# The Role of Social Capital on Absorptive Capacity and Organizational Innovation

Dr. Ploychompoo Kittikunchotiwut, Mahasarakham Business School, Mahasarakham University, Thailand. E-mail: ploychompoo.k@acc.msu.ac.th

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#### Abstract

This study aims to investigate the influences of social capital on three dimensions: the structural dimension, the relational dimension and the cognitive dimension in relation to absorptive capacity and organizational innovation. The data were collected by using a questionnaire from 119 leather product exporting firms. The results indicate that both the relational and cognitive dimensions have a significant positive impact on absorptive capacity. Absorptive capacity has a significant positive impact on organizational innovation. This study might be useful to scholars and those who share an interest in the subject. The current study can also be used as a guideline for future research projects. Potential discussion with the research results is effectively implemented in the study. Theoretical and managerial contributions are explicitly provided along with the directions for future research.

**Key words:** Social Capital, The Structural Dimension, The Relational Dimension, The Cognitive Dimension, Absorptive Capacity, Organizational Innovation

## 1. Introduction

A fundamental element of social capital claims that the larger community in which a business organization is embedded is a source of capital. The maintenance of a company's value-creation processes, such as organizational innovation relies heavily upon the capital that arises from networks, social norms and trust in relation to the financial importance of human forms of capital. (Renko, Autio, and Tontti, 2002; Tsai, 2006) Previous studies have suggested that social networks are important channels for firms to access external knowledge. Through such networks, firms can obtain pertinent information and knowledge that helps them enhance their overall learning and innovation (Ahuja; 2000, Ink pen and Tsang, 2005). Although these are positive aspects, there are several limitations in current research that restrict further understanding of how social capital can improve knowledge absorptive capability and organizational innovation.

Firstly, there are few studies that consider the differences in social networks while studying the value of social capital for organizational innovation (Anand and Khanna, 2000; Landry, Amara, and Lamari, 2002). In fact, the composition of a firm's social network can influence the amount of resources and information said firm can obtain from the network (Phelps, 2010). Secondly, the majority of current research assumes that the relationship between social capital and knowledge absorptive capacity produce a positive effect on competitive advantages of companies (Lin and Chen, 2006; Stein field et al., 2010). However, social network theory indicates that a relationship between social capital and organizational innovation is possible. Thirdly, some recent studies have found that the benefits of social capital are dependent on firm characteristics and contextual factors, which suggests that scholars must consider these factors when studying the value of social capital (Haeussler and Higgins, 2009; Sampson, 2007).

Therefore, this study aims to address the above limitation by examining how the composition of a firm's social capital affects the absorptive capacity and organizational innovation. In addition, this investigation contributes to the literature and practice in several ways. The main purpose of this paper is to investigate the relationships amongst social capital, structural dimension, relational dimension, cognitive dimension, absorptive capacity, and organizational innovation. The key research question is how social capital, structural dimension, relational dimension and cognitive dimension are related to absorptive capacity and organizational innovation. Moreover, to highlight this relationship, two specific research questions are established as follows: (1) How social capital, structural dimension, relational dimension, and cognitive dimension are related to absorptive capacity; (2) How absorptive capacity is related to organizational innovation.

## 2. Literature Review

## 2.1 Social Capital

Individuals, organizations, inter-organizational arrangements and societies are an example of the different facets that social capital can be categorized into (Tsai and Ghoshal, 1998). The achievements of an organization are highly dependent on the existence of social capital. A more detailed definition would be that social capital is the particularity of social organization such as networks, shared norms, and trust that aid reciprocity and cooperation for mutual gains (Putnam, 2000). Furthermore, it is a permanent distinction from which future benefits are gained by continually investing in resources as and when they are needed (Adler and Kwon, 2002). In addition to this, it is a resource that is fixed within the social network of an organization or society that can be utilized by the appropriate user in order to enhance the success rate for specific actions (Lin, 2001). Cooke and Wills (1999) suggest that social capital is a communal property involving civic engagement, associational membership, high trust, and exchange in social networks or connections. Chua (2002) proposes that the most important role for the members of a social network in order to enhance overall knowledge sharing within an organization is interaction between the organization members by physical or electronic means such as meetings, teamwork, emails or online discussion forums to facilitate ease of access to knowledge amongst various members.

