



Received: 06-08-2023
Accepted: 16-09-2023

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

External Social Capital: The Case of Food Firms

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Abstract

Resources that individual members of a collectivity can potentially access or actually mobilize through external relationships are called external social capital (Leana & Pil, 2006) ^[11]. External social capital is the quality of an enterprise's network of relationships with external partners (Dai *et al.*, 2015) ^[4]. In recent years, Vietnam's food processing industry has achieved important achievements, contributing greatly to economic growth and implementing the mission of ensuring to meet domestic food demand while aiming to serve exports. The aim of the study is to examine the external social capital of food firms in Hanoi and some neighboring provinces. External social capital

consists of five observed variables (scales). A quantitative research approach and a cross-sectional research design were adopted in the study. Primary data on 156 employees was collected from food firms in Hanoi, Hungyen, Haiduong, Bacgiang, and Vinhphuc. The results show that the external social capital of food firms is rated quite high; however, food firms should have measures to improve external social capital. The study is based on the results of previous studies, food business practices, and the Vietnamese context with recent changes related to the food market. Based on the research results, we present recommendations for food firms.

Keywords: External Social Capital, Food Firms, Economics, Business Administration, Social Work

JEL Classification Code: M10, A14, M10, O15, G21

1. Introduction

Social capital is considered a factor that promotes knowledge development through sharing and learning from stakeholders (Podolny & Baron 1997) ^[20]. Yli-Renko *et al.* (2002) ^[24] study found that social capital facilitates firms' learning from each other because it facilitates easy access to knowledge and other resources (Nahapiet & Ghoshal, 1998) ^[15]. The fact that partners possess distinct knowledge motivates all parties toward learning new knowledge from each other to obtain expected results (Simonin, 1997) ^[22]. Therefore, social capital facilitates the firm's availability of knowledge through its network of relationships with partners (Yli-Renko *et al.*, 2002) ^[24]. In particular, companies use their network of relationships to learn about new practices, technological techniques, and skills from joint collaborative efforts across organizations (Hitt & Ireland, 2002) ^[8]. Accordingly, relationships with alliance partners create social capital, allowing businesses to access more information and advice in developing their knowledge (Zhao & Aram, 1995) ^[26].

As for resources that exist outside an organization, many studies show that it is networks of relationships with external partners (consulting firms, suppliers, distributors, joint ventures) that represent a very important source of external social capital for businesses (Nguyen & Huynh, 2012) ^[19]. Through external networks, businesses can share information, share knowledge, learn about technological advances, and open up many opportunities for cooperation (Barroso-Castro *et al.*, 2016) ^[2].

Food is one of the industries that is very sensitive to legal and ethical issues related to human health and life. Food processing has always been one of the important economic sectors with great development potential in Vietnam. According to an assessment released in early August 2022 by the world's leading market research organization, Mordor Intelligence Inc., the food and beverage industry will achieve a compound annual growth rate of up to 8.65% during the period 2021–2026.

In Vietnam, in recent years, the government has paid more attention to the development of high-tech agricultural product manufacturing, and associated with that is the food processing industry (Ngoc Quynh, 2022) ^[18].

In recent years, Vietnam's food processing industry has achieved important achievements, contributing greatly to economic growth and implementing the mission of ensuring to meet domestic food demand while aiming to serve exports. However, many challenges still exist for businesses, such as: (i) The pressure of economic integration and internationalization of the food market leads to the entry of more and more new competitors. Foreign countries enter the market through M&A deals (Statista,

2022)^[23]; (ii) changes in customer food consumption needs (GSO, 2021)^[5]; (iii) domestic and international food safety standards are becoming increasingly strict; and (iv) the explosion of the fourth industrial revolution, the birth and popularity of digital technology platforms integrating smart technology aimed at optimizing processes, production, and processing methods. To adapt to changes in the business environment in the new context, thereby improving operational efficiency, food businesses need to have appropriate solutions, improving social capital in general. External associations, in particular, are one of the effective solutions.

2. Literature Review

Resources that individual members of a collectivity can potentially access or actually mobilize through external relationships are called external social capital (Leana & Pil, 2006)^[11]. External social capital is the quality of an enterprise's network of relationships with external partners (Dai *et al.*, 2015)^[4].

A firm's external networks help it gain resources from the environment in search of new opportunities. A wide network of relationships positively affects business results (Akintimehin *et al.*, 2019; Nasip *et al.*, 2017)^[1, 16], product innovation results (Sanchez-Famoso *et al.*, 2017)^[21], or organizational financial results (Lins *et al.*, 2017)^[13].

