# Social competence and SME performance: extending the nonfinancial perspective

SC and SME performance

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#### Abstract

Purpose – The purpose of this paper is to investigate the influence of entrepreneurs' social competence (SC) on small and medium-sized enterprise (SME) performance.

Design/methodology/approach — Primary data of 250 manufacturing SMEs were collected through a survey method. The influence of SC on performance was tested using structural equation modelling (SEM). Findings — Overall, the findings suggest that SC dimensions have a positive influence on SME performance in terms of nonfinancial perspective. More clearly, the findings show that out of five dimensions of SC, which include social adaptability, social perception, social expressiveness, persuasiveness and impression management; social perception, persuasiveness and impression management have direct effect on customer perspective; persuasiveness, social expressiveness and social adaptability have a direct influence on internal business processes and social adaptability, social perception, impression management and social expressiveness are directly related with learning and growth. Contrary to expectations though, social perception and social adaptability were significantly and negatively associated with internal business processes and customer perspective, respectively, while there was no significant correlation between social expressiveness, persuasiveness and impression management with customer perspective, business processes and learning and growth in that order.

**Practical implications** – The current study affirms that SMEs managed by entrepreneurs and managers who possess high levels of SC, may have a better performance compared to those operated by entrepreneurs with low levels of SC. This justifies a need for SME entrepreneurs and managers to work hard to improve their SC capabilities.

Originality/value — This study is pertinent and unique because, it extensively examines each of the five dimensions of SC in relation to nonfinancial indicators of SME performance. Besides, the study also provides additional evidence of the impact of SC on SME performance by suggesting that entrepreneurs who are socially competent are more likely to own highly successful ventures.

**Keywords** Social competence, Entrepreneurs, SMEs, Nonfinancial performance, Social capital **Paper type** Research paper

#### 1. Introduction

The dynamics in the business environment have necessitated small and medium-sized enterprises (SMEs) to device a range of strategies for ensuring their survival, growth and successful performance (Franco, Haase, & Pereira, 2016; Neneh, 2018; Rehman & Anwar, 2019). One among such strategies is social competence (SC) (Meutia & Ismail, 2012). In its broad perspective, SC is described as an array of social skills that enhance individuals to cooperate, communicate and inspire others (Baron & Markman, 2003; Lans, Blok, & Gulikers, 2015). Therefore, SC can be one of the competitive strategic mechanisms that an entrepreneur must possess to overcome increased business complexity.



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Research on the SC perspectives asserts that entrepreneurs' social skills-related components such as SC support the creation of social relations (Lans et al., 2015). Several scholars (Baron & Markman, 2003; Breland, Treadway, Duke, & Adams, 2007; Ferris et al., 2005) also note that entrepreneurs must have a decent command in SC to create trust and credibility with important social ties and make a good use of social capital, that is, embedded among actors of these relations. Underpinning the preceding statement, research offers compelling evidence that socially skilled individuals are more competent managers and better equipped to accumulate resources from network members than those who are less socially proficient (Baron & Markman, 2003; Lans et al., 2015; Meutia & Ismail, 2012; Tocher, Oswald, Shook, & Adams, 2012). Therefore, social skills including SC can be regarded as an essential element in enhancing business performance.

Guided by the social capital theory (Easmon, Kastner, Blankson, & Mahmoud, 2019; Lee, Tuselmann, Jayawarna, & Rouse, 2019; Tocher et al., 2012), along with the view that entrepreneurship is a social endeavour that transpires through social contacts and relations created by an entrepreneur (Sousa, Fontes, & Videira, 2011), this study argues that SC enables entrepreneurs to develop and maintain entrepreneurial networks with key actors that results into social capital, which is likely to enhance SME performance. However, the majority of studies on the relationship between SC and SME performance have been predominantly done in developed countries with little attention of research conducted in developing countries. Besides, much of earlier studies mostly concentrated on the role of SC on financial performance indicators. As a result, there is deficiency of empirical support in regard to the relationship between SC and SME performance, particularly in terms of nonfinancial aspects. It is from this viewpoint that this study aims to investigate how SC of an entrepreneur can impact SME performance within the context of Tanzania, which serves as an illustrative example of developing nation. More specifically, this study builds upon previous research on the social skills perspective by investigating whether SC is really associated with nonfinancial indicators of business performance.

Considering the discussion above, regardless of the existence of previous research, it becomes relevant to investigate the role of SC on stimulating SME performance. By doing so, this research aims to demonstrate how entrepreneurs can leverage their SC to overcome challenges associated with SME performance. Therefore, it is expected that the findings of this research will contribute to enhancing the content of entrepreneurial training programmes by emphasizing the development of social skills, specifically SC. This focus on SC will eventually lead to improved SME performance. Thus, this study adds knowledge to the literature of entrepreneurship by identifying specific SC attributes that can successfully predict SME performance on the nonfinancial aspects.

