



# Social Capital and Competitive Advantage: Empirical Evidence from Travel and Tourism Industries in Saudi Arabia

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## Abstract

This study analyses the effect of social capital on competitive advantage in Saudi Arabia's travel and tourist businesses. This study employs a survey methodology to collect data from deputy directors, heads of departments, and employees in the travel and tourism businesses in the Al-Kharj Governorate. 250 employees comprise the final sample. This study reveals that travel and tourist organisations have a high level of internal social capital and achieve an increased competitive advantage when using descriptive statistics and simple and multiple regressions. Additionally, this study discovers a positive and statistically significant relationship between internal marketing and competitive advantage. This study proposes that travel and tourism businesses develop an internal social capital department due to the critical role of social capital in strengthening these organisations' competitive advantages.

**Disciplinary:** Management (Marketing), Tourism.

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## 1 Introduction

The shift from an industrial to a knowledge-based economy has raised management studies' interest in social capital. Because social capital is a scarce resource that cannot be purchased or exchanged between organisations, it is an essential source of sustained competitive advantage and a critical factor in understanding organisational excellence. Several theoretical and applied research investigations highlighted the positive effect of social capital on businesses, including boosting job satisfaction, meeting emotional and ethical demands, and lowering stress. The second

part boosts worker performance, improving mission performance, competitiveness, and problem-solving abilities. The third factor is productivity, which includes increasing production, enhancing quality, and lowering absenteeism. The current study aims to contribute to past findings and develop new concepts that turn the individual benefit of social capital into a community benefit. In Al Kharj Governorate, the impact of social capital on tourism and travel firms' competitive advantage is tested.

The topic of competitive advantage continues to be a significant concern for practitioners and scholars globally and locally. The enormous number of scholarly research and proposals on this issue does not obfuscate the fundamental goal of contributing to social well-being. It is a commitment that instructs them to achieve their advantage not just by relying on traditional factors of production but also by researching and using intangible resources, especially those enshrined in their personal and non-personal social relations, now known as the concept of social capital. Because Saudi travel and tourist organisations do not profit from and appreciate the relevance of social resources in their professional and competitive lives, these organisations can invest in the concept of social capital as one of the essential principles in management. Organise and guide these resources for the benefit of these organisations. To avoid the dominance of traditional organisational notions, it was decided to pose the problem as follows:

How do social capital help travel and tourism companies compete in Saudi Arabia? This research seeks to achieve the following objectives:

1. Determining the reality of social capital in travel and tourism organisations.
2. Identifying the reality of competitive advantage in travel and tourism organisations.
3. Investigating the role of social capital in the competitive advantage in travel and tourism organisations.

## 1.1 Hypotheses

This study seeks to test the following hypothesis:

There is a statistically significant impact of domestic social capital on the competitive advantage of travel and tourism organisations in the Kingdom of Saudi Arabia.

## 1.2 Study Limitations

Time limitations: This study was conducted in 2022

Spatial boundaries: This study was conducted on travel and tourism organisations in Al-Kharj Governorate.

Objective limitations: This study deals with social capital and its impact on the competitive advantage in travel and tourism organisations in Saudi Arabia.

## 2 Research Methodology

The study employed the descriptive analytical approach to collect secondary data from secondary sources (books, prior studies, magazines, etc.) and primary data from respondents via a

questionnaire. The descriptive-analytical method was used to analyse the data using the Statistical Analysis Program SPSS and test the study tool's stability.

## 2.1 Validity and Reliability

After collecting data, the researcher conducted a reliability test using the Alpha Cronbach laboratory for internal consistency, as the average value of Alpha Cronbach for questionnaires is 0.88, a solid coefficient to begin the analysis process for questionnaires, while the questionnaire validity coefficient is 0.93 percent, also a strong coefficient to demonstrate the study tool's validity, as illustrated in Table 1.

**Table 1: Stability test for the study tool.**

Questionnaire	Number of paragraphs	Alpha Cronbach's Value
	32	0.93

## 2.2 Population and research sample

The study population is represented by employees of travel and tourism organisations in Saudi Arabia (directors- department heads - front desk staff). The sample has been identified and selected randomly according to the nature of the study.