Several theories have been suggested to describe the effect of social capital on the outcome of knowledge creation and organization innovation with individuals and organizations (Burt, 1997; Inkpen and Tsang, 2005; Nahapiet and Ghoshal 1998), for example, the above authors posit that social capital facilitates the development of intellectual capital and contributes to the competitive advantage of an organization by providing the opportunity, anticipation, motivation, and capability of knowledge combination and exchange, which are the two primary processes of knowledge creation and innovation.

Research on social capital has suggested three dimensions: the structural dimension, the relational dimension, and the cognitive dimension (Nahapiet and Ghoshal, 1998).

## 2.2 Structural dimension of social capital and absorptive capacity

The structural social capital of an individual is embedded in the individual's ego network, which comprises of the respective person themselves and their previously attained connections. The structural social capital of a group is based on both the complex ties between its intrinsic members, and its external ties with other extraneous groups (Xu, Chau, and Tan, 2014). Similarly, the structural dimension plays an important role in the formation and utilization of social capital (Widen-Wulff and Ginman, 2004). The structural dimension defines as the pattern of connections between the members of a network (Aslam et al., 2013). These relationships between the organization members by physical or electronic means such

as meetings, teamwork, emails or online discussion forums facilitate the access to knowledge amongst various members. As a result, as Chua (2002) suggests, certain important factors are improved, including overall knowledge-processing and knowledge creation.

According to several scholars, social context conditions are conducive to several knowledge activities. They encourage the development of communication (Verona, 1999), influence the creation of interpersonal relationships and improve a unit's capacity to acquire, assimilate, integrate knowledge, and administer this newly attained extraneous knowledge (Cohen and Levinthal, 1990). Furthermore, these activities improve the atmosphere of several social conditions (i.e., social interaction, trust, and agreed shared norms), thus having a positive effect on absorptive capacity (Kostopoulos, 2007). This, in turn has a positive effect on an organizations ability to reduce the potential confusing of knowledge that a firm obtains from external firms, as a result, improving knowledge sharing and knowledge administration internally (Jesen and Szulanski, 2007).

In this respect, the higher the internal and external network, the greater the chance an organization has concerning potential barriers to network members who are less knowledgeable than others. In addition, this can also help to improve the social interactions between absorptive capacities, which in turn can increase the chances of the positive exploration of organizational innovation. Zahra and George (2002) outline absorptive capacity as a set of organizational procedures by which firms acquire, administer, transform, and take advantage of knowledge to produce a complex organizational capacity (Zahra and George, 2002). Therefore, structural dimension is a fundamental source of absorptive capacity in the current time of knowledge economy (Daghfous, 2004; Projogo and Ahmed, 2006). The reasoning above leads to the following hypothesis:

Hypothesis 1: Structural dimension is positively related to the absorptive capacity.

# 2.3 Relational dimension of social capital and absorptive capacity

The relational dimension of social capital is concerned with trust, norms, and identification between individuals. Trust is an important facet for social exchange and cooperation, as a result, trust alone can be a fundamental factor which enables individuals to open up and share knowledge. It creates cooperation, which in turn creates trust (Nahapiet and Ghoshal, 1998). Norms are defined as knowledge sharing that is mutual and perceived by the parties in the same way, whilst being fair and beneficial at the same time (Chiu, et al., 2006). The way people perceive themselves as associated with a person or a group can affect the perception of the benefits of knowledge exchange with their peers or their respective group (Nahapiet and Ghoshal, 1998). Behavior can be directly affected by the relationships that the people within an organization have between each other, for example the respect and friendship two colleagues have will greatly influence their willingness to share knowledge with each other. The sociability of individuals (Nahapiet and Ghoshal, 1998) can determine

the level of trust and identification between one another (Bolino, et al., 2002). Trust is based on social judgments, for example; assessment of the other party's actions in different situations or their competence with certain tasks, together with assessment of the pitfalls if the other party turns out to be untrustworthy (Rousseau, Sitkin, Burt, and Camerer, 1998). Trust plays a key role in the willingness of a network to share knowledge. A lack of trust could have a negative effect on the firm's previously attained bonds as a result of competitive confusion within the group (Powell and Smith Koput Doerr, 1996).

