Business Relational Capital and Firm Performance in South Western Nigerian Small Scale Enterprise Clusters

Ogundipe, Sunday Emmanuel

Department of Business Education,

Osun State College of Education, Ilesa, NIGERIA

E-mail: esogun@yahoo.com

Abstract

This paper examines the effect of relational capital components on firms' performance of selected Small Scale Enterprises Clusters in Southwestern geo-political zone of Nigeria.Nigeria. It examines the business aspect of relational capital in Nigeria context. The units of study were the firms within the cluster, and two clusters, Abeokuta and Osogbo located in Ogun and Osun State respectively in South Western Nigeria. The data for the measures of the variables are collected through questionnaire adapted from Tumwine (2010) survey using five-point Likert's scale. 94 survey instruments were distributed while 80 were returned and found useful for the analysis. A correlation matrix and multiple regression models were used to test the hypotheses advanced. The Relationship with suppliers, customers and internal networks among the employees were found to be positively and significantly related to and predictor of the clusters' firm performance. Furthermore, relational capital as a whole accounts for 63% of the variation in performance of the firms' in the clusters studied. In order to boost the clustered firms' performance, managers within the clusters should employ viable relational capital strategies that include building strong business relational ties with their suppliers and customers in order to identify their needs and provide optimal value for them. The study, also, recommends that internal network among employees based on mutual trust and cooperation within the cluster should be encouraged. This can be achieved through employees share value and togetherness built on trust and open culture within the cluster. This will enhance provision of optimal value for customers and mutual trust and cooperation with suppliers. Lastly, cluster initiative can be boosted, if each firm within the cluster can exploit the benefit in relational capital mix through team building, sharing organizational mission and values, and trust with customers.

Keywords: Cluster, Firm Performance, Nigeria, Relational Capital, Small Scale Enterprises.

1. Introduction

Relational capital is a source of capital that is difficult for competitors to capture and replicate. It is highly important as performance is increasingly being driven by it. Competitiveness drives requires ongoing improvement in the quality of corporate management and in the sophistication of company strategies and operating practices. Innovative financial instruments for the support of cluster initiative are paramount to the successful cluster initiative. According to the report of Porter, (2001) on clusters of Innovation, the productivity and innovativeness of a regional economy benefit from overall conditions such as a sound fiscal policy, an effective political decision making process, and sound legal institutions. He stressed that prosperity in a region is actually created by the microeconomic foundations of competitiveness, rooted in the sophistication with which individuals, firms, and industries based in the region compete. According to the report, competitiveness requires ongoing improvement in the quality of corporate management and in the sophistication of company strategies and operating practices. Efforts towards productive cluster innovative have been geared towards the promotion of cluster awareness, constraints, challenges and advantages. Innovative financial instruments for the support of cluster initiative are paramount to the successful cluster initiative.

The issue of cluster initiative is a public-private sector driven; as public provides institutional framework, private sector is expected to take active roles in improving the competitive environment as they recognize cluster as a competitive assets. Firms can improve regional economic development if necessary niches (suppliers, customers and competitors) in the clusters are put in place. Stabber, (2007) observed that regional business clusters based on spatial proximity alone cannot lead to the desired inter-organizational co-ordination and learning if a supportive relational and cognitive framework is lacking. Business growth has been attributed to its relational capital. Relational capital

represents that portion of firm's market value that can be attributed to its portfolios of business relationships (Karagiannis et al., 2009). Theoretically, arguments have centered on structural, relational and cognitive features of social capital which are expected to facilitate co-operation and innovation as a basis for a successful cluster (Staber, 2007). He stressed further that the theoretical interest in the role of social capital (Relational capital inclusive) in clusters is matched by the growing enthusiasm in public policy circles for those social features of clusters that are believed to make them a viable response to the pressures of globalization.

