Dynamics of the Social Capital in Increasing the Competitiveness of the Riau Malay Woven Fabric Pekanbaru

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Abstract. The interaction of group participation from the social capital activity of the Riau Malay woven fabric IKM business group in Pekanbaru is intertwined with group participation, which continues to form a strong network. This research uses a qualitative case study approach to analyze the dynamics of the role of social capital to increase the competitiveness of Riau Malay woven fabric SMEs in Pekanbaru. Data collection techniques using observation, interviews, and documentation. Purposive sampling was used in determining informants and triangulation technique used. The role of social capital in the Riau Malay Woven Fabric industry in Pekanbaru was found in the research results. It showed a strong social bonding because they had the same kinship and ethnic Malay Islam, so social interaction was formed on a sense of togetherness, empathy, and firm trust. The implications are contributing empirically and relevant theories to the development of social capital as a competitive strategy.

Keywords: competitive advantage; social capital; innovation; craft industry

I. Introduction

The capability of social ties, or what is called social capital, is essential to increase business competitiveness in facing market competition. Social capital as a form of emphasis on community togetherness to improve the welfare and quality of life together is better and carried out continuously. Apart from that, social capital emphasizes the ability of community groups to work together to build networks for mutually beneficial common goals built on trust and based on social norms and values (Azhari, 2018; Rismaningtyas, 2018).

Partnership and social solid capital ties will make it easier for MSME actors to face competition. They will have the ability to venture capital, utilize information and communication technology in managing production factors, and create a more long-lasting cooperative relationship. They can compete sustainably and improve their business performance. (Raharja, 2009, 2010). Social capital is a relational resource that is closely related to cross-sectoral personal relationships and the ability of people to relate to one another. It then gives birth to a significant power for economic life and every aspect of social existence that is useful for individual development in organizational social communities. (Tsai & Ghosal, 2007).

The ever-changing dynamics of business development influence the perspective of business actors to form groups to build networks to achieve mutual goals that are mutually beneficial. Then furthermore, social capital in a business context can be seen when companies establish partnerships with other companies or other business groups (Andriani, 2013). This partnership can be seen from the bonds of togetherness, trust, and cooperation in business development. Furthermore, Doh & Zolnik (2011) stated that social capital would contribute to the entrepreneurial perspective because it can find opportunities, identify, collect and allocate scarce resources to reduce transaction costs between actors, seeking information, bidding costs, and decision making. The influence of partnerships and social capital can improve business performance because they will help business actors exchange resources between units, motivate reforms, create intellectual capital, and strengthen relationships with suppliers and production networks (Yustika & Erani., 2012; Fatimah et al., 2013).

The development of the small and medium industrial business of Riau Malay woven cloth in Pekanbaru as a local identity that is characteristic of the clothing of the Malay community has experienced several problems. These problems range from limited human resources, business capital, availability of raw materials, and technology to marketing networks. The transfer of knowledge and skills about Malay weaving is obtained by business actors from generation to generation from family or experience. This phenomenon shows that social capital has been formed to establish group participation, trust, and cooperation in IKM Riau Malay woven fabrics, Pekanbaru. In this context, social capital shows that there is an action of sharing information related to knowledge and weaving skills between business actors and fostered artisans to create a form of coordination and cooperation for a common goal that is more effective and efficient.
Business actors are thinking of increasing the participation of business groups so that they are not only dominated by a few prominent business actors. So far, significant business actors have acted to channel vital information to facilitate business goals, including bridging the resolution of joint problems. Common problems faced, such as the problem of limited capital, availability of raw materials, and product innovation development to marketing, are resolved collectively. However, this does not always run smoothly due to inhibiting factors. For example, the awareness of business groups is still not optimal for increasing group participation and cooperation in business development.

Business development and innovation are better if business actors have good social capital. In line with Astuti & Mursito's (2019) research, social capital plays a vital role for business actors to innovate to increase business competitiveness. Previous research has stated that business innovation is carried out by optimizing the potential for group participation, trust, and cooperation through networks following values and norms that strongly support the achievement of business competitiveness (Astuti & Mursito, 2019; Apriawan et al., 2020). So, through social solid capital activities, it can create unique innovations that competitors do not own.

However, social capital as a group entity to provide easy access to the resources needed is more than just sharing information, namely the creation of social relations between business groups as a strategic channel to access the resources needed by the company, such as capital and production raw materials. Social capital and business networks can be another new resource in the community as a driving force for business development. Therefore, this study aims to analyze the dynamics of the role of social capital to increase the competitiveness of Riau Malay woven fabric SMEs in Pekanbaru.

II. Literature Review

Social Capital

Some experts provide definitions from different sides but have the same meaning. So far, the concept of social capital is still very little used from a business perspective, especially in MSMEs. Meanwhile, social capital is very appropriate to be used in a business context because it will contribute to the collection and allocation of resource factors to be more efficient. Social capital is the ability of the community to work together to achieve common goals in groups according to values and norms.