The above studies have similarities when referring to external social capital, which is considered the quality of the relationship network between the company and individuals representing external organizations and the organization's interaction with business partners and related parties to exchange knowledge and mutual support, creating new business opportunities. Therefore, external social capital is defined as the quality of a business's network of relationships with external partners.

Measuring the quality of external networks shows how businesses must keep their promises, introduce, create, maintain, trust, share information, and provide reciprocal support with friends, family, distributors, and suppliers (Nguyen & Huynh, 2012; Laursen *et al.*, 2012)^[19, 12]. Furthermore, firms need to maintain close relationships with business partners, such as by keeping promises, introducing new business opportunities, maintaining close relationships, avoiding harming mutual interests, and maintaining personal friendships (Dai *et al.*, 2015)^[4].

Additionally, it has long been acknowledged that external social capital plays a significant role in the funding of new companies (Mollick, 2014; Zheng *et al.*, 2014)^[14, 25].

It is important to note that social networks are places where social capital is entrenched rather than social capital itself (Huber, 2009)^[10]. With regard to crowdfunding, there are two different kinds of social networks. The first is the internal social network, which is a social network that exists within crowdfunding sites. The second is what the creators themselves created as a social network outside of crowdfunding platforms, or what Zheng *et al.* (2014)^[25] refer to as external social capital.

3. Methodology

We use qualitative research methods and quantitative research methods.

The observations in this paper are based on secondary data and expert opinions. Primary data on 156 employees is collected from food firms based on a stratified random sample from the period of May–August 2023. A random sample of 25 food firms from Hanoi, Bacninh, Bacgiang, Vinhphuc, and Haiduong made up a total of 150 samples for the study.

The research team randomly selected and surveyed food businesses operating in Hanoi and neighboring provinces, including many food processing businesses such as Bac Ninh, Hai Duong, Bac Giang, Vinh Phuc, etc., to evaluate the capital and external society of these businesses after the time these businesses were affected by the COVID-19 pandemic on their business situation and business development strategy.

Selected interview subjects were food business managers who had worked at the business for at least 5 years and had a high level of understanding of social capital.

The external social capital scale is measured by observed variables that represent the quality of the relationship between the company and its business partners through keeping promises, supporting new customer introductions, and maintaining relationships, as well as avoiding harming mutual interests (Dai *et al.*, 2015)^[4]. Besides, the external social capital scale is also inherited from the results of previous studies and expert opinions.

Table 1: External social capital attributes of food firms

Code	Scales
	External social capital of food firms (ESC)
ESC1	The business partners and the food firm where I work always keep their promises to each other.
ESC2	The food firm where I work is often introduced to new business opportunities by business partners.
ESC3	Business partners try as best as possible to avoid harming the interests of the food firm where I am working.
ESC4	Business partners maintain close relationships with the food firm where I work.
ESC5	The business partner maintains a personal friendship with the food firm where I work.

4. Results

4.1 Descriptive Statistics

Table 2 indicates that the respondents agree with the variable of external social capital of food firms, where five attributes were quite high. All five attributes were rated at an average of 3.96 or higher.

The analysis results also show that the skewness and kurtosis coefficients are in the range of -1 to 1, so the survey data ensures a relatively standard distribution. Therefore, the evaluation levels of the employees participating in the survey are relatively uniform and concentrated, with little dispersion, so the analysis results have high statistical significance

Table 2: Descriptive analysis of attributes

Code	N	Mini	Max	Mean	Std. Deviation	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
External social capital of food firms (ESC)									
ESC1	156	2	5	4.03	0.799	-0.520	0.194	-0.163	0.386
ESC2	156	2	5	3.96	0.782	-0.250	0.194	-0.568	0.386
ESC3	156	1	5	4.01	0.779	-0.604	0.194	0.665	0.386
ESC4	156	2	5	3.97	0.838	-0.272	0.194	-0.812	0.386
ESC5	156	1	5	4.01	0.811	-0.685	0.194	0.610	0.386
Valid N (listwise)	156			4.00					

Table 3: Results of Cronbach’s alpha testing of attributes and item-total statistics

Cronbach’s Alpha	N of Items			
.903	5			
Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach’s Alpha if Item Deleted	
ESC1	15.95	7.520	0.784	0.876
ESC2	16.03	7.780	0.734	0.887
ESC3	15.97	7.734	0.751	0.884
ESC4	16.01	7.471	0.747	0.885
ESC5	15.97	7.489	0.776	0.878

4.2 Cronbach’s Alpha

The external social capital of food firms has been measured by Cronbach’s alpha. The results of testing Cronbach’s alpha for attributes are presented in Table 3 above. The results also show that attributes of the variables have Cronbach’s alpha coefficients that are greater than 0.6, and the correlation coefficients of all attributes are greater than 0.3. So, all the attributes of the variables are statistically significant (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014)^[9, 6, 7].