Interestingly, an atmosphere of trust would rather contribute to the free exchange of knowledge absorptive capacity between committed members (Blau, 1964; Jarillo, 1988). Chow and Chan (2008) would also suggest that the level of trust can grow exponentially as result of continual social interaction. Trust and norms are important sources of social capital in the long term when concerned with the network of relationships (Adler and Kwon, 2002). Among the key aspects of this dimension are trust and trustworthiness (Fukuyama, 1995; Putnam, 1993), norms and sanctions (Coleman, 1990; Putnam, 1995), obligations and expectations (Burt, 1992; Coleman, 1990; Granovetter, 1985; Mauss, 1954) and identity and identification (Hakansson and Snehota, 1995; Merton, 1968). Members of an organization should seek to signify their trustworthiness through the way they act within their respected group. For industrial districts, interpersonal trust shows a critical role, meanwhile, as mentioned earlier; individual social capital plays a key role in the development of organizational social capital. Social interaction improves the quality of knowledge created in an organization. In addition to this, knowledge sharing process is likely to be improved when members of a network know each other well, and have some form of social interaction both inside and outside of the workplace (Bolino, et al., 2002). Thus, knowledge is supported through the network of relationships (Mu, et al., 2008). Likewise, social relationships and social interactions play a significant role in advantageous resource exchange (Tsai and Ghoshal, 1998). In conclusion, the relational dimension of social capital can be broadly regarded as the concept of strong relations between members of an organization or firm (Levin and Cross, 2004). The more positive ties and trust that exists, the more success the network creates, which in turn creates a higher degree of trust and inspires partners to make greater resource commitments to the relationships (Capaldo, 2007). The reasoning above leads to the following hypothesis:

Hypothesis 2: Relational dimension is positively related to the absorptive capacity.

## 2.4 Cognitive dimension of social capital and absorptive capacity

The cognitive dimension characterizes the resources providing shared language and codes between network members (Nahapiet and Ghoshal, 1998). The two facets of the dimension that we address are shared goals and shared culture amongst network members. Shared goals can be defined as the degree to which network members share a common understanding and

approach towards specific network tasks, as well as sharing specific goals and outcome expectations towards said task. Shared culture can be defined as the degree to which norms of behavior rule relationships. This facet is similar to tie modality, which relates to a set of institutionalized rules and norms that govern appropriate behavior in the network (Inkpen and tsang, 2005). Inside large, complex organizations, shared vision and values greatly influence the development of the cognitive dimension of social capital. When individual and joint actions are supported, an organization will likely observe a beneficial outcome (Tsai and Ghoshal, 1998).

Shared vision concerns the common goals and ambitions of the members of a social network. Common understanding about the ways of interaction leads to increased and improved opportunities for resource sharing with minimal misunderstandings. Shared goals help the network members to visualize the benefits of these exchanges. Therefore, the shared vision that exists amongst the network members, can lead to more efficient sharing of knowledge (Tsai and Ghoshal, 1998). However, Davenport (1997) suggests that knowledge can be seen as a source of power as well as a resource; it is unnatural for people to share knowledge. That being said, norms of collectivity that guide a subject to leave individual interests for a community are a binding force for that community (Coleman, 1988). Shared goals and norms within a community facilitate the members in understanding the meaning of knowledge sharing (Chiu et al., 2006). Common goals and norms lead to trust amongst the members of a network, as they do not fear pursuit of self-interest or self-promotion of other members which may compromise the shared common goals. Hence, common goals and norms act as a binding force that create trust (Tsai and Ghoshal, 1998) and can lead to knowledge sharing. (Chiu et al., 2006) in their empirical study, suggest that shared vision was positively related to the quality of knowledge shared within a network. The reasoning above leads to the following hypothesis:

Hypothesis 3: Cognitive dimension is positively related to absorptive capacity.

## 2.5 Absorptive capacity and organizational innovation

Absorptive capability is a firm's ability to learn from other firms. (Zahra and George, 2002) define absorptive capability as the active organizational capability of a firm to obtain, absorb, transform, and utilize external knowledge. In addition, absorptive capability has been found to be an important factor that positively contributes towards an uneven knowledge transfer process (Soh and Roberts, 2005). In this study, the organizational innovation activity involves searching, processing and administering knowledge in order to create something unique and advantageous for an organization or company. Based on the literature about absorptive capability (Cohen and Levinthal, 1999), the existing knowledge base increases a firm's ability to search, assimilate, and take advantage of new knowledge for problem-solving activities. Therefore, firms with higher levels of absorptive capability can acquire new

knowledge from networks in order to enhance their organizational innovation activities and obtain more effective and improved knowledge transfer (Fleming and Sorenson, 2004). This argument is in agreement with the literature on resource-based views of firms and their organizational learning processes (Zollo and winter, 2002).

