017). This false assumption that financial performance is not significant for the social value creation in social enterprises causes confusion in the mind of policy makers (Gauthier et al., 2019). Weber, et al., (2017) suggested that social value creation dose not reduce the significance of necessity of financial performance in social enterprises. Singh (2016) argued that social enterprises should craft and formulate strategies as well as implement plan to obtain firms level financial, social and environmental performance in order to craft social value sustainably. Hence, social enterprises essentially craft their business models that work as a bridge between sustainable performance and social value creation of social enterprises. The following hypothesis was formulated on the basis of above discussion.

- **H₃:** Social value creation is positively associated to sustainable performance of social enterprises.

2.4 The Mediating Role of Social Value Creation

The social value creation is the definite goal of the social enterprises. Brieger et al., (2020) recommended that social enterprises frequently initiate the entrepreneurial actions in order to address the issues related to the society in innovative manners which in turn create values for society and community. Gauthier et al. (2019) elaborated that social value is crafted through the mobilization of relational resources with exterior organizations by exceeding the transaction cost. Social capital's relational dimension is one of the significant facets in social value creation (Pret & Carter, 2017). Social capital facilitates the social entrepreneurs in establishment of relationships and social value by enhancing cooperation among employees, government, and local community and target users (Abas, et al., 2019). Social capital created through networks is the major source of new knowledge that is required in initiating the innovative process within the social enterprises (Gauthier, Cohen

& Meyer, 2019). Singh (2016) argued that social enterprises should craft and formulate strategies as well as implement plan in order to obtain further superior financial, social and environmental performance in order to accumulate social value sustainably by acquisition of knowledge resources like social capital. In this research it is anticipated that social value creation plays mediating role in the association of social capital and sustainable performance of the social enterprises. It is prominent from the discussions in previous sections that social capital is anticipated to have positive association with social value creation as well as social value creation is projected to have positive association with sustainable performance, thus it is suggested that social value creation mediates the relationship between social capital and social enterprises sustainable performance.

- **H4:** Social value creation mediates the association of social capital sustainable performance of social enterprises.

2.5 The Moderating Role of Social Innovation

Social innovation is measure that is extremely attractive for the communal transformation and economic development (Meister et al., 2021; Phills et al., 2008). However it is significant to mention that in social sector not each innovation can be considered as a social innovation except it serve the basic objective of the satisfying the communal needs, development and alter the social associations. So, social innovation is assumed to resolve the prevailing social issues productively specifically in bottom of pyramid economies (Schubert, 2018). Social innovation is described as the introduction of novel products, models and services that fulfill both social and enterprise needs and develop new social collaborations and associations (Oeij, et al., 2019). Social innovation can be differentiated from the economic innovation on the basis of emphasis of profit maximization later on (Ayob et al., 2016). In the fields of social entrepreneurship social innovation is undertaken as an important and relevant notion. Its significance is rooted in the suggestions that there is a need to separately theorize the social entrepreneurship and social innovation (Phills, et al., 2008). Introduction of novel solutions pursued by the social enterprises for social and financial value creation can accomplish the dual performance goals (Oeij, et al., 2019). The communal transformation by addressing the problems requires the novel and innovative solution that needed the accumulation of knowledge resources (Meister Broekema et al., 2021). This enduring flow of the knowledge resources by mobilizing the prevailing networks can results in innovative consequences that in turn enhance the performance of social enterprises. But as a substitute for general innovation, social innovation is a related concept in the field of social entrepreneurship. The conclusive empirical outcomes of social capital and enterprise economic, social and environmental performance (Montgomery, 2016) it is anticipated that social capital further strengthen the association of social capital and sustainable performance of social enterprise. The subsequent hypothesis was developed based on the above arguments.

- **H5:** Social innovation moderates the association of social capital and sustainable performance of social enterprise.

