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Relational Capital and Business Performance of Female-Owned Small Scale Enterprises in Nigeria

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Abstract
This paper examines the effect of business relational capital components on business' performance of female-owned small scale enterprises in Oyo State of Nigeria. 377 copies of questionnaire were distributed, while 152 belonging to female-owner SSEs were found useful for the analysis. The relationship with suppliers($t=9.673$; $p<0.005$), customers($t=4.14$; $p<0.005$) and internal networks among the employees ($t=3.446$; $p<0.005$)were found to be positively and significantly related to and predictor of the SSEs business performance. Relational capital as a whole, accounts for 67% of the variation in performance of the firms in the state studied ($R^2=0.671$).
Keywords: Business Performance, Female, Nigeria, Relational Capital, Small Scale Enterprises

1.0 Introduction

Researchers believed that women entrepreneurship is characterized by a networking approach, with big attention to the relational aspect (Aldrich, 1989; Aldrich and Dubin, 1991; Cannon and Carter 1988, Cuba, Decenzo and Anish, 1983; Hoang and Antonie, 2003). Most of these researches on women's entrepreneurship and its approach to "network" centered on how the networks look like and the extent of the networking. Less attention was paid to the impact it could have for their business performance. Paoloni and Demartini (2012) observed that micro-enterprises, characterized by a different organizational, managerial and informative approach and the creation of a network support customization in the production, creativity, talent and personal skills are crucial for their survival and growth. Fitzpatrick (2009) discussed the importance of business relationships in recession. He viewed business relationships as the businessmen's relational capital that involves an intrinsic value. He mentioned two dynamics, which remain constant in today's market; business that is driven by people and relationships, not tasks or project plans and the people who still have a need for human interaction.

It is a truism that the quality of the relationship between the entrepreneurs and customers, suppliers, retailers, producers and other business partners, as well as the value of reputation in the market and among investors, are intangible factors that can greatly affect the performance of the company (D'Egidio, 2003).

In Nigeria, Okanlawon (2012) observed that women always keep (information) to themselves most times, especially when it comes to business. According to her, women tend not to appreciate the importance of networking and what they can achieve by networking with the right persons whereas the ability to sell is a function of proper networking. An entrepreneur must go out there and network with clients on what he does. Poor networking cannot grow business. Women Entrepreneurial Development (2011) suggested that women should develop networking for their business as they stand to benefit from such networking. They reported that, in Thailand, women business owners who engage in informal networks are 54% more likely to report a profit in the last year than those that do not. Similarly, in Malaysia, women owners who engage in informal networks are 25% more likely to say that they would expand their operations over three years.

The value of an enterprise is increasingly linked to its intangible resources (Von-Vicars and Krogh 1992) which contributes to the production of economic value (Sveiby, 1997). There are three kinds of intangible resources identified in the literature namely: human resources (human capital); organizational resources (structural capital) and relational resources (relational capital). It is necessary to investigate the relational capital of women businesses as a means of creating economic value as women entrepreneurship is seen to be fundamental to the development and welfare of the economy. This study will concentrate on the third category of resources. That is, the relational resources as it is believed that the quality of the relationship between the entrepreneurs and customers, suppliers, retailers, producers and other business partners, as well as the value of reputation in the market and among

investors, are intangible factors that can greatly affect the results of the company (D'Egidio, 2003).
Therefore, this paper's broad objective is to examine the relational capital influence on women-owned business performance with the following specific objectives in accordance with the three categories of relational capital most frequently referred to in the literature: customer capital, supplier capital and network (employees) capital (Kaufmann and Schneider 2004; Boedker *et al*. 2005; Marr and Roos 2005; Watson and Stanworth 2006):

a) To determine the relationship that exists between customer capital and the business performance of female-owned small scale enterprises.
b) To determine the relationship between supplier capital and the business performance of female-owned small scale enterprises.
c) To determine the relationship between network capital and the business performance of female-owned small scale enterprises.
d) To investigate the impact of relational capital components on the business performance of female-owned small scale enterprises.

