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THE IMPACT OF RELATIONAL CAPITAL ON COMPETITIVENESS OF THE ORGANIZATION

Case study

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Abstract

Today organizations are becoming increasingly more aware of the importance of knowledge, as a consequence due to the changing environment and the ongoing process of globalization. Knowledge is the most valuable asset that an organization can have, because it is through him that opens horizons and make your way. Companies using knowledge as a key resource (the raw material from which the financial results are obtained arises and develops) are considered successful companies. The aim of the paper is to to see the impact of relational capital on competitiveness of the organization of SMEs that operating in the field of constructions. Considering this, it was developed a case study that utilises a pragmatic and unique, holistic and exploratory approach.

1. Introduction

Through the globalization process changes appear in the business environment and new trends and concepts are being developed, therefore, small and medium enterprises should have a positive reaction if they want to be successful. And small and medium enterprises (SMEs) should have a positive reaction towards them if they want to be successful. Companies try to gain competitiveness advantage using available intangible resources. The growing importance of intellectual resources can be seen as an effective tool for increasing competitiveness. Relational capital includes all intangible resources (relations to external stakeholders and persons) which influence the enterprise activity by creating profits and business added value. The success of the company should be assessed not only in relation to the results achieved (financial performance), but also in relation to the potential for maintaining and further shaping competitiveness. Research has demonstrated that the relational capital contributes to the improvement of the organizational competitiveness (Bharadwaj, 2000; Nold III, 2012). The added value produced by relational capital is not seen in financial statements, but enterprises that look towards future realize the importance of relational capital and consider it an important part of the company's competitiveness. This paper is focused on relational capital importance for the enterprises in order to increase business competitiveness. The aim of this paper is to examine the link between the relational capital and the organizational competitiveness of SMEs operating in the construction sector in Romania. The main research instrument was the valid questionnaire, used to conduct a survey on a large number of companies. Statistical survey is based on the concepts, methods and procedures clearly defined and applied SMEs. Pearson Correlation and Multiple Regression were used to test the relationship between the components of the relational capital and the organizational competitiveness (OC). The results offer valuable insights about the widespread use of modern approaches of relational capital related to Romanian research.

2. Literature review

In an era of rapid change, success depends heavily on the organization's ability to generate dynamic communication with customers, suppliers and strategic partners in an effective way (Teece, 2000). Therefore, a right presentation of relational capital is that it refers to the quality and sustainability of external stakeholders and also the potential to generate new agents in the future. Relational capital is the knowledge incorporated in the relationships with stakeholders that influences the organization's competitiveness (Cabrita & Landeiro Vaz, 2005). Some authors (Prahalad & Ramaswamy, 2000) suggest that relational capital become a new source of competence for the company because they renew the overall competence of the firm and rejuvenate the knowledge base preventing it from the obsolescence in a turbulent environment (Gibbert et al., 2001). Relational capital is the third component of intellectual capital, it has been regarded as a major source of competitive advantage in the knowledge economy (Stewart, 1997; Edvinsson & Malone, 1997; Bontis, 1998), and refers to all resources which involve the relationships with an outside world (including trade relations, partnerships, affiliations and associations) and facilitate action and create added value. Relational capital is defined as the combination of knowledge of the company which has its roots in the relationships with its customers, investors etc. This includes trademark recognition, the knowledge of competitors, employee satisfaction, the customer loyalty, the relationships with the mass media, etc. (Bueno et al., 2011, pp. 23-27). More specifically, Clercqa & Sapienzab (2006) define relational capital as the extent to which exchange involves trust, social interaction and shared norms or goals.

In other words, the key issue in gaining competitiveness is the ability to convert those intangible assets into value and to leverage that value in its market place and according to Eccles al (2001 in Cañibano & Sanchez 2005) the capital relational requests more reliable information on the "risk factors, strategic direction, managerial qualities, expertise, experience and integrity because these factors are considered important for the company's ability to generate value. Brooking & Motta (1996) define the relational capital as market related assets and include the potential of the company in terms of market related intangibles such as brand, market dominance due to market strategy, including positioning strategies that have commercial value, customer relations and investor relations. Therefore, it is suggested that the value of a company which assigns its relational capital depends entirely on its targets. Relational capital is seen as a group of intangible relationships with suppliers, customers and other stakeholders, which forms the basis of the company's reputation. These relationships include licensing agreements, financial relationships, contracts, agreements on distribution channels and customer loyalty (Sveiby, 2001). The value of these intangible resources is influenced primarily by how a company manages customer problems. The reputation and the relationships can be good or bad and can change over time, depending on every independent individual in part. Chen et al. (2004) define relational capital as a bridge and a catalyst that acts in the operations of the intangibile assets . It is the main requirement and determines the conversion of intangibile resources in market value and also in organizational competitiveness. Relational capital

is directly linked to business performance, without this capital the market value or the organizational competitiveness can not be achieved (Bontis, 2001). Therefore, most authors argue that relational capital is the vital condition for building, maintaining and renewing the intangibile assets; for the structures and processes over time, because through external relationships organizations can access critical and complementary resources and thus gain competitive advantage. Consequently, one can say that the relational capital represents intangible assets which in essence are resources that have no physical substance but are identified and controlled by a company which aims at obtaining future economic benefits. In most cases, these intangible assets are not included in the financial accounting (balance sheet, profit and loss account and trial balance) because the companies cannot comply with accounting standards. However, starting with the Northern Europe countries, companies have started to report these intangible resources as statements of evaluating intangible assets. Evaluation is made on separate classes and the report is seen as a complement of the information quality and comprehensiveness.