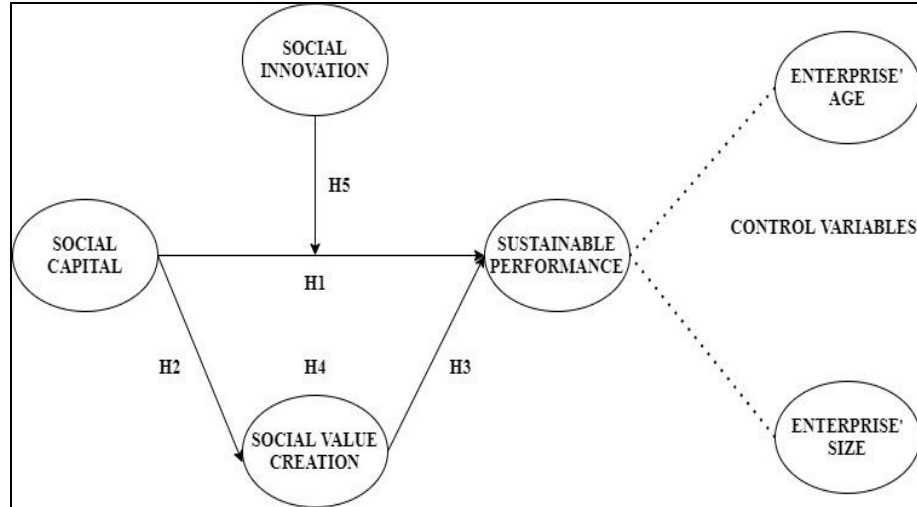


Figure 1: Theoretical Model

3. Methods

3.1 Population and Sample Size

The population of the current research includes the managerial level employees of social enterprises of twin cities of Pakistan that are Islamabad and Rawalpindi. For the data collection purposes 243 managerial level employees of the 57 social enterprises were contacted. The systematic random sampling technique was used to collect the data from the respondents as the basic aim of this research was to test the casual relationship among the constructs of the study so, the systematic random sampling technique is considered as an appropriate sampling technique for selecting respondents for this study. The basic reason for the selection social enterprises of the said twin cities for carrying this research is that the head offices of the almost each social enterprise is located in these cities (Khan et al., 2019). Both of these cities cover the major portion of social enterprises offices. In the data collection for this research, all the standard principles were considerably followed. Structured questionnaire were utilized for the purpose of data collection. Questionnaire along with a covering letter that providing detailed description relating to the objective of the research were distributed among the respondents of the research. In this research, process of the data collection was lengthy relatively and was initiated in June 2019 and was completed in January, 2020. The data collection process was comprised of three stages. In initial stage of data collection questionnaires were mailed on the postal address of the respondents, but the response rate was not satisfactory. In the second phase respondent were contacted through email and telephonic call and requested for cooperation in completing the questionnaires. Still after the second phase the response was not up to required level. In the third and final stage of the data collection researchers personally visited the respondents and requested them for the purpose of data collection. As a result of all these efforts a total of 171 valid responses were recorded.

3.2 Measurement

Structured questionnaire was utilized for the purpose of data collection in this research. 5-point likert scale was undertaken in order to measure the study constructs. The questionnaire utilized was composed of two parts. In the first part respondents were asked regarding their and enterprise demographic profile as control variables in order to develop the further better understanding of the research background and contextual facets. The second part of the questionnaire was comprised of the statements regarding study variables that are SC, SVC, SI and SP.

3.2.1 Social Capital

Social capital was measured with three dimensions that are structural dimension with 4 items, relational dimension with 5-items and cognitive dimension with 4-items. All the items were adopted from the previous studies of Subramaniam and Youndt (2005) and further used by Khan et al. (2020). These 13 items scale generated the Cronbach alpha value of 0.871.

3.2.2 Sustainable Performance

Sustainable performance was measured through three dimensions that are social performance, economic performance and environmental performance. 11-items scale was utilized to measure the sustainable performance of social enterprises adapted from Wang et al. (2018). The 9-item scale generated the Cronbach alpha value of 0.820.

3.2.3 Social Value Creation

Social value creation was measured with 3-items scale, adapted from the Liu et al. (2015) and Arena et al. (2015). This three items scale generated Cronbach alpha value of 0.721.