**Table 2: Distribution of the study sample.**

N.	Type of Tourism Organization	The Number of Sample Items	%
1	Travel Agencies	65	26
2	Hotels	83	33
3	Restaurants	52	21
	Other Tourist Facilities	50	20
	Total	250	100

## 3 Literature Review

According to available research, no study examines the effect of social capital on the competitive advantage of travel and tourist firms in the Kingdom in general or in Al-Kharj Governorate in particular. Rather than that, a few studies examined physical capital or issues about the governorate's tourism sector. Regarding the significance of prior studies as a component of the research and the necessity of using them as a theoretical backdrop with their research curricula and scientific and practical outcomes, we shall discuss a few of these studies as follows:

Noman (2020) discussed commercial banks' social capital. The study concluded by examining the relationship between banks' social capital and competitive advantage, emphasising the importance of banking organisations' social capital. At the same time, Al-Hazmi (2021) discussed the importance of customer relationships and their role in retaining customers in travel and tourism organisations in the Al-Kharj Governorate. Additionally, the study provided several recommendations, the most significant of which is the importance of training customer relationship department personnel to deal with customers professionally and training them to use new modes of communication. Al-Hazmi (2020) conducted an applied study at Prince Sattam University in Al-Kharj Governorate to determine the value of internal marketing in Saudi

universities. The study presented various recommendations about developing employees' competencies at Saudi universities and their training on how to provide services to a targeted audience. Several components and standards must be completed before applying the concept of Total Quality Management in the hotel sector.

The importance of internal marketing in Saudi enterprises is manifold. Al-Otaibi (2015) emphasises the importance of marketing interior services at Saudi universities and their role in enhancing competitiveness; Al-Hazmi (2017) diagnosed the reality of Total Quality Management implementation in Al-Kharj and determined its significance for the tourism sector's success. Lousia (2019) discussed the critical role of intellectual capital in industrial enterprises attaining a competitive advantage. Awath (2017) emphasised the role of intellectual capital in health organisations' competitive advantage. However, Mussa (2020) emphasised the importance of professional capital in organisations' competitive advantage and human resource capabilities. Khamees (2018) discussed the need to utilise intellectual capital in higher education institutions. Zubair (2019) emphasised the importance of investing in intellectual capital to achieve competitive advantage and concluded with an investment in intellectual capital, while Al-Khatibat (2019) emphasised the importance of internal marketing in enhancing competitive advantage in travel and tourism organisations. Bakri (2019) examined the impact and role of internal marketing in improving employee performance in tourism organisations. Sadiq (2017) discussed the relevance of internal marketing in the growth and increase of employee loyalty in travel and tourist firms. Employee satisfaction improves when these banks implement internal marketing procedures.

According to the previous literature study, most research examined internal marketing and quality management components in industries other than tourism, hospitality, and other locations but omitted Al-Kharj Governorate. Thus, this study differs from past research in that it focuses on social capital in the tourism and hotel sectors in Saudi Arabia's Al-Kharj governorate, and its aims have not been explored or handled in the manner recommended.

## 4 Descriptive Analysis of the Study's Constructs

### 4.1 Descriptive analysis of the Dimensions of Internal Social Capital

**Table 3:** Descriptive analysis of internal social capital dimensions.

N.	Dimensions	Mean	Importance%	Rank	Sig	p-value
1	The power of the work network	3.91	81.10	2	.0000	.0000
2	Frequency of communication	3.62	79.23	3	.0001	.0000
3	Emotional confidence (personal)	3.79	78.96	4	.0000	.0000
4	Emotional confidence (administration)	3.10	64.96	6	.0002	.0000
5	Common vision	3.82	83.01	1	.0000	.0000
6	Common language	3.90	75.91	5	.0000	.0000
	Social capital	3.70	78.15		0.001	0.000

According to Table 3, all dimensions had a relative relevance of more than 78.15 percent, indicating a good attitude toward sizes and that the shared vision had the most significant relative value in the first place. While emotional confidence in the administration was the minor significant

factor in the sixth and final position, as demonstrated by the column of moderation (Sig) having a value of less than 0.05 percent for all dimensions. Additionally, it was determined that the level of morale was less than 0.05 percent adopted via the value (p-value) of convenient compatibility with all dimensions, indicating that the respondents' responses to dimensions have meaning in the research community.