The structure of the rest of this paper is organised as follows: it starts with the concept of SC, and then proceeds with the social capital theory as the central theory, in which the importance of social networks and the resulting social capital is presented. Subsequently, the link between SC and business performance is provided. This is followed by the description of methods used to conduct this study, presentation of the study findings, discussion as well as theoretical and practical implications. Lastly, the limitations of the study and suggestions for future research are specified.

#### 2. Literature review

#### 2.1 Social capital theory

The origin and understanding of the social capital theory owes much to the seminal work of Pierre Bourdieu, Mark Granovetter, Robert Putnam and James Coleman, among other authors. One of the early renowned seminal works about the social capital theory was presented by Pierre Bourdieu in 1986 (Bourdieu, 2011). He emphasised the role of one's social

networks and relationships in accessing variety of resources. According to him, the amount of social capital accrued from those relationships depends on the network size. These social networks do not naturally exist but rather are created through intentional efforts focused on establishing strategies that institutionalize group connections. Granovetter (1973) provided a vital concept referred to as "the strength of weak ties" in understanding the importance of social capital. Weak ties are relationships between individuals or entities that are considered to be less intimate, less frequent or less emotionally close compared to strong ties which are more intimate, more frequent and more emotionally attached. In his paper, he stressed the importance of weak ties for accessing information and other important resources. Similarly, Putnam (2000) argues that social capital, which involves social networks, relationships and connections that individuals form, is crucial for the general well-being of society and functioning of communities. He demonstrates how deteriorating levels of social capital, including decreased civic engagement and participation in community organizations, can have negative consequences for social unity. The argument ignited substantial policy and academic discussions on the concept of social capital and its implications on various aspects of society. Finally, Coleman (1994) made a noteworthy contribution on the concept of social capital. He highlighted the value embedded in social relationships and networks, emphasising how they provide information, resources and opportunities for individuals, groups and entities.

In general, these scholars among others, highlights the role of social relationships in providing valuable advantages among actors (Bratkovic, Antoncic, & Ruzzier, 2009). Thus, the social capital theory emphasises that these relationships which one possesses can lead to various benefits such as trust, shared norms and access to valuable information as well as resources (Batjargal, 2006, 2010). Simply, social capital can be defined as a pool of tangible and intangible resources that arise from social interactions and contacts (Boohene, Gyimah, & Osei, 2020; Greve & Salaff, 2003; Liao & Welsch, 2005). Thus, social capital is the outcome of interactions and networking activities (Boohene *et al.*, 2020; Greve & Salaff, 2003). Normally, the social capital theory provides a crucial framework for understanding how social networks and relationships can influence business outcomes. By recognizing the role of social capital, firms can develop strategies and mechanisms to build and leverage social networks to achieve their goals (Aidoo, Agyapong, & Mensah, 2020; Dar & Mishra, 2020; Easmon *et al.*, 2019; Tocher *et al.*, 2012).

Scholars have affirmed that social capital can be observed in three main dimensions. having: structural, relational and cognitive dimensions (De Carolis, Litzky, & Eddleston, 2009; De Carolis & Saparito, 2006; Nahapiet & Ghoshal, 1998). Structural social capital refers to the impersonal arrangement of social relationships or networks among actors (Nahapiet & Ghoshal, 1998). Most notably, network structure involves the presence or absence of ties, the number (size) of ties and the configuration of ties among members (Easmon et al., 2019; Lee et al., 2019; Tocher et al., 2012). Therefore, the position that an entrepreneur places himself or herself within a particular cluster of networks and the number of networks he or she possesses will influence the amount and quality of resources that will be accessed (Tocher et al., 2012). Equally, relational dimension of social capital reflects the behavioural aspects of the network such as trust, reciprocity, obligations and expectations (Easmon et al., 2019; Lee et al., 2019). These aspects evolve through the history of social interaction between actors and it is this interaction that can determine the strength of ties (strong or weak tie) and whether it is a strong or weak tie that is beneficial or not (Tocher et al., 2012), Finally, according to Nahapiet and Ghoshal (1998), the cognitive aspect of social capital refers to "shared representations, interpretations and systems of meaning among parties" Specifically, the common understanding of meaning and language enhance learning as well as information and knowledge sharing (De Carolis & Saparito, 2006).

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However, the entrepreneur's ability to create networks and thus, develop social capital is mainly determined by the one's use and development of SC (Lans *et al.*, 2015). In this sense, an individual's capacity to communicate effectively with others will influence development of social capital dimensions (Tocher *et al.*, 2012). Therefore, it can be argued that entrepreneurs with higher levels of SC are more likely to establish higher levels of structural, relational and cognitive social capital with their network contacts.