Intellectual Capital, of which relational capital is an integral part, is an important determinant of regional competitiveness. Regional competitive advantage is created in inter-organizational networks within a regional cluster. Effective flow of knowledge, innovation and cluster competitive advantages depend on relational capital. To measure success or failure of an industrial cluster, impact of relational capital on firm performance must be measured at the cluster level. It is within this framework that the influence of relational capital on firms' performance as well as on the cluster initiative drives were investigated in order to contribute to the development of business cluster networks. According to Tumwine et al, (2012) only few studies have been carried out on relational capital, its components and its importance in developing countries of Africa, hence its contribution to business performance in African context has not been thoroughly assessed.

The following hypotheses shall be tested in this study;

> H1: Relationship with customers positively influences Small Medium Enterprise Clusters' performance

> H2: Relationship with suppliers positively influences Small Medium Enterprise Clusters' performance

> H3: Relationship among employees positively influences Small Medium Enterprise Clusters' performance

> H4: Relational capital positively influences performance of Small Medium Enterprises Clusters in Southwestern Nigeria

2. Conceptual and Theoretical Framework

2.1 *Concept of Relational Capital*

Relational capital is one of the three components of intellectual capital. Stewart (2001) was among researchers that identified three components of intellectual capital namely: human capital, structural capital and relational capital as in Figure 1 below.

According to Kale et al. (2000), the level of mutual trust, respect and friendship that arises out of close interactions between internal and external partners is the main theme of relational capital. Relational capital has been defined as an intangible asset that is based on the developing, maintaining and nurturing high quality relationship with any organization, individual or group that influences or impacts the business including: customers, suppliers, employees, government, partners, competitors and any other stakeholders (Adecco, 2007). Trust, according to Morgan and Hunt (1994), exist when one party has confidence in an exchange partner's reliability and integrity. Business Networking, cluster initiative and collaborative and competitive advantage initiatives are all entrenched on trust. Trust therefore, is a fundamental basis of long-term relationships that must exist within clusters.

It is now broadly recognized that modern organizational forms based on network structures are predicated on successful relationships (Gulati et al., 2000 and Macmillan et al, 2000) and the inter-connection of network structures are thought to enable organizations cope with levels of uncertainty that bureaucracy could never handle, hence making a critical contribution to organizational effectiveness (Graen and Scandura, 1987). As businesses are increasingly focusing on their core competences and joining up in networked consortiums to deliver performance (Quinn, 1992), unless this aspect of relational capital concept is accorded its right place in the scheme of things, realization of cluster networking may be a mirage as performances of firms involved may be at a low-ebb. As advocacy for cluster networking is becoming prominent, Powell et al, (1996) has emphasized the existence of important and distinctive resources emerging within the context of organizational relationships. Relational capital, then, is the knowledge embedded in the relationship with any stakeholder that influences the organisation's life (Maria and Landeiro, 2005).

Relational capital deals with both internal and external stakeholders. From business angle of inclination, relational

www.iiste.org

capital deals with relationships that subsist among employees and with suppliers and customers respectively as shown on figure 2 below.

According to Tsai and Ghosal (1998), the relationships among employees are embodied in attributes like a shared code or a shared paradigm that facilitates a common understanding of collective goals and proper ways of acting in a social system. The cluster networking initiative requires a set of common and shared values as a social system of enterprises; this will help develop the trusting relationships that erase the possibility of opportunistic behavior as observed within an enterprise by Ouchi, (1980). According to Welbourne and Pardo del Val (2008), Small medium scale organizations are pursuing collaborative relationship, according to them, it is not human per se that is the real asset but the relationships established by humans have that are adjudged the most important capital.