This paper extends the frontiers of knowledge in the field of networking and relational capital in women's businesses.

2.0 CONCEPTUAL FRAMEWORK AND LITERATURE REVIEW

The relational capital has so far been recognized as a distinct feature of "doing business" (Costabile 2001, Edvinsson 1997 and Zambon 2004).Relational capital is a determinant of business success, because it consists of a set of formal and informal, temporary and permanent relationships, which can help to develop the business (Westlund, 2003; Hormiga *et al*., 2010). Relational capital is based on the idea that firms are considered not to be isolated systems but as systems that are, to a great extent, dependent on their relations with their environment (Hormiga *et al.,* 2010). According to these authors, this form of capital is based on the value generated by relationships not only with customers, suppliers or shareholders, but with all stakeholders, both internal and external. According to Costabile (2001), relational capital is the stock of trust, fidelity and loyalty that the company must increase in order to be competitive over time. Relational capital considered to be assets to the extent that they contribute to the creation of value for the enterprise (Putnam, 1995; Pirovano and Gilodi 2003; Granovetter, 1973).Stressing the important of relational capital, Thompson and Heron (2006) reported that the innovative performance of research and development (R&D) based organizations is strongly influenced by the quality of their relational capital. Therefore, according to Elaydi and McLaughlin (2012), relational capacity is the ability to develop and maintain the desired relationships with stakeholders by creating network, information and reciprocity advantages.

Kijek and Kijek, (2007) identified two-fold impacts of relational capital on firms' performance namely: cost reduction and increased market value. By cost reduction, they argued that knowledge embedded in relationship among employees, customers and suppliers may lead to cost reduction through process innovations, increased outputs that reduce variation. Likewise, Young and Snell (2004) observed that the higher the level of relational capital, the more likely the increase in production and service delivery efficiencies. As regards the increase in market value, Maaloul and Zeghal, (2010) observed that relational capital increases value that is offered at the market through increased quality, value creation for the customers in production and service delivery process innovations. Furthermore, (Kijek and Kijek, 2007) explained that the networks with employees, customers and suppliers should be able to better identify as well as satisfy customer needs thereby increasing the turnover of firm.

In Nigeria, there is paucity of research into the relationship between relational capital and business performance among SSEs business outfits, where there are few ones the empirical findings in area of SSEs is not well advanced. For instance, Uadiale and Uwuigbe (2011) assessed the impact of intellectual capital (IC) on the general performance of the quoted companies in Nigeria. They examined the impact of IC components on business performance measured with return on equity (ROE) and return on assets (ROA). Their results show that intellectual capital has a positive and significant relationship with the performance of business organizations in Nigeria. Their findings reinforce the accumulating body of empirical support for the positive impact of Intellectual capital on business performance. Unfortunately, the impact of relational capital, though a component of intellectual capital, is not isolated in the final analysis.

However, Okafor (2012) used data collected from 20 SMEs operating in Anambra and Enugu States of Nigeria to evaluate the impact of relational capital on the success of firms. The multiple regression analysis was the main statistical tool used to test the relationship between a dependent variable (success) and a set of five independent variables(relations with customers and suppliers, informal relations, reputation, location and ties with external bodies including government). The results indicated that only the variables concerned with relationship with customers and suppliers and those relating to ties with external bodies made significant contributions to the success of firms. The 20 SMEs used in the study is rather too small considering the numerical vastness of the SMEs in a transitional country like Nigeria. Ogundipe (2012) examined the effect of relational capital components on firms' performance of selected small scale enterprises clusters in southwestern geo-political zone of Nigeria. He focused on the firms within two clusters, Abeokuta and Osogbo located in Ogun and Osun State respectively. The uniqueness of this study is that it focuses on female-owned SSEs in Nigeria. This assertion is not farfetched as women's role as the cartelist in the economic development of the nation is increasingly been recognized (as former U.S. Secretary of State Hillary Clinton remarked).