There are three dimensions of capital that are related to social class, namely economic capital, cultural capital, and social capital (Field, 2011). Meanwhile, social capital consists of social structural aspects and social capital that facilitates business actors as actors acting within the structure (Field, 2011). Social capital contains values, and informal norms shared between group members, which allows the formation of mutually beneficial cooperation bound by trust, mutual understanding, and shared values that bind members—groups to take collective action (Thobias et al., 2013; Primadona., 2012).

Furthermore, in this study, the social capital used is the bonding social capital, namely the bond of social capital, which shows family ties that have the characteristics of social relations of solid trust and reciprocity in the presence of a. A sense of togetherness through empathy, b. sympathy, c. The same obligation, d. Trust, e. Reciprocity, f. Mutual acknowledgment, g. The same cultural values; bridging social capital, namely social capital relationships that show a network of friends, neighbors, and acquaintances, shows the strength of weak social relationships. There are universal principles regarding a. Equation, b—freedom, c. The values of pluralism and humanity (Hasbullah, 2006); networks (linking social capital) are ties between social classes that show different relationships between individuals or groups in different positions. (Andriani, 2013).

Partnership

Newly born social enterprises face internal resource gaps (Teng, 2007). Thus, they must access resources beyond business boundaries to develop adequate resource conditions and achieve their goals (Austin, 2010). One way that social enterprises address this resource gap is through strategic partnerships or alliances (Googins & Rochlin, 2000; Das & Teng, 2007) with organizational entities from the same sector (Teng, 2007) or various sectors (Googins & Rochlin, 2000). A partnership is a relationship between actors based on mutually beneficial business ties in a synergistic working relationship whose result is not a Zero-Sum Game but a Positive-Sum Game or Win-win Situation. Strategic alliances are cooperative agreements
between companies carried out voluntarily to achieve a competitive advantage for business partners (Das & Teng, 2000).

The reason for entering into strategic alliances is to enter into agreements, share, or exchange valuable resources with other companies when there are resources that cannot be efficiently obtained through market exchanges or mergers/acquisitions. In short, this can be interpreted that strategic alliances are aimed at creating the most value from a company’s existing resources by combining them with resources from other companies and expecting the optimal results of a mutually beneficial combination of returns (Das & Teng, 2000; 2007). Furthermore, according to Mohr & Spekman (1994), the partnership aspect. It consists of attributes, communication behavior, and conflict resolution techniques.

**Sustainable Competitive Advantage**

Empirical findings in a sustainable competitive advantage for SMEs show that the ability to create competitiveness is determined by how far the company can manage its resources (stretched resources). Companies should emphasize scarce resources. Companies must emphasize unique resources to achieve sustainable competitive advantage and improve company performance. The resources owned have value, are rare, and are not easily replaced but easy to imitate. It will be complex for the company to achieve good sustainability. A possible solution is to grant a patent on immobility (Barney, 1991a; Hisrich, 2007; Kraaijenbrink et al., 2010; Lambourdière et al., 2017). In other words, when combined with an imperfect level of mobility, heterogeneous resources will achieve a competitive advantage because there are differences in profitability among other competitors. If resources are distributed homogeneously, then all organizations in the industry have the same power and carry out the same strategy. Barney (1991b, 2001; Barney & Clark, 2007) himself suggests a VRIN criterion, namely: Valuable resources must be able to increase efficiency and effectiveness company; Rare Resources, these resources are rare and controlled by large companies; Imperfectly imitable, hard to imitate and Non-Subtitutable, there is no substitute for this resource.

**III. Research Methods**

A qualitative approach is used in this research with a case study type. This method was chosen to reveal the dynamics of social capital construction in the Riau Malay woven fabric IKM business actors in Pekanbaru. Data collection techniques using observation, interviews, and documentation. Observation researchers did this by observing the dynamics of social capital directly at the research site. Researchers observe and try to understand each activity carried out and the symbols of the actions of these activities—furthermore, the determination of research informants is determined by purposive sampling with an interview process of 8 people. The data analysis of this study used interactive analysis (Cresswell et al., 2019) with a data triangulation test.

**IV. Discussion Result**

**The Role of Social Capital To Improve Competitiveness**

The social capital of the Riau Malay woven fabric IKM group in Pekanbaru has been seen in group participation activities, trust, and togetherness in homogeneous bonds. Owned social capital can even create new resources for business development to achieve common goals in business groups. This utilization shows that social capital activities become more robust so that it gives birth to a spirit of solidarity or togetherness, which then gives birth to trust. The productivity of individual and group components is influenced by well-functioning social capital. Individual interests in developing a business can also be accommodated as long as the social capital process runs well to create a quality group.