Gates and Langevin, (2010) argued that relational capital covers the dealings of an organization with its external environment. Relational capital does not only integrate the knowledge about relationships with the organization's external partners such as customers, suppliers and local communities but also stabilizes the environment and makes it accessible to the firm (Stewart,1997, Gates and   Langevin, 2010, Mouritsen, 2009, IADE-CIC, 2003). The external stakeholders aspect of relational capital are the relationship with suppliers and customers, this, I refer to as "backward" and "forward" relationship; backward as suppliers feed the business process and forward relates to customers, the end-users of the business value added process. The backward relationship with suppliers, of which the supply chain relational capital is an aspect of socialization of buyer-supplier relationship that may be assessed by the degree of mutual respect, trust and interactions that exist between organization and its suppliers. (Cousins et al., 2006) Customer relation capital refers to relationships to former, current and potential customers. According to Lynn (2000), some authors adopted the term customer capital because building relationship with customers is the top priority of every firm. The management of these relations comprises activities like sales and marketing, CRM and face-to-face customer cultivation by employees. Market orientation concept and direct interaction with customers are the bedrock of relational capital as far as customers are concerned. Creation of competency in response to market changes is a function of organization-wide generation and dissemination of market intelligence pertaining to the current and future needs of customers. It involves market sensitivity that demands measurement of factors that drive customers' satisfaction and loyalty (Kholi and Jaworski, 1990 and Kijek and Kijek, 2007).

2.2   Relational Capital Concept and SSEs Clusters

Clusters are defined as geographic concentration of inter-connected companies and institutions in a particular field (Oliver and Porta, 2006). Research by Oprime et al. (2011) explains the concept of industrial cluster, stating that it combines the geographically proximate businesses operating in the same industry; and its activities depend on the availability of local facilities in the region. Tambunan (2005) stated that mutual benefits of enterprises in an industrial cluster force them to develop and intensify collaboration with each other that results in gaining better control upon human, structural, and relational capital in their respective industries.

Furthermore, the majority of enterprises in an industrial cluster operate at small or medium scale. These SMEs are characterized by the scarcity of resources, which makes it more attractive for them to share their intellectual capital competencies in the form of a virtual organization. Social ties among organizational members develop trust that facilitates knowledge sharing among members (Chow and Chan, 2008). However, Cai and Kock (2009) identified that defection of any party could lead to negative consequences or punishment. In addition, inter-firm cooperation improves the competitiveness of parties. Therefore, according to Oprime et al. (2011), "strategies such as sharing productive resources, joining forces on the development of new products, and exchanging technical information are ways of cooperating inside the clusters". Hence, the SME clusters facilitate the adoption and practice of relational capital.

Cluster Strategy has been an acceptable platform for the Nigerian industrial development. (Oyelaran-Oyeyinka, 1997 and Iwuagwu, 2011). In 2007, the Cluster Concept as Nigeria's new Industrial Development Strategy was adopted. The Cluster Concept was not entirely a change in policy as Nigeria had in the past promoted the setting up of industrial estates but is now a refocusing of the country's implementation strategy to achieve rapid takeoff and survival of industrial/productive enterprises in Nigeria. (Federal Ministry of Commerce & Industry, 2007).

According to the policy, the Cluster Concept would operate on five planks: Free Trade Zones; Industrial Parks; Industrial Clusters; Enterprise Zones; and Incubators.

2.3 Relational Capital and SSE Clusters Performance

As observed by Adeeco (2007), in today's knowledge economy, it is easy for competitors to purchase the same technology, develop a similar product, secure additional financing, etc. As a result, performance is increasingly being driven by sources of capital that are difficult for competitors to capture and replicate, such as relational capital.

Relational capital covers all the intangible assets generated by developing, maintaining, and nurturing high quality relationships with the external partners that could enhance the firm's performance (Carson, et.al. 2004). Kijek and Kijek, 2007) identified two-fold impacts of relational capital on firms' performance namely: cost reduction and increased market value.

They opined that knowledge embedded in relationship among employees, customers and suppliers may lead to cost reduction. This may be achieved through process innovations, increased outputs that reduce variation. Likewise, Young and Snell (2004) observed that the higher the level of relational capital resulting in better planning, problem solving and troubleshooting, the more likely the increase in production and service delivery efficiencies. Consequently, organizational costs would be reduced. Also, relational capital increases organization's information processing capacity thereby, reducing organizational costs. This is based on the trust in relationships among employees, with suppliers and customers that facilitate both efficient exchange of information by reducing the need for time consuming and costly monitoring and the effective exchange of information thereby removing the perceived need to veil or hide sensitive information (De Declerq and Sapienza, 2006).