3.0 METHOD AND MATERIALS

The objectives, of the nature stated above, can be successfully achieved by adopting a qualitative research based (Yin 1982, Welsh-Young 1982). The study employed a survey approach to collect data, and all items required five-point Likert style responses ranged from 1 "strongly disagree", 2 "disagree", 3"neutral", 4 "agree", to 5"strongly agree". The population of the study was the female-owner of small scale enterprises in Oyo State. The questionnaire was adapted from Tumwine (2010)to obtain the responses about their opinions on various variables from the managers of the selected micro-enterprises. In general, 377copies of questionnaire were distributed randomly among the owner-managers of female-owner small scale enterprises. Of the 377 copies of questionnaire distributed, 152 (40%)were found useful.

4.0 EMPIRICAL RESULTS

4.1 Reliability Test

The level of reliability of the instrument was checked with the Cronbach's alpha statistics. The results showed that firms' performance had a coefficient of 0.862, customer capital had 0.897 supplier capital had 0.901 and employee's network capital had 0.863 Cronbach alpha values respectively (see 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 scales used in this research were reliable.

4.2 Correlation Matrix

To test the research hypotheses 1 to 3, Pearson Correlation was used. The correlation results presented in Table 1 indicate that relational capital components of customer capital r=0.614 p<0.01, suppliers capital r=0.697 p<0.01 and internal network among employees capital r=0.656 p<0.01) have a positive relationship with firm's performance. These findings are in line with those made by earlier scholars like Ulrich (1998); Bueno and Salmador, (2004); Kijek and Kijek (2007); and Majorique (2010). The result revealed that customer capital, suppliers' capital and internal networking among employee capital have positive relationship with SSEs business performance. Therefore, the three resultant null hypotheses were rejected on the basis of empirical findings.

Table 1: Pearson Correlation Coefficients

	Cronbach Alpha α	FP	CU	SC	NET
Firms Performance (FP)	.862	1.000			
Customer capital (CU)	.897	.614**	1.000		
Supplier Capital (SC)	.901	.697**	.330**	1.000	*
Employee Network (NET)	.863	.656**	.714**	.434**	1.000

To strengthen the findings above and to realize the objective 4 of the study, Namvar *et al*., (2012) argue that the coefficient of determination (R^2) indicates the goodness of fit for the regression model. Table 2 depicts the multiple regression results. 67.1% (R square = 0.671) of the variance in business performance of the SSEs is jointly explained by the independent variables (F = 103.546; Sig. = 0.000). This indicated that 67% 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 1.847 which is close to acceptable standard of 2.0 shows that there is no auto-correlation problem in the model.

Table 2: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
				R Square Change	F Change	df1	df2	Sig. F Change	
.823[a]	.677	.671	.37641	.677	103.546	3	148	.000	1.847

a. Predictors: (Constant), NET, SC, CU
b. Unless noted otherwise, statistics are based only on cases for which GENDER = FEMALE
c. Dependent Variable: FP

Regression-coefficient is an extension of bivariate correlation. It indicates the degree of each 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. Supplier capital explains the most variance in firm's performance with coefficient value of 0. 502. This shows that 50.2% of the variation in firm's performance, customer capital explains 27.6%

of variation in firm's performance, while internal networking among employee capital explains 24.1% as it has a coefficient value of 0.276 and 0.241 respectively as shown in Table 3.

Table3: Coefficients Statistics

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.428	.206		2.073	.040		
	CU	.278	.067	.276	4.140	.000	.490	2.040
	SC	.373	.039	.502	9.673	.000	.811	1.234
	NET	.251	.073	.241	3.446	.001	.446	2.241

CONCLUSION AND RECOMMENDATIONS

The results of this study revealed that female-owners SSEs business performance is strongly influenced by relational capital. Women should be encouraged to seek increased performance in business by placing adequate premium on the relational capital components (customer, supplier and networks among employees). It is against this background that these recommendations are made that, employees share value and togetherness be built on trust and open culture within the business entity, thereby enhancing provision of optimal value for customers and mutual trust and cooperation with suppliers. Further study should examine whether there is a significant difference between female-owner and male-owner SSEs business performances in relation to relational capital.

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