The interaction of group participation from social capital activities of the Riau Malay woven fabric IKM business group in Pekanbaru is intertwined with trust that continues to grow. A large amount of information is received to form a more robust network and foster expectations of higher trust formation within the group. The flow of information related to sources of business capital funding assistance, product innovation skills training, and marketing networks is well established. As excerpts from interviews with the following informants:

"We usually share essential information with our fellow groups; for example, we convey information regarding business capital assistance, soft loans, or training information. If we do not tell who the other colleagues are, they do not necessarily know. (Win, November 2021)."
Business actors who have more power in distributing this information with full awareness believe that this will foster group cohesiveness and high solidarity with one another. It is in line with research findings (Thobias & Tungka, 2013) that social capital activities can be seen in entrepreneurial behavior through solid emotional ties. Adequate social capital will positively impact business development and business sustainability to achieve competitiveness.

The results of subsequent interviews with informants related to the interaction of togetherness are: "The woven fabric market is wide, but not all of us can easily access the market. It is understood that members are still small, and their production limitations are also influenced by attracting a wider market. So we who can help market it, we help by maintaining their welfare, We accommodate their production" (Fitri, November 2021).

Another cohesiveness can be seen in building product marketing links, helping each other to market the products of Riau Malay woven fabrics to broader market access. Problems that occur in some business group members are difficulty in getting direct market access or customers. The pattern of cooperation between business group members is formed to support each other; for example, a subsidiary of a business group will distribute its products to other business groups that receive product requests from consumers.

The formed marketing patterns complement each other, creating good group welfare. Collective action is carried out with awareness based on the trust of participation of other group members. It is in line with Azhari (2018) and Apriawan et al. (2020) research that emotional and group solidarity will be formed well if one component is weak while the other group strengthens, it will be more successful in marketing its products.

However, there is still aware that the participation of other group members is not optimal. Therefore it still needs direction through effective two-way communication. The phenomenon of lazy culture is a scourge in increasing the awareness of business group members to continue participating and committing to running their business. Weaving is not an economic activity which is still the belief of young people today because it takes a long time to finish one piece of cloth. It is a challenge for group leaders to continue to provide full awareness and commitment to continue this Riau Malay woven fabric business.

Efforts to continue to provide direction and input to the workforce and business group members through training, sharing, and discussion activities continue to be carried out. Group leaders still carry out social interaction activities in the participation of business group networks in building a life cycle of exchanging kindness (reciprocity). Another problem that arises is the declining entrepreneurial spirit of business group members due to their difficulty in accessing a more comprehensive market to market their products. Faced with this, the group leader helps with action by voluntarily building new business relationships and customers. Social actions that occur in the participation of this group then create cooperation with each other from a sense of empathy that appears that is proactive (Azhari, 2018).

**Social Capital for Business Sustainability Increasing Competitiveness**

Business sustainability in this study is seen from the condition that social capital can maintain, develop and create new resources to fulfill business sustainability. Aspects of essential business sustainability resources include capital, human resources related to labor, raw materials, facilities and infrastructure, and marketing. Social capital in the movement of business group dynamics is shown by interactions between groups which then show mutual empathy, helping each other.

Business capital in this study arises from a sense of trust in meeting the business capital needs of other members. Capital is not always in the form of money loans but also in loans in the form of raw materials such as yarn and weaving equipment. Interaction of reciprocal relationships based on the background of values, norms, and mutual trust between business group members. According to Turner (2007), ethnic relations in social capital significantly influence business development, and this is also the case for the Riau Malay woven fabric IKM business group in Pekanbaru. The similarity of ethnic backgrounds shows the similarity of taste, which gives birth to higher trust in each other. The following is an excerpt from an interview with an informant:

"The majority of us are from the Malay ethnicity, Riau... even among us, there are those who have close kinship relations, between children and mothers, or close relatives. So it is easier for us to understand each other's character and habits. Yes, we have the same culture. So we feel more comfortable when interacting with each other" (Ev, November 2021):
The variety of people in the Riau Malay woven fabric IKM business group tends to be homogeneous from the Malay-Islamic cultural background and have kinship relationships. Most Riau Malay woven fabric IKM groups have kinship relations with other families in the business group who are still of the same ethnicity. It was found that business owners hired their relatives because they felt more confident than hiring other people.

In this research, the knowledge and skills of Riau Malay woven fabric business actors are obtained from the inheritance of their ancestors, especially from the previous generation. This condition then flows into more comprehensive knowledge transfer actions to groups outside the direct lineage, such as workers, neighbors, and other people interested in learning it.

The characteristics of the Riau Malay community in their aspects of life have an identity based on Islamic religious values and Malay culture. Integrated into the company's internal environment. Combining the integration of cultural capabilities and company resources is a strategic asset that cannot be easily imitated and cannot be replaced by competitors from other ethnic backgrounds.