As regards the increase in market value, Maaloul and Seghai (2010) observed that relational capital may affect customer's satisfaction by increasing value that is offered at the market. It is thus noteworthy that strong relational capital is instrumental in enhancing customer benefits by helping to increase quality and flexibility, creating value for the customers through production and service delivery process innovations. Furthermore, (Kijek, 2007) explained that the networks with employees, customers and suppliers should be able to better identify as well as satisfy customer needs; this automatically promotes the turnover of organizations.

3. Methodology and Model

3.1 Method and Methods

The research design used was a descriptive design. There are three SME clusters in the southwestern Nigeria identified by Oyelaran-Oyeyinka (2007) namely: Lagos- Otigba ICT, Abeokuta and Osogbo Tie and Dye Small Medium Enterprise Clusters. This study focuses on two clusters of the three identified namely Abeokuta and Osogbo Tie and Dye Small Medium Enterprise Clusters. Cluster Random sampling technique was used. The data for the measures of the variables are collected through questionnaire adapted from Tumwine (2010) using five-point likert scale to measure the level of agreement or disagreement with the scale range from 1 as "strongly disagreed" to 5 as "strongly agreed. 94 survey instruments were distributed while 80 were returned and found useful for the analysis. High rate of return of 85% was achieved because it was a self-administered questionnaire using drop and collect method. Data collected were analysed using inferential statistics such as correlation and regression analysis. The Statistical Package for Social Scientists (SPSS) 17.0 version was used in data analysis.

3.2 Model specification

The regression model will be of the form:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_n X_n + \varepsilon_I \qquad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots. \text{ Eq.1}$$

Where

- Y is dependent variable,
- α is an intercept.

> ➢ ß1… ßn are the coefficient of the independent variables X1 to Xn. Substituting both dependent and independent variables in equation 1 above, we have the following equation

Specifically, for this study the expression is appropriate:

$$FP_i = \alpha + \beta_1 NET_i + \beta_2 SC_i + \beta_3 CU_i + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots Eq.2$$

Where

FP = Firm Performance

NET = Internal Network (Employees) Capital

SC = Supplier Capital

CU = Customer Capital

ε_I = Error term

4. Empirical Results and Discussion

4.1 Reliability Test

The level of reliability of the instrument, that is, the consistency of the variables is checked with the Cronbach's alpha statistics. Cronbach's alpha is an index of reliability associated with the variation accounted for by the true score of the "underlying construct" (Nunnaly, 1978). The results showed that customer capital had a coefficient of 0.901, supplier capital of 0.899, and employee's network capital of 0.819 and firms' performance of 0.863 as shown in Table 1. Nunnaly (1978) has stated that 0.5 is a sufficient value, while 0.7 is a more reasonable Cronbach's alpha. Therefore it was concluded that the instrument used in this research were reliable.

4.2 Descriptive Statistics

Table 2 shows the descriptive statistics of the independent and dependent variable. The mean for firms' Performance is 3.84 which shows much favorable SME Clusters' performance. However, from the descriptive analysis, it is observed that relationship with customers has the highest mean value of 3.899 compared to the rest of the mean values where relationship with suppliers and relationship among employees have the mean value of 3.695 and 3.788 respectively.

4.3 Correlation Matrix

To test the research hypotheses 1 to 3, Pearson correlation was used. The correlation results presented in Table 3 indicate that relational capital components of customer capital r=0.654 p<0.01, suppliers capital r=0.543 p<0.01 and Internal network among employees capital r=0.675 p<0.01) have a positive relationship with firm's performance. An increase in any one of them strengthens their association with performance. These findings are in line with those made by earlier scholars like Kijek (2007), Bueno and Salmador, (2004), Ulrich (1998) and Pierre-Majorique (2010).