#### 2.2 Social competence and business performance

There is no distinct and unanimous definition of SC and variety of approaches are used to conceptualise different aspects of SC depending on the orientation of a particular study (Lans et al., 2015). Starting with a concept of competence itself, it refers to a range of integrated abilities of knowledge, skills and attitudes that are required to accomplish a specified task in a certain context (Mulder, Gulikers, Biemans, & Wesselink, 2009). Hence, competence is not only about having a specific skill but also the ability to apply it in a given setting (Warnes, Sheridan, Geske, & Warnes, 2005).

Generally, the social element of SC pertains to the ability to form and maintain social contacts (Beauchamp & Anderson, 2010). In the perspective of entrepreneurship, SC has been comprehensively defined as the discrete abilities of social skills which an individual possesses and develops to effectively communicate, interact, impress and influence other people (Baron & Markman, 2003; Lans et al., 2015; Sallah & Caesar, 2022). Various aspects of SC are explored in the literature; the main ones include social perception, social adaptability, social expressiveness, impression management and persuasiveness (Baron & Markman, 2003). This definition captures the combined effects of several social skills attributes such as the capacity to perceive others precisely (Baron & Markman, 2003; Ferris et al., 2005), adapt to different social situations, develop a range of networks (Ferris et al., 2005), inspire right reactions to others (Baron & Markman, 2000, 2003; Ferris et al., 2005) and exerting control over others behaviour, according to one's desires (Baron & Markman, 2000, 2003).

Previous research does provide solid evidence that SC has an impact on a wide range of results and procedures both in business organizations (Baron & Markman, 2003; Ferris *et al.*, 2005, 2007) and in many nonbusiness environments (Warnes *et al.*, 2005). More clearly, several studies present a positive association between entrepreneurs' SC and venture performance (Baron & Markman, 2003; Baron & Tang, 2009; John, Mwakalobo, & Bengesi, 2021; Lans, Verhees, & Verstegen, 2016; Tocher, 2007; Tocher *et al.*, 2012).

As highlighted above, socially competent entrepreneurs have been found to be able to apply their skill to interrelate and communicate effectively in a way that enlarges their social capital, which in turn, increases financial performance of ventures (Tocher et al., 2012). For instance, Baron and Markman (2003) found that three dimensions of SC; social perception (accuracy in perceiving others), social adaptability and social expressiveness are significantly related to financial success. More proof of the value of SC on business performance is by presented by Tocher (2007). He concluded that new ventures of socially effective entrepreneurs experience higher levels of entrepreneurial and financial performance (e.g. sales growth rate and accounting return on performance) than those founded by less socially effective entrepreneurs. Such findings are also supported by several scholars (Bengesi & Le Roux, 2014; John et al., 2021). In their studies, they found that relational skills related to SC have a positive relationship with profit, ROA and ROI. Similarly, research has established that ventures managed by entrepreneurs with strong social skills undergo better business growth (Sallah & Caesar, 2022) and are able to obtain crucial resource than other firms (Zhang, Souitaris, Soh, & Wong, 2008). Finally, in a study of new ventures in a wide range of industries, Baron and Tang (2009) concluded that numerous features of

entrepreneurs' social skills are significantly related to the financial performance of their firms.

In short, it seems to be straightforward that social SC is positively associated with business performance. Nevertheless, as highlighted above, the majority of literature on SC and business performance has focused on financial indicators. No studies known to the author that have specifically examined the impact of specific social skills (particularly social competence) on nonfinancial indicators in the context of SMEs. Hence, building on this argument, the research question that guided this study is rephrased as follows: what is the influence of specific SC attributes (i.e. social perception – expressiveness, adaptation, persuasive and impression management) on specific indicators of nonfinancial performance (i.e. customer perspective, internal business processes and learning and growth)?

#### 3. Method

#### 3.1 Samble and data collection

The target population of this study was manufacturing SMEs in two biggest cities of Tanzania; Dar es Salaam and Mwanza. The selection of these towns was based on the following justifications: Dar es Salaam is the commercial capital of Tanzania accounting for approximately 70% of all industries in the country (Bekefi, 2006). As a result, a majority of entrepreneurial activities, ranging from large corporations to small businesses, are concentrated in Dar es Salaam. According to Gongera, Okoth, and Njuki (2013), a significant portion of these entrepreneurial endeavours in the city consists of small businesses. Furthermore, Dar es Salaam has a considerable number of manufacturing SMEs, which are the main focus of this research (Olomi, 2009). Mwanza, is Tanzania's second-largest city, following Dar es Salaam in terms of the population size, commercial and industrial activities as well as well SMEs concentration (Mbura, 2007). A total of 278 SMEs were selected for this study. A survey method through self-administered questionnaires was used to collect the data from entrepreneurs of these SMEs. Data preparation was undertaken shortly after completing the survey. Out of 278 questionnaires, 250 were completed and suitable for running the analysis. Finally, the survey was piloted with a sample of 62 entrepreneurs to assess the effectiveness and consistency of each question in accurately gathering the desired information before commencing data collection exercise.