3. Research Design Methodology and Context

The research objective was to investigate and characterize the SMEs operating in the construction field from the perspective of the impact of their relational capital on competitiveness. The proposed research model (Figure 1) is based on one dependent variable namely the organizational competitiveness and three independent variables namely knowing the stakeholders (KS), the relationship with the stakeholders (RS) and the strategic collaboration (SC). In essence, this model starts from the premise evidenced in literature: the existence of proportional correlations between relational capital and the competitiveness of organizations (Stewart, 1997). The defining of the hypotheses of this research is closely related to the proposed objectives. The research hypotheses were formulated based on the conceptual model for research and are the following:

- Hypothesis 1. Knowing the stakeholders is positively associated with the organizational competitiveness of SMEs.
- Hypothesis 2. The relationship with the stakeholders is positively associated with the organizational competitiveness of SMEs.
- Hypothesis 3. The strategic collaboration is positively associated with the organizational competitiveness of SMEs.
- Hypothesis 4. The relational capital (knowing the stakeholders, the relationship with the stakeholders and the strategic collaboration) has positive impact on the organizational competitiveness of SMEs.

The study was conducted based on a survey that includes SMEs operating in the construction industry in the Western Region during April-May 2014. The method used in collecting data from organizations is the questionnaire. The structure of the survey is based on expert analysis of international studies conducted by experts in the field of relational capital, such as Professor Nick Bontis (Cambrita & Bontis, 2008). The questions are formulated clearly, concisely without leaving space for inquiries or ambiguities. All questions are closed, and avoid interpretations of personal notes and have multiple or binary responses. 150 companies participated in conducting the research and 64 gave valid responses and the remaining 86 were given incomplete responses, therefore the response rate was 43%. Centralization and data processing were done using statistical methods and software programs (Excel and SPSS).

4. Research Results, Findings and Debates

A Cronbach's alpha test was used to evaluate the reliability of the scales as suggested by Nunnally (1978). In this sample, scale reliabilities were 0.80 for KS, 0.70 for RS, 0.71 for SC and 0.76 for OC (Table 1). Reliabilities of the scales were satisfactory (Cronbach's value is around 0.70). The four proposed hypotheses were tested using the Pearson correlation and multiple linear regressions. In the analysis, the three proposed hypotheses were confirmed, namely knowing the stakeholders, the relationship with the stakeholders, the strategic collaboration has a positive relationship with the organizational competitiveness (Table 1). Therefore, the results show that the relationship with the stakeholders has a stronger bond with the organizational competitiveness, followed by strategic collaboration. To test the hypothesis 4 of the study multiple regression analysis was used (Table 2). Namvar et al. (2010) assert that the coefficient of determination shows how well a regression model fits the data. The variance in the organizational competitiveness is jointly explained by the three independent variables. So, the hypothesis regarding the impact of relational capital on the organizational competitiveness is accepted and that indicates the usefulness of the proposed model. Table 3 indicates that relationship with stakeholders and the strategic collaboration have a significant impact on the organizational competitiveness of SMEs at 97% confidence level. The component name knowing the stakeholders has a very low influence. The result is not surprising, because the impact of the relational capital on the organizational competitiveness can vary from organization to organization. The optimal strategy for SMEs is to focus their efforts on managing all three components of relational capital in order to be

able to increase the organizational competitiveness. The findings of this research are consistent with the results obtained by other researchers. The research model has its limitation because its applications are addressed to the SMEs that operate in the construction field in the Western region. Future researchers could use similar hypotheses but could make the study at a national level and in other fields.

5. Conclusions

Focusing on intangible assets, generally and specifically on relational capital as authentic sources of sustainable competitive advantage in the long term, they are favorable conditions for sustainable development and the convergence of knowledge-based economy and society. According to respondents, relational capital is closely related to the competitiveness of small and medium enterprises operating in the construction field in the Western region, through the positive relationship of its subcomponents. This research has contributed to the body of knowledge and gives a new direction to help them understand their organizational issues more quickly because the market is constantly changing.

Acknowledgements

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Appendices

Table 1
Reliabilities and Scale Intercorrelations of the Survey (Pearson Correlation Result)

	α	1	2	3	4
Knowing the Stakeholders (KS)	0.80	1			
The Relationship with the Stakeholders (RS)	0.70	0.45**	1		
The Strategic Collaboration (SC)	0.71	0.32**	0.17	1	
The Organizational Competitiveness (OC)	0.76	0.30**	0.34**	0.29**	1

Note. Significance level + $p < 0.10$; * $p < .0.5$; ** $p < 0.1$

Table 2
Multiple Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F - test	Sig.
1	0.43	0.19		0.473	5.67	0.01

Note. Predictors (KS, RS, SC), dependent variable (OC).

Table 3
Impact of the Independent Variables on Dependent Variable (Table of Coefficients)

Model	Unstandardized coefficiens (beta)	t-ratio	p-value
1 (Constant)	2.12		
Knowing the Stakeholders (KS)	0.09	1.03	0.32
The Relationship the with Stakeholders (RS)	0.22	2.11	0.05
The Strategic Collaboration (SC)	0.18	2.01	0.06

Note. Dependent variable (OC)

Figure 1 Theoretical research model