The result in Table 3 shows that customer capital, suppliers' capital and internal networking among employee capital have positive relationship with SMEs Cluster performance. The result shows further that internal networking among employee capital has stronger relationship followed by customer capital and suppliers' capital respectively. Therefore hypothesis 1-3 were accepted on the basis of empirical findings.

4.4 Regression Analysis

Multiple regression analysis was used to test hypothesis 4 of the study. Namvar et al., (2010) argue that the coefficient of determination (R2) indicates the goodness of the fit of the regression model. Table 4 depicts the multiple regression results. 63% (R square = 0.630) of the variance in organizational performance is jointly explained by the three independent variables (F = 43.131; Sig. = 0.000). Therefore, the research hypothesis 4 is also accepted and it concludes that the model is useful. Multiple regression analysis helps us understand how much of the variance in the dependent variable is explained by a set of predictors. In Table 2, the R square value indicated that 63% of the variance in firms' performance was explained by the contributions of customer capital, suppliers' capital and internal networking among employee capital as shown in table below. Durbin-Watson statistics of 1.683 which is close to acceptable standard of 2.0 shows that there is no auto-correlation problem in the model.

Regression-coefficient is an extension of bivariate correlation. It indicates the degree of each predictor (explanatory variables) contribution to the variation explained in the dependent variable. At a significant level of 5%, all the three variables; customer capital, suppliers' capital and internal networking among employee capital were found to be significant predictor. The standardized coefficient has been used to assess the effect of each predictor. The higher the absolute value of Beta, the more important variable is in predicting the firm's performance. Customer capital explains the most variance in firm's performance with coefficient value of 0.410. This shows that 41% of the variation in firm's performance, supplier capital explains 35.6% of variation in firm's Performance while internal networking among employee capital explains 25% as it has a coefficient value of 0.356 and 0.25 respectively as shown in Table 5.

5. Conclusion

This study shows the importance of relational capital components and their influence on performance of SME clusters in South-western Nigeria. These variables are significantly related and have impact on the performance of the selected clusters. Cluster competitive advantage gain can be enhanced if relational capital concept can be embraced and developed both within the organization and the cluster as an entity. Value creation based on mutual trust and cooperation within the cluster should be encouraged. This can be achieved through employees share value and togetherness built on trust and open culture within the cluster. This will enhance provision of optimal value for customers and mutual trust and cooperation with suppliers. Lastly, cluster performance can be boosted, if each firm within the cluster can exploit the benefit in relational capital mix through team building, sharing organizational mission and values, and trust with customers.

Reference:

Bueno, E., & Salmador, M. P. (2004): The role of social capital in today's economy. *Journal of Intellectual Capital*, **5**(4), 556-574.

Cai, G. and Kock, N. (2009): An Evolutionary Game Theoretic Perspective on E-Collaboration: The Collaboration Effort and Media Relativeness, *European Journal of Operational Research*, **194**(3), 821-833.

Carson, E., Ranzijn, R., Winefield, A. and Marsden, H. (2004): Intellectual Capital: Mapping Employee and Work Group Attributes, *Journal of Intellectual Capital*, **5**(3), 443-463.

Chow, W. S. and Chan L. S. (2008): Social Network, Social Trust and Shared Goals in Organizational Knowledge Sharing, *Information & Management*, **45**, 458-65.

Cousins P., Handfield R., Lawson B. and Petersen K. (2006), Creating supply chain relational capital: The impact of formal and informal socialization processes, *Journal of operations management*, **24**, 851-863

De Clercq D, Sapienza HJ (2006): Effects of relational capital and commitment on venture capitalists' perception of portfolio company performance. *Journal of Business Ventures*, **21**(3), 326-47.