#### 3.2 Measures

3.2.1 Independent variable (social competence). SC was evaluated by using five dimensions, which include social adaptability, social perception, social expressiveness persuasiveness and impression management (see Appendix 1). Participants were requested to indicate their levels of agreement on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), by selecting the response that best reflected their agreement with each statement regarding their own characteristics. More clearly, to ensure content validity of SC, established 26 items from previous studies of Baron and Markman (2003) and Baron and Tang (2009), were adopted to measure entrepreneurs' SC. Each item consisted of a statement (e.g. "I often say or do things which influence others to change their mind and agree with me"; "I can easily adjust to being in just about any social situation").

3.2.2 Dependent variables. The three indicators of nonfinancial performance, viz customer perspective, internal business processes and learning and growth were measured based on an entrepreneurs' perceptions towards the performance of their businesses. According to Kaplan and Norton (2005), the customer perspective observes the perception of customer satisfaction towards organisational products or services; the internal business process perspective examines the processes, which are used to produce and deliver products and

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services according to customer expectations; learning and growth measures the initiatives and efforts which the organisations make in encouraging and providing opportunities to employees to learn and grow in their respective areas of expertise. All items representing these three perspectives were measured by a five-point Likert scale ranging from 1 to 5 with a score of 1 = strongly disagree to 5 = strongly agree. The respondents were requested to share their opinions regarding the degree to which they agreed or disagree with each statement presented. The measurements are presented in Appendix 1.

3.2.3 Control variables. To minimize the effect of other factors on SME performance, two control variables were included. These were firm size and age. This is because these variables are enterprise related factors that impact performance (Younis & Sundarakani, 2020).

3.2.4 Data analysis. Descriptive and inferential analyses were conducted. Specifically, descriptive analysis included mean, standard deviation, kurtosis and skewness. On the other hand, structural equation modelling (SEM) was done in two steps, confirmatory factor analysis (CFA) for assessing the measurement model reliability and validity and structural model for analysing relationships between study's variables. SEM was involved as a second-generation technique that is capable for analysing complex relationships with latent and observed variables. SEM is often suggested as highly suitable, especially when a study has numerous constructs, each indicated by multiple measured variables (Hair, Anderson, Tatham, & Black, 2010).

#### 4. Findings

#### 4.1 Descriptive analysis

Table 1 presents results of descriptive statistics. Results show that the mean value of social perception (SOCP) among respondents is 3.82, with a standard deviation of 0.946. This indicates that perceptions of respondents regarding social perception of are moderately positive, with a moderate amount of variability or dispersion around the mean. In relation to social adaptability (SOCA), results show a mean value of 3.54 and standard deviation of 0.970. This implies that perceptions of respondents in social adaptability are slightly lower compared to other variables, with a relatively higher variability in opinions of respondents. Furthermore, the mean value of social expressiveness (SOCE) was found to be 3.76 with a standard deviation of 0.994. This suggests that perceptions of respondents regarding social expressiveness are moderately positive with a moderate aggregate of variability in responses. In relation to impression management (IMGT), results indicate an average mean value of 4.15 and standard deviation of 0.907. This proposes that on average, perceptions of respondents about their impression management are quite positive, with a moderate amount of variability in opinions.

Variable	Mean	Std. Deviation	Skewness	Kurtosis	
SOCP	3.82	0.946	-0.287	-0.612	
SOCA	3.54	0.970	-0.673	0.145	
SOCE	3.76	0.994	0.269	-0.740	
IMGT	4.15	0.907	0.695	0.354	
PERS	3.94	0.822	-0.926	0.730	
CUSP	4.36	0.587	-0.416	0.031	
BPRO	3.91	0.739	0.340	0.266	
LGRO	3.87	0.717	-0.796	1.053	
Source(s): Tal	ole by the author				

Table 1.
Descriptive statistics

Equally, results of persuasiveness (PERS) indicated a mean score of 3.94 with a standard deviation of 0.822. This is an indication that the average perception of persuasiveness among respondents is moderately positive, with a moderate variability in responses. In regard to customer perspective (CUSP), results provide a mean score of 4.36 and standard deviation of 0.587. This suggests that perceptions of respondents in customer perspective are notably positive, with lower variability compared to other variables. Regarding business processes (BPRO), the results indicate mean value 3.91 and a standard deviation of 0.739. This infers that on average, perceptions of business processes are moderately positive, with a moderate amount of variability in respondents' opinions. Finally, the mean score of learning and growth (LGRO) is 3.87with a standard deviation of 0.717. This implies that, perception of learning and growth is moderately positive, with a moderate amount of variability in responses. On the other hand, the assessment of data normality, as indicated by the skewness and kurtosis values in Table 1, adheres to the recommended threshold (Hair *et al.*, 2010), ensuring that the distribution of data are within acceptable limits.