3.2.4 Social Innovation

Social innovation was measured with a 6-items scale, adapted from Tracey and Stott (2017).the scale was also used by Oeij, et al., (2019). This six items scale generated Cronbach alpha value of 0.794.

3.2.5 Control Variables

In order to develop better understanding of the contextual facets, this study considered enterprise' age and enterprise' size as control variables.

4. Data Analysis

For the analysis of collected data, this research utilized the statistical techniques such as descriptive statistics, correlation and hierarchical regressions analysis. Furthermore, CFA (confirmatory factor analysis) was also carried out in order to determine the discriminant validity by utilizing AMOS, v. 7 software.

4.1 Reliability, Validity and Model Fitness

In this research the Cronbach' alpha value, CR (composite reliability) value and AVE (average variance extracted) value were used to evaluate the instruments' validity and

reliability. It is clear from the value (see table 1) the all the resulted value are in the range of threshold values of 0.50, 0.60 and 0.70, which are the evident of the fact that all the scales are valid and reliable as well. The statistical results confirmed the discriminant validity as the value of AVE coefficients are higher as compare to the inter item correlations of the all the study variables (Fornell & Larcker, 1981). Cronbach' alpha, CR (composite reliability) and AVE (average variance extracted) values are presented in table 1.

Table.1 Discriminant Validity of Study Constructs

| | Items | Cronbach's Alpha | Factor Loading | AVE | CR |
|-------------------------|-------|------------------|----------------|------|------|
| Social Capital | 13 | 0.871 | 0.77-0.91 | 0.74 | 0.93 |
| Social Value Creation | 3 | 0.721 | 0.71-0.87 | 0.72 | 0.91 |
| Sustainable Performance | 11 | 0.820 | 0.72-0.91 | 0.70 | 0.89 |
| Social Innovation | 6 | 0.794 | 0.76-0.90 | 0.73 | 0.95 |

4.2 Confirmatory Factor Analysis (CFA)

Before the analysis of data, in this study, CFA technique was utilized in order to confirm the adequacy of the model for further analysis. A number of indicators were considered in order to confirm the overall model fitness and construct validity. The statistical results of the GFI=0.91, CFI=0.93, RMSEA=0.05 and $\chi^2 =134.66$ for hypothesized model are consistent with threshold values as Waller, (1993) suggested that for model fitness GFI and CFI values needed to be 0.90 or greater and RMSEA value needed to be 0.05 or less than 0.05.

4.3 Descriptive Analysis

The table 2 represents the statistical results of mean, standard deviation and correlation statistics for study constructs. The value depicted in table 2 confirms the positive and significant association between the variables of the study. It is clear from the table that SC is positively and significantly correlated to SP as the value of ($r=.21^{**}$), SC is positively and significantly correlated to SVC as the value of ($r=.33^{**}$), and SC is positively and significantly correlated to SI as the value of ($r=.26^{**}$). SVC is also positively and significantly correlated to SP as the value of ($r=.37^{**}$), and SVC is also positively and significantly correlated to SI as the value of ($r=.59^{**}$). Furthermore, SI is also positively and significantly correlated to SP as the value of ($r=.48^{**}$). The statistical result of the correlation analysis is supporting the formulated theory of this study as all the variables are positively correlated. The mean value for enterprise' age is 1.2 and enterprise' size is 3.3 which are the control variables of this study.

Table 2: Descriptive and Correlation Analysis

| Variables | Mean | SD | 1 | 2 | 3 | 4 | 5 |
|---------------------------|------|-----|------|-----|-------|-------|-------|
| Enterprise' Age | 1.2 | .78 | 1 | | | | |
| Enterprise' Size | 3.3 | .87 | .08 | 1 | | | |
| Social Capital | 3.5 | .82 | .06* | .03 | 1 | | |
| Social Value Creation | 3.6 | .90 | .04 | .07 | .33** | 1 | |
| Social Innovation | 3.3 | .86 | .09 | .01 | .26** | .59** | 1 |
| Sustainable Performance | 3.7 | .88 | .03 | .08 | .21** | .37** | .48** |
| Note; *p <0.05, **p <0.01 | | | | | | | |