Federal Ministry of Commerce & Industry (2007), Nigeria's Industrial Development Strategy (2007 – 2011): the Cluster Concept, Abuja: Federal Ministry of Commerce & Industry

Gates, S. and Langevin, P. (2010) Human Capital Measures, Strategy, and Performance: HR Managers' Perceptions, Accounting, *Auditing & Accountability Journal*, **23**(1), 111-132.

Graen, G., & Scandura, T. (1987): Towards a psychology of dyadic organizing. In B. Staw & L. L. Cummings (Eds.) *Research in Organizational Behavior,* **9**, 175-208. Greenwich, Conn.: JAI Press.

Gulati, R., N. Nohria, and A. Zaheer (2000): Strategic networks, *Strategic Management Journal*, **21**, 203-215.

IADE-CIC, (2003): Model for the Measurement and Management of Intellectual Capital: Intellectuals Model, Documento Intellectus 5, Universidad Auto´noma de Madrid, Madrid.

Iwuagwu O. (2011): The Cluster Concept: Will Nigeria's New Industrial Development Strategy Jumpstart the Country's Industrial Takeoff? *Afro Asian Journal of Social Sciences* **2**(2.4).

http://onlineresearchjournals.com/aajoss/art/75.pdf

Kale, P.; Singh, H.; Perlmutter, H. (2000): Learning and protection of proprietary assets in strategic alliances:

Building relational capital. *Strategic Management Journal,* **21**, 217-37.

Karagiannis D, Nemetz M, Bayer F (2009): A method for comprehensive intellectual capital management and reporting: the case of BOC information systems. *Journal of Intellectual Capital*, **10**(1), 93-108.

Kijek, T. and Kijek, A. (2007): Relational Capital and its impact on Firms' Performance: the case of Polish Enterprises", *Economics and Competition Policy,* **4**(11),78-84.

http://mikroekonomia.net/system/publication_files/284/original/6.pdf?1314950375

Kohil, A.K. and Jaworski, B.J. (1990): Market orientation: the construct, research proposition, and managerial implications, *journal of Marketing*, **54**, 1-8.

Lynn, B. E. (2000). Intellectual Capital - Unearthing hidden value by managing intellectual assets, *Ivey Business Journal*, January/February, 48-52.

Maaloul A and Zeghal D (2010): Analyzing value added as an indicator of intellectual capital and its consequences on company performance, *Journal of Intellectual Capital,* **11**(1), 39-60.

MacMillan, K., Money, K., Money, A., and Downing, S. (2005): Relationship marketing in the not-for-profit sector: An extension and application of the commitment-trust theory, *Journal of Business Research*, **58**(6), 806-18

Maria do Rosário C. and Landeiro Vaz J. (2005): Intellectual Capital and Value Creation: Evidence from the Por-tuguese Banking Industry, *Electronic Journal of Knowledge Management,* **4**(1), 11-20.

Morgan R. M and Hunt S. D. (1994): The commitment-trust theory of relationship marketing, *Journal of Marketing,* **58**(3), 20–39.

Mouritsen, J. (2009): Classification, Measurement and the Ontology of Intellectual Capital Entities, *Journal of Human Resource Costing & Accounting*, **13**(2), 154-162.

Oliver, J. and Porta, J. (2006): How to measure Intellectual Capital in clusters: empirical evidence, *Journal of Intellectual Capital,* **7**, 354-80.

Oprime, P. C., Tristao, H. M. and Pimenta, M. L. (2011) Relationships, cooperation and development in a Brazilian industrial cluster, *International Journal of Productivity and Performance Management*, **60**(2), 115-131.

Oyelaran-Oyeyinka, B. (2001). Networks and Linkages in African Manufacturing Cluster: A Nigerian Case Study. *The United Nations University, Discussion paper series#2001-5, Helsinki.*

Oyelaran-Oyeyinka B.(2007): SME: Issues, Challenges and prospects. Being a Paper presented at *International Conference on Financial System Strategy (FSS) 2020 on 18th – 20th June, 2007, Abuja*

Pierre-Majorique L., (2010): Interorganizational IT investments and the value upstream relational capital, *Journal of Intellectual Capital,* **11**(3), 406 – 428.