#### 4.2 Measurement model

CFA was applied to assess the model's measurements and determine the validity of the study variables. The CFA results presented the following model fit indices, including the model chisquare values ( $X^2 = 102.053$  and degree of freedom (df) = 80 at p = 0.063). Also,  $X^2/$ df = 1.276, normed fit index (NFI) = 0.902, incremental fit index (IFI) = 0.978, Tucker-Lewis Index (TLI) = 0.971, comparative fit index (CFI) = 0.978, root mean square error of approximation (RMSEA) = 0.052 and PCLOSE = 0.446. Thus, the presented model fit indices align with the suggested thresholds, indicating that the model appropriately represents the dataset (Hair et al., 2010). On the other hand, the assessment of internal consistency reliability utilized Cronbach's alpha, revealing that all variables exhibited Cronbach's alpha coefficients above 0.7 as presented in Table 2. This shows that the study achieved adequate internal consistency reliability based on the established threshold (Hair et al., 2010). Furthermore, composite reliability values for all variables exceeded the threshold of 0.7, affirming the reliability attained within this study according to the criteria established by Hair et al. (2010). Finally, discriminant validity in this study was assessed by using the Fornell-Larcker criterion, in which the results presented in Table 3 show that the values of the square root of AVE of each construct is greater than correlations with other constructs in the model.

#### 4.3 Structural model results

The study aimed at examining the relationships between dimensions of SC and SME performance. Also, firm size and firm age were included in the structural model to examine the clear picture of the relationships between exogenous and endogenous variables. The results in Table 4 indicate that, social perception was significantly and positively related with customer perspective ( $\beta=0.206$ , p=0.004) as well as learning and growth ( $\beta=0.220$ , p=0.014). However, social perception was significantly and negatively associated with internal business processes ( $\beta=-0.161$ , p=0.028). This implies that high level of social perception has a direct positive effect on customer perspective and learning and growth but a negative direct influence on business processes. Social adaptability was found to have a significant and positive relationship with internal business processes ( $\beta=0.229$ , p<0.001) and learning and growth ( $\beta=0.176$ , p=0.034). However, social adaptability was significantly and negatively associated with customer perspective ( $\beta=-0.357$ , p<0.001). These results suggest that social adaptability have a direct influence on internal business processes but negative effect on customer perspective.

Social expressiveness is significantly and positively related with internal business processes ( $\beta = 0.159$ , p = 0.005) and learning and growth ( $\beta = 0.312$ , p < 0.001). Nevertheless,

IRJMS	Construct/items	Factor loadings	Cronbach's alpha	CR	AVE
	Social perception		0.856	0.867	0.569
	SOCP1	0.738			
	SOCP2	0.701			
	SOCP3	0.849			
	SOCP4	0.638			
	SOCP5	0.824			
	Social adaptability		0.843	0.858	0.553
	SOCA1	0.677			
	SOCA2	0.921			
	SOCA3	0.711			
	SOCA4	0.629			
	SOCA5	0.745			
	Social expressiveness		0.850	0.852	0.538
	SOCE1	0.683			
	SOCE2	0.881			
	SOCE3	0.739			
	SOCE4	0.616			
	SOCE5	0.724			
	Impression management		0.892	0.895	0.587
	IMGT1	0.859			
	IMGT2	0.697			
	IMGT3	0.734			
	IMGT4	0.835			
	IMGT5	0.741			
	IMGT6	0.718			
	Persuasiveness		0.878	0.881	0.600
	PERS1	0.638			
	PERS2	0.820			
	PERS3	0.727			
	PERS4	0.813			
	PERS5	0.856			
	Customer perspective		0.798	0.814	0.526
	CUSP1	0.631			
	CUSP2	0.785			
	CUSP3	0.816			
	CUSP4	0.651			
	Business processes		0.816	0.857	0.602
	BPRO1	0.832			
	BPRO2	0.637			
	BPRO3	0.862			
	BPRO4	0.754			
	Learning and growth		0.854	0.869	0.529
	LGRO1	0.629			
	LGRO2	0.687			
	LGRO3	0.726			
	LGRO4	0.641			
Table 2.	LGRO5	0.798			
Measurement model	LGRO6	0.854			
results	Source(s): Table by the aut				
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there was no significant correlation between social expressiveness and customer perspective ( $\beta=0.108, p=0.256$ ). These results suggest that social expressiveness is directly related with business processes and learning and growth but does not have any effect on customer