4.4 Testing Hypotheses

Regression analyses were performed to confirm the formulated hypotheses of the current study and the results are presented in below table 3. The statistical results approve the H₁ of the study that social capital is positively associated to sustainable performance of social enterprises as model 3 entails the results for the effects of social capital upon sustainable performance. The regression coefficient depicted in model 3, social capital is the significant and positive predictor for sustainable performance of social enterprise ($\beta = 0.21^{**}$). So, H₁ of the research was approved. Model 2 entails the statistical results of the direct effects of social capital upon social value creation. Social capital is the positive predictor for social value creation as ($\beta = 0.33^{**}$), so, H₂ that social capital is positively associated to social value creation of social enterprises was approved statistically. Model 4 entails the statistics for the direct effect of social value creation on sustainable performance. Social value creation is the positive predictor for sustainable performance ($\beta = 0.37^{**}$), so H₃ of the study that social value creation is positively associated to sustainable performance of the social enterprises has been also approved.

Table 3: Results for Regression Analysis

| Variables | Social Value Creation | | | Sustainable Performance | |
|---------------------------|-----------------------|-----------|-----------|-------------------------|-----------|
| | (Model 1) | (Model 2) | (Model 3) | (Model 4) | (Model 5) |
| Enterprise' Age | 0.013 | 0.012 | 0.007 | 0.008 | 0.014 |
| Enterprise' Size | 0.081 | 0.082 | 0.081 | 0.024 | 0.085 |
| Social Capital | | .33** | .21** | | .15** |
| Social Value Creation | | | | .37** | .39** |
| R ² | 0.031 | 0.35 | 0.37 | 0.31 | 0.37 |
| ΔR^2 | 0.030 | 0.32 | 0.34 | 0.30 | 0.33 |
| F | 4.16* | 35.5* | 40.97* | 33.05** | 20.97** |
| ΔF | 4.16* | 17.05* | 16.08* | 19.6** | 13.02** |
| Note; *p <0.05, **p <0.01 | | | | | |

The mediating effects were also evaluated by OLS regression analyses. In table 3 model 5 depicted the mediating effects of social value creation among the relationship of social capital and sustainable performance. After the addition of social value creation in the model the regression coefficient of social capital diminishes from $\beta= 0.21^{**}$ to $\beta= 0.15^*$, whereas the regression coefficient of social value creation is ($\beta=0.39^{**}$). So, these statistical results recommended that social value creation partially mediates the social capital and sustainable performance relationship. So, H_4 of the study that social value creation mediates the association of social capital and sustainable performance of social enterprises was approved.

Normal test theory as suggested by Preacher and Hayes (2008) was considered in order to determine the significance and size of the mediating effects between the relationship of social capital and sustainable performance. So, PROCESS Macro of SPSS version was used to measure the direct as well as indirect effects. The results for direct and indirect effects are enlisted in table 4. Statistical results represented in table 4 exposed total effects ($\beta=0.33^{**}$, $t=7.71$), direct effect ($\beta=0.21^{**}$, $t=1.38$) as well as indirect effect ($\beta=0.33-0.21=0.12$) of social capital upon sustainable performance through social value creation. The statistical values of Sobels' test that are ($Z = 3.52$), approved the indirect effects of social capital upon sustainable performance through social value creation. Thus H_4 of this study approved.

Table 4: Direct and Indirect Effects of Social Capital upon Sustainable Performance Utilizing SPSS Version of Process

| Mediation Models | Total Effects | | | Direct Effects | | | Indirect Effects | | |
|------------------|---------------|------|------|----------------|------|------|--------------------|------|------|
| | B | T | P | B | T | P | Normal Test Theory | | |
| | | | | | | | B | Z | P |
| SC-> SVC ->SP | 0.33 | 7.71 | 0.00 | 0.21 | 1.38 | 0.08 | 0.12 | 3.52 | 0.00 |

Note; SC (Social Capital), SVC (Social value Creation), SP (Sustainable Performance)