4.3 Exploratory Factor Analysis (EFA)

Next, tables 4, 5, and 6 show that exploratory factor analysis (EFA) was conducted through component analysis and variance.

The results of factor analysis in Table 4 show that KMO is 0.882, which is greater than 0.5 but less than 1. Bartlett’s testimony shows sig. = 0.000 < 0.05, which means variables in the whole are interrelated (Hoang & Chu, 2008; Hair *et*

al., 2009; Hair *et al.*, 2014)^[9, 6, 7].

After implementing the rotation matrix, five components of the external social capital of food firms with a factor load factor greater than 0.5 and eigenvalues greater than 1 were identified, and the variance explained was 72.176% (see tables 5 and 6). These statistics demonstrate that research data analysis for factor discovery is appropriate. Through the quality assurance of the scale and the test of the EFA model, we have identified five components of the external social capital of food firms (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014)^[9, 6, 7].

Table 4: KMO and Bartlett’s Test

KMO and Bartlett’s Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.882
Bartlett’s Test of Sphericity	Approx. Chi-Square	459.284
	Df	10
	Sig.	.000

Table 5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.609	72.176	72.176	3.609	72.176	72.176
2	0.427	8.545	80.722			
3	0.393	7.866	88.588			
4	0.301	6.028	94.615			
5	0.269	5.385	100.000			

Extraction Method: Principal Component Analysis

Table 6: Component Matrix^a

ESC	Component
	1
ESC1	0.868
ESC5	0.863
ESC3	0.844
ESC4	0.841
ESC2	0.831

5. Discussion and Implications

In addition to their connections within the crowdfunding platform, creators also have relationships outside of it. According to food processing businesses, besides advantages, they are facing many pressures, such as the

world supply chain not operating like before the COVID-19 pandemic, input material stress, and a lack of capital flow or stockpiles in warehouses. Besides, changes in consumer behavior also have negative impacts on Vietnamese food businesses, especially those new to the market. Therefore, food businesses have good partners; sharing and companionship are some of the advantages of the firm. Consumers will be more demanding with their food choices. This means that businesses must improve product quality and control food safety so that not only export products but also domestic products can still ensure quality. To do this well, food firms need business partners to maintain confidential relationships and always support each other.

Food industry businesses need to focus on prioritizing a number of strategies, such as revenue growth, current market development, promoting research and improving product quality, diversifying supply sources (priority is given to suppliers), and, at the same time, expanding and developing online distribution channels on e-commerce platforms. To be highly effective, food firms need to be introduced to new business opportunities by business partners.

The food and beverage industry are forecast to recover strongly thanks to changes in consumer behavior because a safe adaptation to the epidemic will boost domestic demand again. This is the time when it is said that there are many strong development opportunities for the food and beverage industry in Vietnam. Especially now, consumers are increasingly inclined to pay more attention to nutritious foods of plant origin, organic foods, or healthy, convenient nutritional ingredients. Therefore, business partners avoiding harming the interests of food firms is one of the important factors contributing to helping food firms develop and expand their scale.

In the context of deep international economic integration and an increasingly complex competitive environment, food firms need to take advantage of the achievements of the 4.0 industrial revolution to constantly improve internal resources, improve products, and innovate new technical processes, applying advanced technology to improve product quality to more appropriately approach and meet the diverse needs of consumers.

The development of the food processing industry should be planned in a relatively large area with similar soil and climate characteristics, so that the development of food processing production and raw material and input areas will be synchronized and avoid waste.

Food businesses should be provided with the latest information from state agencies and professional associations on potential markets, consumption trends, standards, and quality requirements in food production; discuss and find solutions to remove difficulties and obstacles in import and export activities, thereby aiming to develop sustainable import and export of Vietnam's food products.

The food industry, and consequently high-quality agricultural output, should continue to be one of the government's top priorities for the prosperity of the nation. To help businesses invest in new technologies and boost the industry's added value while simultaneously generating new jobs, the government can offer policy support.

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