	CR	AVE	MSV	ASV	BPRO	SOCP	SOCA	SOCE	IMGT	PERS	CUSP	LGRO	SC and SME performance
BPRO SOCP SOCA SOCE IMGT PERS CUSP LGRO Source	0.857 0.867 0.858 0.852 0.895 0.881 0.814 0.869 e(s): Ta	0.602 0.569 0.553 0.538 0.587 0.600 0.526 0.529 tble by t	0.213 0.388 0.388 0.091 0.438 0.251 0.251 the auth	0.089 0.144 0.165 0.039 0.163 0.198 0.112 0.066 or	0.776 -0.195 0.225 0.138 -0.304 0.461 0.385 0.253	0.754 0.623 0.209 0.322 0.569 0.221 0.254	0.743 0.155 0.605 0.434 -0.349 0.113	0.734 0.212 0.302 0.102 0.207	0.766 0.662 0.278 0.144	0.775 0.354 0.095	0.725 0.501	0.727	Table 3. Discriminant validity
Dalation						Entimo		S.E.		C.R.			
Relation	nsnips					Estima	te	S.E.		C.K.		Þ	
CUSP		←		SOCP		0.206	5	0.072		2.86	l	0.004	
BPRO		←		SOCP		-0.161		0.073		-2.205		0.028	
LGRO		$\leftarrow$		SOCP		0.220	)	0.089		2.472	2	0.014	
CUSP		$\leftarrow$		SOCA		-0.357	7	0.087		-4.103	3	****	
BPRO		$\leftarrow$		SOCA		0.299	)	0.075		3.987	7	****	
LGRO		$\leftarrow$		SOCA		0.176	5	0.083		2.120		0.034	
CUSP		$\leftarrow$		SOCE		0.108	3	0.095		1.137		0.256	
BPRO		$\leftarrow$		SOCE		0.159		0.056		2.839		0.005	
LGRO		$\leftarrow$		SOCE		0.312		0.064		4.875		****	
CUSP		$\leftarrow$		IMGT		0.286		0.115		2.487		0.013	
BPRO		$\leftarrow$		IMGT		-0.361		0.094		3.840		****	
LGRO		$\leftarrow$		IMGT		0.168		0.083		2.024		0.043	
CUSP		$\leftarrow$		PERS		0.339		0.109		3.110		****	
BPRO		$\leftarrow$		PERS		0.451		0.098		4.602		****	
LGRO		$\leftarrow$		PERS		0.097		0.083		1.169		0.242	
CUSP		$\leftarrow$		F_SIZE		0.257		0.128		2.007		0.045	
BPRO		$\leftarrow$		F_SIZE		0.191		0.081		2.358		0.019 ****	
LGRO		$\leftarrow$		F_SIZE		-0.373		0.096		-3.885			
CUSP		$\leftarrow$		F_AGE		0.095		0.085		1.118		0.263	
BPRO		$\leftarrow$		F_AGE		0.017	1	0.014		1.214	±	0.225	Table 4.

0.073

2.781

0.005

LGRO

Source(s): Table by the author

F AGE

SC and SME

Structural model

relationships results

perspective. Impression management was positively correlated with customer perspective  $(\beta = 0.286, p = 0.013)$  and learning and growth  $(\beta = 0.168, p = 0.043)$ . However, it was significantly and negatively related with business processes ( $\beta = -0.361, p < 0.001$ ). These results imply that impression management has a direct influence on customer perspective and learning and growth but a negative effect on business processes. Persuasiveness was positively related with customer perspective ( $\beta = 0.339$ , p < 0.000) and internal business processes ( $\beta = 0.451, p < 0.000$ ). Nonetheless, it was found to have an insignificant correlation with learning and growth ( $\beta = 0.097$ , p = 0.242). These results propose that persuasiveness has a direct effect on customer perspective and business processes but does not have any important effect on learning and growth. In regard to control variables, firm size indicated a significant and positive relationship with customer perspective ( $\beta = 0.257$ , p = 0.045) and business processes ( $\beta = 0.191, p = 0.019$ ). Nevertheless, there was a significant and negative association between firm size and learning and growth ( $\beta = -0.373$ , p < 0.001). Finally, firm age showed a significant and positive relationship with learning and growth only ( $\beta = 0.203$ .

0.203

p = 0.005), while there was an insignificant correlation with both customer perspective ( $\beta = 0.095$ , p = 0.263) and business processes ( $\beta = 0.17$ , p = 0.225).