Hierarchical regressions analysis was considered to evaluate the moderating role of social innovation on the relationship of social capital and sustainable performance of social enterprises. For this purpose three step regression models was used. In first step control variables enterprise' age and enterprise' size were entered, whereas social capital and social innovation were entered in second step. In third step an interaction term was created by multiplying social capital and social innovation and entered in to model. Table 5 entails the significant contribution of the interaction term on sustainable performance. The coefficient (0.18^{**}) of the interaction term (SC -x -SI) further strengthen the contingent effects of social capital on sustainable performance. So, as a result of this H_5 of the study that social innovation moderates the association of social capital and sustainable performance of social enterprise is fully supported. As per suggestions of Aiken, et al., (1991) slope analysis was also carried out. Figure 2 represents the statistical output of the moderation analysis. Figure 2 represents that social capital enhance the sustainable performance of social enterprises when social innovation is higher.

Table 5: Results of Hierarchical Regressions Analysis

| | Step 1 | Step 2 | Step 3 |
|--|--------|--------|--------|
| (a) Moderating effect of social innovation | | | |
| Enterprise' Age | 0.031 | 0.010 | 0.006 |
| Enterprise' Size | 0.024 | 0.020 | 0.014 |
| Social Capital | | 0.17** | 0.20** |
| Social Innovation | | 0.31** | 0.33** |
| Social Capital* Social Innovation | | | 0.18** |
| R ² | .009 | .190 | .197 |
| Adjusted R ² | .003 | .158 | .174 |
| Δ R ² | .006 | .160 | .027 |
| ΔF | 3.188 | 70.81 | 17.21 |

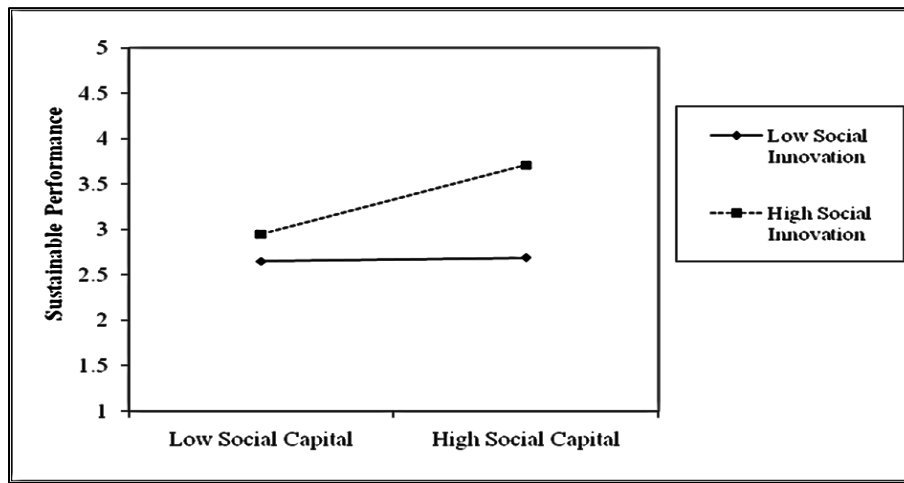


Figure 2: Slope Analysis SC * SI on Sustainable Performance

5. Discussion

The basic aim of this research was to evaluate the degree at which social capital affects the sustainable performance of the social enterprises of developing economies like Pakistan. In addition the effects of social capital on social value creation and the effects of social value creation on sustainable performance of the social enterprises were also evaluated. Moreover, the contingent effects of the social innovation on the relationship of social capital and sustainable performance contextualizing the social enterprises were also checked. On the basis of detailed literature analyses this research developed a total of five hypotheses in order to approve the direct as well as indirect effects of social capital and sustainable performance. The results of statistical analysis confirmed all the hypotheses of