There are reasons to suggest that greater absorptive capability enables greater utilization of embedding knowledge from external networks, and as a result, promotes superior innovative outcomes (Powell, Koput, Doerr, 1996; Abrizio, 2009). Cohenand and Levinthal (1990) postulate that the external knowledge sources are the key to innovation, but it whether a firm could absorb and utilize this knowledge is based on its own experience and capabilities. The reasoning above leads to the following hypothesis:

Hypothesis 4: Absorptive capacity is positively related to organizational innovation.

# 3. Methodology

## 3.1 Sample Selection and Data Collection Procedure

This study investigates the relationship between social capital have three dimensions: the structural dimension, the relational dimension, and the cognitive dimension are related to absorptive capacity, and organizational innovation. Hence, this study selected exporting firms from leather products businesses in Thailand as the sample. The population was obtained from a list database of Thailand's exporter directory at the Department of Export Promotion, Ministry of Commerce of the Thai government as of February 10, 2015 (http://www.depthai.go.th). A mail survey procedure via questionnaire was used for data collection. The key participants in this study were executives or managers. With regard to the questionnaire mailing, 25 surveys were undeliverable because some firms were no longer in business or had moved to unknown locations. Deducting the undeliverable from the original 316 mailed, the valid mailing was 291 surveys, from which 125 responses were received. Of the surveys completed and returned, only 119 were usable. The effective response rate was approximately 40.89 %. According to Aaker, Kumar and Day (2001), the response rate for a mail survey, without an appropriate follow-up procedure, and greater than 20%, is considered acceptable.

Furthermore, a non-response bias test was performed by comparing early and late responses. Characteristics of the firms comprise industry types, amount of capital funding, time in business, number of employees, and key informants who self-reported all constructs (Armstrong and Overton, 1977). As for non-response bias, t-test statistical tests were performed and; the results exhibited no significant differences. Therefore, a non-response bias is of no concern in this data.

#### 3.2 Methods

In this study, factor analysis is used to study the construct validity of several constructs in the conceptual model that has been developed as scales. Factor analysis was used to assess the basis of a large number of items and to determine whether they could be reduced to a smaller set off actors. All factor loadings are higher than the rule-of-thumb 0.40 cut-off and are statistically significant (Nunnally and Berstein, 1994).

Moreover, Cronbach's alpha coefficient was used to evaluate the measurement of reliability. In the scale, Cronbach's alpha coefficients are higher than 0.70 (Nunnally and Berstein, 1994). Therefore, scales of all measures are shown to result in consistency. So, these measures are considered appropriate for further analysis because they show that validity and reliability that have be recognized in this study. The result shows factor loadings and the Cronbach's alpha coefficient for multiple item scales used this study in Table 1. Table 1 presents all variables that have factor loading scores as between 0.777 – 0.902. Additionally, Cronbach's alpha for all variables are shown between 0.797 – 0885. Therefore, all constructs of the validity and reliability of measurement can be applied for further analysis.

**Table 1: Results of Measure Validation** 

Items	Factor	Cronbach's			
	Loadings	Alpha			
Structural dimension (SD)	0.779-0.863	0.837			
Relational dimension (RD)	0.819-0.880	0.864			
Cognitive dimension (CD)	0.832-0.880	0.885			
Absorptive capacity (AC)	0.827-0.865	0.863			
Organizational innovation (OI)	0.777-0.902	0.797			

Ordinary Least Squares (OLS) regression analysis is multiple regression analysis. It is the appropriate way to test the hypotheses in which the variables are categorical and interval data. The assumptions in the study were transformed into two equations. The equations analyze the relationships between independent variables and the dependent variable (Hair, Black, Babin and Anderson, 2010). The equation model is presented as follows:

Equation 1: 
$$AC = \beta_{001} + \beta_1 SD + \beta_2 RD + \beta_3 CD + \beta_4 FA + \beta_5 FS + \varepsilon_1$$

**Equation 2:**  $OI = \beta_{002} + \beta_6 AC + \beta_7 FA + \beta_8 FS + \varepsilon_2$ 

## 4. Results and Discussion

Table 2 presents the descriptive statistics and correlation matrix for all variables. With respect to potential problems relating to multicollinearity, variance inflation factors (VIFs) were used to provide information on the extent to which non- orthogonality among independent variables inflates standard errors. The VIFs range from 0.22 to 4.73, well below the cut-off value of 10 recommended by Neter, Wasserman and Kutner (1985), meaning that the independent variables are not correlated with each other. Therefore, there are no substantial multicollinearity problems encountered in this study.