## 4.2 Descriptive Analysis of the Competitive Advantage

According to Table 4, the relative importance of all paragraphs and the overall dimension is 77.99 percent, indicating that the sections and the total dimension have received good acceptance. Market share was the essential factor relative to quality, as demonstrated by the moderation column (Sig), whose value was smaller than the approved indication threshold of 0.05 percent for all paragraphs of the dimension. Additionally, the value (p-value) of convenient compatibility for all paragraphs and the total size was below the 0.05 percent threshold for indication, indicating that the respondents' responses to the sections are relevant to the research community.

**Table 4:** Descriptive analysis of the competitive advantage.

N.	Paragraph	Mean	Importance%	Rank	Sig	p.value
1	Market Share	3.94	80.32	1	0.003	0.000
2	Quality	3.74	76.59	2	0.000	.0000
	Total	3.81	77.99		0.000	.0000

## 5 Hypotheses Testing

To test the study hypothesis (there is no statistically significant effect of internal social capital on gaining competitive advantage), the relationship and impact on the dependent variable were evaluated separately (competitive advantage). To test the hypothesis, two approaches were used: simple linear regression and multiple linear regression, to identify the effect of internal social capital dimensions on competitive advantage (structure dimension, relationship dimension, and cognitive dimension).

### 5.1 The Correlation between Internal Social Capital and Competitive Advantage

The researcher employed the simple correlation coefficient (Pearson's correlation coefficient) to examine the relationship between internal social capital and competitive advantage. The results were obtained in Table 5.

**Table 5:** The correlation coefficient between internal social capital and competitive advantage.

Variables	Pearson's correlation coefficient, R	Sig
Structural dimension and competitive advantage	0.67	0.000
Relationship dimension & competitive advantage	0.71	0.000
Cognitive dimension and competitive advantage	0.72	0.000
Internal social capital and competitive advantage	0.75	0.000

As indicated in Table 5, there is a correlation between internal social capital and competitive advantage, as demonstrated by Pearson's correlation coefficient test result, which indicates a strong direct relationship with 0.75. The more internal social capital an organisation possesses, the more significant its competitive advantage is in the same direction. As the preceding table revealed, this correlation is based on morality at a 1% moral level. Along with the association between competitive advantage and internal social capital characteristics demonstrated in Table 5, the regression analysis was conducted, see Table 6.

**Table 6: The impact of the structural dimension in achieving competitive advantage.**

Independent Variable	Factors	Factors Values	R	R <sup>2</sup>	Calculated T Value	Calculated F Value	Sig
Structural dimension	A	3.88	0.87	0.75	11.02	13.2	0.000
	B	0.90			0.18		

The results in Table 6 indicate a positive and morally significant relationship between the structural dimension and competitive advantage, with a regression coefficient of 0.90, indicating that the greater the structural dimension by one unit of measurement, the greater the competitive edge by 0.90 teams. While the correlation coefficient was 0.85, implying a high morale direct association, the greater the structural component, the more excellent the opportunity for competitive advantage, and vice versa. These two coefficients - regression coefficients and correlation coefficients - are morally significant, as indicated by the T-test, and the interpretability of the above regression model, as measured by the selection coefficient R<sup>2</sup>, was 0.75, meaning that 75% of changes in competitive advantage are due to the structural dimension and 25% to other coefficients. These findings suggest that the structural factor contributes positively to gaining a competitive advantage.

**Table 7: Impact of the relationship dimension in achieving competitive advantage.**

Independent Variable	Factors	Factors Values	R	R <sup>2</sup>	Calculated T Value	Calculated F Value	Sig
Relationship dimension	A	3.67	0.90	0.80	7.68	14.23	0.000
	B	0.62			0.86		

The results in Table 7 indicate a positive and morally significant impact relationship between the independent variable represented by the relationship dimension in the dependent variable and competitive advantage, where the regression coefficient is 0.62, indicating that increasing the relationship dimension by one unit of measurement results in an increase in the achievement of competitive advantage by 0.62 unit. While the correlation coefficient of 0.80 indicates a strong morale direct correlation, i.e. the more significant the relationship dimension, the increases competitive advantage achievement and vice versa, and these two coefficients - regression coefficients and correlation coefficients - are morally substantial as indicated by the T-test. The interpretability of the regression mentioned above model, as measured by the selection



coefficient R<sup>2</sup>, was 0.80, suggesting that 80% of changes in competitive advantage were caused by the structural dimension, whereas other factors caused 20%.