the study. All anticipated associations were approved. Firstly, H₁ of the study was confirmed as study approved the direct relationship between social capital and sustainable performance of social enterprises. The results of current study are in line to the findings of Annen (2003), Ying et al. (2019) and Yusliza, et al., (2020), and existing study in line to the resource based view of the firm also emphasizes the significance of social capital in augmenting the sustainable performance of the social enterprises. Relating to H₂ of the study, the statistical results also approved that social capital positively add to the social value creation. This finding of the research is consistent to the finding of Abas et al. (2019) and Di Domenico et al. (2010). With respect to H₃ of this study, the association among social value creation and sustainable performance of the social enterprise was also confirmed statistically and finding was consistent to the findings of Stankevičienė and Čepulytė (2014), Faludi, (2020) and Di Domenico et al. (2010). Relating to H₄ of the study, the mediating effects of the social value creation in the relationship of social capital and sustainable performance is also approved. This finding of the current study was in line to the results of Ismael and Emeagwali (2019) and Annen (2003). Relating to H₅ of the research, the statistical results confirmed the moderating role of social innovation on the relationship of social capital and sustainable performance of social enterprises in a manner that the influence of the social capital on sustainable performance will be higher when social innovation is high. The result of this hypothesis is consistent to the finding of Castro-Arce and Vanclay (2020) and Abbas, et al. (2019).

5.1 Theoretical Contribution

This research add to the existing body of knowledge in threefold ways; firstly, this research entails a statistical tested model that emphasizes on the significance of social capital in augmenting the sustainable performance of organizations contextualizing the social enterprises of the developing economies. The significance of the social capital was emphasized significantly, but its influence upon sustainable performance in the context of social enterprises has not been evaluated thoroughly (Yusliza, et al., 2020). Secondly, this research also entails the probable system through which social capital adds to sustainable performance via social value creation. Even though few researches emphasized upon the role of social networks, intellectual capital in augmenting sustainable performance, the combination of social capital and social value creation for sustainable performance of social enterprises was previously never been evaluated (Di Domenico, et al., 2010). Thirdly, this research emphasizes upon the significance of social innovation and evaluated its moderating role upon the association of social capital and sustainable performance of social enterprises. Earlier to this study, the empirical significance of social value creation as mediating construct, and social innovation as a moderating construct was established, however their associations such as established in this research have not been completely evaluated contextualizing the social enterprises of developing economies like Pakistan.

5.2 Managerial Implications

In addition to the addition to existing body of knowledge, this study also provides some of the valuable implications for the managers of the social enterprises. Firstly, the current research recommends that the managers and policy makers of the social enterprises must

provide the special focus to the development of their social capital and consider it as an imperative feature for strategic management and planning. The significance of the social capital cannot be ignored by social enterprises as social capital accumulation has become as a sturdy antecedent for the sustainable performance of social enterprises (Annen, 2003). Secondly, this study also recommends that, social capital enhances the social value creation to benefit the society and enterprise concurrently. So, to enhance the social value creation, social capital augmentation and accumulation should be integrated as a preferred component in long-term planning and management. Finally, this research also advocates the managers of the social enterprises to emphasize upon the social innovation by which it is foremost easy for the social enterprises to enhance their social, economic and environmental performance, so these enterprises can effectively add to the sustainable development of the society. By the application of social innovation, social enterprises will be in better position to enhance their social, economic and environmental performance to achieve the target of sustainable development of the society (Abbas, et al., 2019).

5.3 Limitation of the Study

Several limitations of this study that are needed to address in future studies. First, this research considered single informants technique and data was gathered from the social enterprises. As a result, the results of this study might be open to the issue of CMV (common method variance). This study addressed this problem through test suggested by Podsakoff, et al., (2003). The outcome entailed that the results of the current study are not probably resulted to CMV. But for future research it is recommended to collect the data utilizing multiple informants' technique in order to eliminate the similar issue. Second limitation of this research is the generalization of findings. As the findings of this study is restricted, for the reason that in this study data was gathered from the social enterprises of developing economy such as Pakistan. For future research it is recommended that a meaningful addition will be to test this model in other economies that are in the developing phase, or to carry out research that is comparative in developed and developing economies. In addition, the cross-sectional research design does not allow the basic causal interpretations among several components, thus, this research cannot suggest that at what point of time the components of social capital are imperative for sustainable performance.

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