#### 5. Discussion and conclusion

This study sought to extend knowledge by empirically examining the relationship between the SC of owner-managers and SME performance. As emphasised above, previous research in entrepreneurship has indicated that social skills related attributes such as SC are deemed as an important element in facilitating the formation and usage of social networks and thus. leading to a significant influence on SME performance (Lans et al., 2016). Interestingly, though little research has examined whether entrepreneur SC can have similar effect on SMEs performance in terms of nonfinancial perspective. Borrowing from a performance measurement tool known as the Balanced Scorecard (BSC) that stresses the application of both financial and nonfinancial indicators in measuring business performance (Kaplan & Norton, 2005); this paper tries to make more emphasis on the importance of nonfinancial measures, which are customer perspective, internal business processes and learning and growth. More precisely, to the best of the author's knowledge, no study has been found that specifically examines the relationship between the five dimensions of SC (i.e. social perception, social adaptability, social expressiveness impression management and persuasiveness) and nonfinancial indicators of performance in the small business context. Given this, it is presumed that this study will add important knowledge to the growing field of research on social skills and entrepreneurship perspectives.

The present study used a more comprehensive and informative measures of SC (Baron & Markman, 2003) and nonfinancial performance. The results from this study underline the direct importance of SC for SME performance. These findings suggest that entrepreneurs' SC has fairly a strong impact with respect to SME performance. The findings are consistent with a large body of evidence indicating that social skills aspects including SC influence a wide variety of practices and results in business organisations (Baron & Markman, 2000, 2003; Baron & Tang, 2009; Lans et al., 2016; Tocher et al., 2012). This link between SC and venture performance is observed in a study of Baron and colleagues. According to Baron and Tang (2009), SC has direct effect on the entrepreneur's ability in accessing important information and resources which turn influence SME performance. Equally, this study found support for the assertion that, those entrepreneurs with high SC are likely to acquire more social capital which is essential in enhancing their SME performance (Lans et al., 2016). Notably, this social capital such as crucial information and resources might attribute to firms' capacity in attracting new customers, being more innovative, improve their production processes and identifying training needs for employees.

Baron and Markman (2000), provide further evidence that the results of this study are consistent with other prior related research. They suggested that, SC may assist entrepreneurs in dealing with investors, customers and suppliers; recruiting key employees as well as executing business negotiations. In addition, Boohene *et al.* (2020), indicate that an entrepreneur's ability to control and recognise their own emotions and feelings and those of others which is referred to as emotional intelligence (a concept related to social competence) has a direct influence on product quality, product innovation and service delivery. Finally, Lans *et al.* (2016) justified that SC encourages employee and enhance human resource development at work place.

On another note, the findings of this study could help to shed light on the reasons behind previous research results which suggest that, specific types of SC dimensions may have no significant or may even have a detrimental effect on firm performance. For instance, there was no significant correlation between social expressiveness and customer perspective. Also,

persuasiveness had an insignificant correlation with learning and growth; social perception and impression management were significantly and negatively associated with internal business processes. Likewise, social adaptability was significantly and negatively associated with customer perspective. This can be explained by the fact there is little empirical research that has examined the direct link between entrepreneur's SC and firm's nonfinancial performance indicators. Nonetheless, some studies provide evidence that venture performance in relation to nonfinancial measures can mainly be affected by entrepreneurial orientation traits such as proactiveness and risk-taking (Avlonitis & Salayou, 2007). Likewise, it can be suggested that entrepreneurs who are socially skilled may not persistently be able to transmit those skills to their key employees. Therefore, certain SC attributes may not constantly be revealed in SME performance. Further, surprising results showed that social adaptability was negatively associated with customer perspective, whereas social perception and impression management have a significant but negative relationship with internal business processes. A possible reason for this could be that, in a complex and competitive business environment where entrepreneurs and employees have to be knowledgeable about customer perspective matters and business operations through training and studying, concentrating only on social skills as an essential aspect that influence nonfinancial performance may lead to undesirable SME performance.

In sum, taking these points into consideration; this study affirms the importance of SC as a catalyst of SME performance. In addition, it supports the notion that SC is a crucial antecedent in building, maintaining and growing social capital, which in turn, influence venture performance.

#### 6. Study implications

#### 6.1 Theoretical implications

First, this study adds to the literature by extensively examining the concept of SC in the SME context. The prevalent literature establishes that SC effect has been evident on venture performance in terms of financial perspective. Hence, the study contributes knowledge within the field of business and entrepreneurship by indicating that an entrepreneur's SC may also have a direct impact on SME performance in relation to nonfinancial measures. Hence, lacking SC can be a reason of the fact that some ventures which are founded and managed by highly motivated entrepreneurs, with excellent business ideas, possessing large knowledge as well as resources may yet fail. Therefore, in order to fully comprehend aspects that affect SME performance, it is worthwhile to investigate various entrepreneurs' characteristics, including social behaviour like social skills and emotional intelligence.