**Table 2: Descriptive Statistics and Correlation Matrix** 

Variables	SD	RD	CD	AC	OI	FA	FS
Mean	4.530	4.399	4.468	4.341	4.431	3.884	3.541
S.D.	0.483	0.566	0.572	0.566	0.559	0.492	0.834
RD	0.621**						
CD	0.638**	0.619**					
AC	0.571**	0.643**	0.729**				
OI	0.612**	0.594**	0.934**	0.802**			
FA	0.122	0.025	-0.071	-0.075	-0.082		
FS	0.129	0.216**	0.093	0.056	0.060	0.229**	

<sup>\*\*\*</sup>p < 0.01, \*\*p < 0.05, \*p < 0.10

Table 3 presents the results of OLS regression analysis of the relationships among three dimensions of social capital which consist of structural dimension, relational dimension, and cognitive dimension and are related to absorptive capacity. Moreover, this table also presents the results of testing the relationships among absorptive capacity and organizational innovation. Firstly, relational dimension and cognitive dimension have a significant positive impact on absorptive capacity ( $\beta 2 = 0.298$ , p < 0.01; B3= 0.487, p < 0.01). Thus, hypotheses 2 and 3 are supported. This would suggest that the relational dimension can aid in increasing the positive impacts of network diversity, as well as the value of network diversity that has a positive effect on organizational innovation (Hua Yu, 2013). That greater absorptive capability enables increased usage of embedded knowledge from outside networks, and as a result, promotes the improving of organizational innovation (Powell, Koput, and Doerr, 1996; Fabrizio, 2009). Moreover, it could be argued that external knowledge sources are the key to innovation, but whether a firm could absorb and utilize this knowledge is based on its experiences and capabilities. The social networking of an organization aids itself in obtaining information through external knowledge (Cohenand and Levinthal, 1990). The degree of a firms internal development capacity determines their ability to evaluate, understand and assimilate the new external knowledge that it obtains from social networks (Powell, Koput, and Doerr, 1996; Lichtenthaler, 2009). Thus, when a firm includes a high level of absorptive capacity, the value created from the information and knowledge obtained from the social network is also improved. More specifically, when firms choose to access diverse knowledge, their absorptive capacity impacts how much the firm can utilize the knowledge for beneficial results (Kogut and Zander, 1992). Organizational innovation is the novel partnership of knowledge that firms possess, and the fresh knowledge that they obtain (Arora and Gambardella, 1994; Fabrizio, 2009). When a firm holds a high degree of absorptive capacity, the search for knowledge can increase overall organizational innovation (Laumann, 1978). In addition, organizational innovation can be described as a social community that has shared identities, common norms, general beliefs, collective visions or joint experiences (Kogut and Zander, 1996; Nahapiet and Ghoshal, 1998). An organization that has more cooperative ties with a common cognitive system will have stronger shared identities and common norms;

hence the collective cohesion will be improved and increased (Nonaka and Takeuchi, 1995; Grant, 1996). Members within these organizations would be more likely to reduce barriers of communication and opportunistic behaviors (Conner and Prahalad, 1996), in turn these members would be more likely to have more motivation and opportunities to share knowledge or resources with each other (Adler and Kwon, 2002). Secondly, structural dimension has no significant positive impact on absorptive capacity. Thus, hypotheses 1 is not supported. It may be possible that structure and planning organization does not source for external knowledge absorptive capacity.

**Table 3: Results of Regression Analysis** 

Independent Variable	Dependent Variable
	Absorptive Capacity (AC)
Structural dimension (SD)	0.100
, ,	(0.073)
Relational dimension (RD)	0.298***
	(0.061)
Cognitive dimension (CD)	0.487***
	(0.061)
Firm Age (FA)	-0.052
	(0.053)
Firm Size (FS)	-0.022
	(0.018)
Adjusted R <sup>2</sup>	0.590

<sup>\*\*\*</sup>p < 0.01, \*\*p < 0.05, \*p < 0.10, a Bata coefficients with standard errors in parenthesis