The local cultural values of a nation can be seen from the diversity and complexity of cultural arts in all aspects of life. Intangible cultural heritage was born from the efforts of the people at that time. They build local/traditional knowledge based on an approach to how to comprehensively utilize available natural resources for human life to survive (Maclean et al., 2007). Identity for the Riau Malays is interpreted as the noble values inherent in a person in society, ethnicity as a reference. Its guideline has been continuously used until now (Effendy, T., 2013).

Business activities in countries with reliable value systems and cultural norms, such as Riau Malays, Indonesia, cannot escape the socio-cultural context in implementing their competitive strategies. Business activities are often related to the values and norms of the culture and social life of the community; these are inviolable but must be correlated and even integrated (Aalto, 2015).

The social position or status of a person in a community group does not become a barrier for fellow group members in carrying out their business because they already understand their role and position. In addition, the transfer of knowledge related to weaving knowledge and skills is considered more easily transferred to workers with the same ethnic background because they have the same sense of obligation to preserve Malay cultural values. It is in line with research (Hasbullah, 2006; Widodo, 2016) which shows an exclusive bond due to a sense of togetherness through a strong sense of empathy and mutual recognition of their shared cultural values. It is easier for them to work together to create creative and innovative works.

The products of Riau Malay woven fabrics have different unique values, rare, imperfectly imitable (challenging to imitate). There is no substitute for this resource, so it provides different added value from competitors (Barney, 2007; Liao et al., 2017). The value of the authenticity of Riau Malay woven cloth philosophically, in Geertz's view (1992), can be seen as the community's social life. It is expressed through the phenomenon of various cultural meanings in the form of ideas, attitudes, considerations, desires, beliefs, and abstractions derived from previous experience. At the same time, Spradley (1979) revealed that symbols are divided into two meanings, namely identify and connotative. The denotative meaning is the meaning in the form of words that refer to the referential meaning. In contrast, the connotative meaning is the figurative meaning of symbols that exceed the referential meaning.

Referring to Kurniawan & Gusli (2016), the function of Malay weaving in the kingdom functions first as clothing. Weaving for this clothing is for daily clothing, especially for the palace needs. There is also traditional clothing, namely clothing explicitly worn by ministers and one of the royal grandparents. Riau Malay weaving has various motifs that contain meaning and philosophy as the cultural identity of the indigenous people of Riau. The influence of Islam and nature is reflected in every motif of Riau Malay woven cloth to this day. The basic patterns of the Malay language generally come from nature, flora and fauna, and celestial bodies such as the moon, stars, or clouds. Those things are designed. Floral motifs depicting the beauty of flowers symbolize the value and philosophy of nobility and refinement of reason, intimacy, and peace, such as the pattern of a mother hugging a leaf and a setaman flower. Animal motifs such as the balm bird, which symbolizes harmony with a life partner and friendship, and the movement of the ducks returning at night (the ducks return in the evening), the motifs of companion ants and dependent bees have the same meaning. (Girl ants and beehives).

Based on the background of the Riau Malay woven fabric motif, the business sustainability activities can be seen from the results of the efforts to develop products to give birth to a variety of product variations. Initially, the Riau Malay songket has woven cloth only used as traditional clothing used during traditional
ceremonies or major Islamic religious holidays. However, now we can find many variations of other products such as woven brackets, tanjak (Riau typical hat), various souvenirs, women's bags, and others. The products marketed are adjusted to market demand without losing the characteristics of the original Riau Malay culture as a unique distinguishing feature from woven fabrics in other areas. The development of this Riau Malay woven fabric product innovation was obtained from several streams, namely, the inspiration of each business actor, which was then passed on to his workforce. And then the inspiration is not only found from the results of individual inspiration, but the ideas also come from the input of the workforce, customers, friends, and family. Good social capital can increase innovation because it gets ideas from the joint action of Astuti & Mursito (2019). An innovation, of course, does not appear suddenly without a learning process. The learning process in the interaction of the social environment through actual participatory actions.

V. Conclusion

The role of social capital in the business activities of Riau Malay woven fabric IKM in Pekanbaru flows dynamically with a positive movement. The interaction of social bonds formed shows solid social bonds because they are created from kinship relations and the same ethnic background. It provides a sense of togetherness, empathy, and high trust in each other, making it easier for business activities to interact. Awareness of participating in business groups is born of a common interest in cultural values to preserve regional cultural products other than as a source of family income. Creative ideas and innovations in creating business production works are carried out together by providing mutual support to each other so that they can create works that provide different added value compared to competitors. Creative activities and innovation in product development prioritize the involvement of experience, and this is usually considered unimportant by traditional research (Jefferies, 2013).

References
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