**Table 8:** The impact of the cognitive dimension in achieving competitive advantage.

Independent Variable	Factors	Factors Values	R	R <sup>2</sup>	Calculated T Value	Calculated F Value	Sig
Cognitive dimension	A	3.70	0.85	0.93	13.14	9.95	0.000
	B	0.78			0.91		

The results in Table 8 demonstrate a positive and morally significant relationship between the independent variable of the dependent variable and competitive advantage, with a regression coefficient of 0.78, indicating that increasing the cognitive dimension by one unit of measurement results in an increase in the competitive advantage of 0.78 of a unit. While the correlation coefficient is 0.93, indicating a strong moral direct coefficient, the greater the cognitive dimension, the greater the ability to acquire a competitive advantage, and vice versa. These coefficients - regression coefficients and correlation coefficients - are morally significant, as indicated by the T-test, and the interpretability of the regression mentioned above model, as indicated by the R<sup>2</sup>, was 0.85, meaning that 85 percent of changes in competitive advantage are due to the cognitive dimension, while 15% are due to other factors.

## 5.2 Multi-Regression Method

The results of multiple linear regression Table 9 demonstrate a direct morale effect between the independent variable (relational dimension) and the dependent variable (competitive advantage), but not between the other factors. Multiple regression illustrates the impact of the independent variable while also accounting for the effect of additional independent variables (while the simple linear regression shows the result of the impact of the independent variable with the stability of the rest of the other variables). The bigger the (connection dimension) per unit of measurement, the greater the competitive advantage by 0.42.

**Table 9:** The analysis result of the multiple linear regression of the impact of internal social capital, on achieving competitive advantage

Independent variable	Constant gradient A	Regression coefficient B	R	R <sup>2</sup>	Calculated T Value	Calculated F Value	Sig
Structural dimension	1.11	0.18	0.78	0.66	1.94	15.87	0.05
Relationship dimension		0.42			0.22		0.01
Cognitive dimension		0.12			1.16		0.49

$$y = 1.11 + 0.18x_1 + 0.43x_2 + 0.12x_3$$

Additionally, the T-test indicates that the regression coefficients are morally significant. The correlation coefficient of 0.78 indicates a strong correlation between internal social capital and competitive advantage, indicating that increased internal social capital results in increased

competitive advantage and vice versa. The indication coefficient of 0.66 indicates that 66% of changes and impacts on competitive advantage are due to independent factors. In comparison, 34% are related to other variables, implying that the central research hypothesis is accepted, which asserts that internal social capital has no statistically significant effect on gaining competitive advantage (statistically substantial for internal social capital in achieving competitive advantage).

## 6 Conclusion

By analysing the study's various dimensions and testing its hypotheses, we discover that the depth of relationships between members of the work network, workers' interactions with their colleagues outside of work, the existence of personal relationships outside of the official context of work and a sense of comfort with them are factors that contribute to the strengthening of work networks. In this way, workers' performance in their jobs is improved.

We discover that organisations are working in the tourism and travel sectors to identify and enforce laws, policies, and regulations that protect the individual's rights and avoid harming him instil confidence in the administration, which has a positive effect on the performance of the work entrusted to the employees by this administration. The availability of a common language among tourism organisation employees boosts their capacity to comprehend the diverse perspectives, objectives, perceptions, and interpretations of other employees, leading to more favourable results in their performance. Tourism companies' competitive advantage is influenced by banks' interest in their workforce, given that human resources are accountable for conducting business within these institutions and because human resources are the establishment's most valuable resource. As a result, tourist organisations' divisions should take the issue of internal social capital seriously and recognise its critical role in achieving competitive excellence to treat employees with more excellent care and attention. It is needed to educate employees about the vital role they play in achieving institutional excellence, to foster an atmosphere of understanding and mutual trust among employees, to foster continuous communication among employees, to foster the formation of a shared vision among all employees, to address negative aspects of work and to eliminate communication barriers between workers at various levels. Additionally, it is necessary to work to earn the department's employees' confidence, as this has a positive effect on employee motivation, which reflects positively on the tourism organisation's overall performance and to work diligently to provide something unique and distinct from others by developing information systems to explore all the desires and needs that are constantly evolving and working to meet them.

## 7 Availability of Data and Material

Data can be made available by contacting the corresponding author.

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