#### 6.2 Practical implications

Likewise, this study has some practical implications regarding the role of SC on SME performance. The study provides more insights on why some firms may perform better than others. The empirical results presented indicate that a high level of SC attributes contributes to better SME performance. It is obvious that from the findings of this study, SC is vital in determining the entrepreneurs' ability to form social capital and enhance SME performance. Therefore, entrepreneurs need to recognize that their social skills particularly SC affects the performance of their businesses. However, an intriguing question arises regarding whether these attributes can be imparted or taught. According to Hoehn-Weiss, Brush, and Baron (2004), SC can be learned through various trainings and workshops. Thus, proper training in SC competence attributes would enable entrepreneurs to change their social skills in a manner, which would improve their SC capabilities and consequently, enhancing their business endeavours.

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#### 7. Limitations and recommendations for future research

This study has several limitations which need to be taken into consideration. First, the study focus was on manufacturing SMEs. In this respect, the generalisation of these findings across other SME sectors and even beyond has to be taken cautiously considering the country-specific situations such as culture and business environment. Therefore, future research should be extended to other SME sectors such as retail and services.

Second, the approach that was used to observe the concept of SC is a limitation. Measures of SC was based on self-reports of entrepreneurs without including other individuals who knew these entrepreneurs very well and rate them on their SC capabilities. Hence, in further research the presence of additional confirming evidence from other people who regularly interact with an entrepreneur will provide more validity findings on how these entrepreneurs practice their social skills particularly SC.

Third, the present study is a cross-sectional in nature, thus making it somewhat impossible to provide solid evidence on causal relationship over a period of time. Thus, a longitudinal study is recommended for further research to observe whether the entrepreneur's SC tend to exhibit a consistent level of SC over time or tend to become more socially competent from years of experience in managing and operating a business.

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#### Appendix 1 Measurements

SC and SME performance

Regarding the past three recent years, please rate the extent to which you agree with the following statements

1 2 3 4 5

#### Customer perspective

- Customers are always happy with the quality of our products and services
- b Customers are satisfied with our products' prices
- The enterprise has succeeded to maintain/retain a large percentage of our customers
- d The enterprise has managed to attract new customers for our products at an increasing rate

#### Internal business process

- We always meet customers' requirements for the time of delivery
- b We have been able to reduce inventory cost
- c We have managed to lower production cost per unit
- d We have improved production planning and control

#### Learning and growth

- We always keep on modifying and improving products and services to keep up with customers taste and preferences
- b We have been able to introduce variety of products in the market
- c We have managed to increase product output
- d We have adopted contemporary technology that gives our firm a competitive advantage over our competitors
- We regularly provide formal and informal training to our employees to enhance their skills and capabilities
- f We have engaged in marketing research to understand the marketing environment that affect our enterprise performance

**Note(s):** 1. Please rate the statements provided in the table below using the 1–5 scale as defined below: 1 = Strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly agree **Source(s):** Appendix by the author

**Table A1.** SME performance

IRJMS 1 2 3 4 5

#### Social perception

- a I always have the right opinion about other people's character
- b I can usually recognize others' characteristics accurately by observing their behaviour
- c I can usually read others well tell how they are feeling in a given situation
- d I can tell why people have acted the way they have in most situations
- e I generally know when it is the right time to ask someone for a favour

#### Social adaptability

- a I can easily adjust to being in just about any social situation
- b I can be comfortable with all types of people young or old, people from the same or different backgrounds as myself
- c I can talk to anybody about almost anything
- d People tell me that I'm sensitive and understanding
- e I have no problems introducing myself to strangers

#### Social expressiveness

- a I find it easy to start and continue a conversation with somebody I do not know from before
- b I have no trouble in getting my message across
- c I am good at presenting myself in a social situation
- d I am able to engage in conversations with people who have different backgrounds
- e I can start pleasant conversations

#### Impression management

- a I generally make a good first impression on others
- b I'm good at flattery and can use it to my own advantage when I wish
- I can easily seem to like another person even if this is not so
- d I can listen and share conversation with people even if I have little interest
- I often appear neat and appropriately dressed when attending an important meeting or social event
- f I tend to agree with others' ideas if they are constructive

#### Persuasiveness

- a I often say or do things which influence others to change their mind and agree with me
- b People always like and enjoy listening to me
- c I am good at getting people believing on what I say
- d I do not easily bow down to people's rejection regarding my request or opinion
- e I instantly find the right word to convince people when they do not understand or agree with me

**Table A2.** Social competence

**Note(s):** 1. Indicate the extent to which you agree with the following statements: 1 = Strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly agree **Source(s):** Appendix by the author

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