Porter, M. (2001): Clusters of Innovation: Regional Foundations of US Competitiveness. Washington, DC: Council on Competitiveness. http://www.isc.hbs.edu/pdf/COI_National.pdf

Powell, W. W., Koput, K. W., & Smith-Doerr, L. (1996): Interorganizational collaboration and the locus of innovation: Networks of learning in biotechnology, *Administrative Science Quarterly,* **41**, 116-145.

Quinn, J. (1992): *Intellectual enterprise (A knowledge and service based paradigm for industry)*, New York, Free Press.

Stabber, U. 2007. A Matter of Distrust: Explaining the persistence of Dysfunctional beliefs in Regional Clusters. *Growth and Change,* **38**(3), 341-363.

Stewart, T. (1997): *Intellectual Capital: The New Wealth of Nations*, New York, NY, Doubleday Dell Publishing.

Stewart, T. (2001): *The Wealth of Knowledge*, New York, NY, Currency Doubleday.

Tambunan, T. (2005): Promoting Small and Medium Enterprises with a Clustering Approach: A Policy Experience from Indonesia, *Journal of Small* **41***Business Management*, **43**(2), 138-154.

Tsai W. and Ghoshal S (1998): Social capital and value creation: The role of intra-firm networks. *Academics Management Journal,* , 464-478.

Tumwine, S, Kamukama, N and Ntayi J. M. (2012): Relational capital and performance of tea manufacturing firms, *African Journal of Business Management*, **6**(3), 799-810.

United Nations Industrial Development Organization (UNIDO). (n.d): *Clusters and Networks Development*. Retrieved 28, September 2012 from http://www.unido.org:80/index.php?id=322.

Ulrich D (1998): Intellectual capital = competence X commitment, *Sloan Management Review*, **39**(2), 15-26.

Welbourne, T. M. and Manuela Pardo-del-Val, M. (2008): Relational Capital: Strategic Advantage for Small and Medium-Size Enterprises (SMEs) Through Negotiation and Collaboration, Group Decision Negotiation. **18**(5), 483–497. *DOI 10.1007/s10726-008-9138-6*

Young M. A and Snell S. A (2004): Intellectual capital profiles: an examination of investments and returns, Journal of Management Studies, **41**(2), 235-361.

Table 1: **Cronbach Alpha Result**

Variables	No of Items	Cronbach's Alpha
Relationship with customers	15	.901
Relationship with suppliers	11	.899
Relationship among employees	11	.819
Firm's performance	11	.863

Source: Author's Computation 2012

Table 2: **Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Firm's performance	80	2.27	5.00	3.8375	.62746
Relationship with customers	80	2.07	5.00	3.8992	.71496
Relationship with suppliers	80	1.40	5.00	3.6950	.84672
Relationship among employees	80	1.45	5.00	3.7875	.66866

Source: Author's Computation, 2012

Table 3: **Correlations Matrix**

Variables	FP	CU	SC	NET
Firms' Performance (FP)	1			
Relationship with customers (CU)	.654[**]	1		
Relationship with suppliers (SC)	.543[**]	.207	1	
Relationship among employees (NET)	.675[**]	.680[**]	.409[**]	1
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Author's Computation, 2012

Table 4: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	DF 1	DF 2	Sig. F Change	
1	.794[a]	.630	.615	.38914	.630	43.131	3	76	.000	1.683
a. Predictors: (Constant), NET, SC, CU. b. Dependent Variable: FP										

Table 5: Coefficient

Model	Unstandardized Coefficients		standardized Coefficients	t-statistics	Sig.
	Beta	Std.error	Beta		
Constant	.571	.291		1.966	.053
Customer Capital	.360	.084	.410	4.279	.000
Supplier Capital	.264	.057	.356	4.630	.000
Internal Network Capital	.235	.096	.250	2.435	.017

Source: Author's Computation, 2012