Table 4 presents the results of OLS regression analysis of the relationships among absorptive capacity and organizational innovation. It was found that absorptive capacity has a significant positive impact on organizational innovation ( $\beta_6 = 0.790$ , p < 0.01). Thus, hypothesis 4 is supported. Firms in industries that are constantly changing attain their primary competitive advantage through the efficiency of their employees to create and manage knowledge (Bettis and Hitt, 1995; Grant, 1996). This result is consistent with the research of Nahapiet and Ghoshal (1998) who found that social relationships, and the social capital therein, are an important influence on the development of intellectual capital. Simply speaking, intellectual capital includes specialist knowledge and personal knowledge (Spender, 1996). Hage and Aiken (1970) suggest that firms can create their best opportunities for innovation as a direct result of gaining, creating and implementing external knowledge. This is because, as Tushman and Anderson (1986) outline; a firm's ability to ingest, understand and take advantage of knowledge into the alternate aspects of social, technological and market development highly influences the success of their organizational innovation.

**Table 4: Results of Regression Analysis** 

Independent Variable	Dependent Variable Organizational Innovation (OI)
Absorptive capacity (AC)	0.790*** (0.041)
Firm Age (FA)	-0.032 (0.048)
Firm Size (FS)	0.008 (0.017)
Adjusted R <sup>2</sup>	0.640

<sup>\*\*\*</sup>p < 0.01, \*\*p < 0.05, \*p < 0.10, a Bata coefficients with standard errors in parenthesis

## 5. Contributions and directions For Future Research

### 5.1 Theoretical Contribution and Directions for Future Research

This research is intended to provide a clearer understanding of the relationships among social capital, structural dimension, relational dimension, cognitive dimension, absorptive capacity and organizational innovation. This research makes three contributions to the literature of social capital. Firstly, this research proposes three dimensions of social capital (structural dimension, relational dimension, cognitive dimension), whereas prior research was lacking. Secondly, this research advances previous literature by categorizing many antecedents and consequences to develop a model to test the relationships. The role of social capital on absorptive capacity and organizational innovation is examined in terms of the quantitative by collecting data from leather exporting firms in Thailand, while most of the previous research proposes the conceptual relationships. Likewise, to expand the research contributions and verify the research generalizability, future research is needed to collect data from different sample groups and/or comparative populations or from other business sectors in order to increase the level of reliable results.

#### 5.2 Managerial Contribution

This research also helps executives identify and justify key components that may be more critical in a rigorous organizational innovation. From a practical and managerial contribution, many important insights can be gained from this research. The study can facilitate CEO's (executives and managers), particularly in leather product exporting firms and businesses in Thailand, to understand how their firm can create valuable propositions and enhance organizational innovation. Enlargement competitiveness of firms is becoming a foundation for firms to survive. Therefore, organizational innovation has become an important issue for managers in the business sector. In addition, social capital is to absorptive knowledge from external the organization. The structure of the crema and planning organizations. The creation

of social capital by building a good relationship with each other constantly until it cause of trust that were synchronized with external of organizations. In the context of the business sector, intense competition can stimulate many firms to attempt to search for knowledge absorptive capability and innovation. The CEO's, then, should effectively acquire, manage, and utilize the components of social capital in order to possess organizational innovation.

## 6. Conclusions and Recommendations

The purpose of this research was to examine the relationships among three dimensions of social capital, structural dimension, relational dimension, cognitive dimension, absorptive capacity and organizational innovation. The model of testing is from the collected data of mail surveys from 119 exporting firms of leather products in Thailand. The results lend support for the hypothesis derived from the conceptual model. Generally, this research provides empirical evidence that only two dimensions of social capital have a positive impact on absorptive capacity. Relational dimension has a positive impact on absorptive capacity.

Relational dimension engender trust for social capital exchange and it opens up people for knowledge absorptive capacity. Members of a social network who trust each other are more willing to share their resource since they have no fear of being exploited by the other members. Cognitive dimension has a positive impact on absorptive capacity. It is knowledge sharing, shared goals; learn skills, knowledge and common conventions on absorptive capacity. Furthermore, absorptive capacity causes social capital on knowledge and information from outside organizations. Moreover, the research suggests that absorptive capacity has a positive impact on organizational innovation. In addition to this, the methodology of research analysis will contribute significantly towards the understanding of how exporting firms of leather products in Thailand can encourage social capital to increase their absorptive capacity and organizational innovation.

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