Key Relational Competencies and Business Performance: Evidences for Spanish Companies

Lidia García-Zambrano, Arturo Rodríguez-Castellanos

Economic Financial II Department, Faculty of Economics and Business, University of the Basque Country UPV-EHU, Bilbao, Spain

Email address: lidia.garcia@ehu.es (L. García-Zambrano), arturo.rodriguez@ehu.es (A. Rodríguez-Castellanos)

To cite this article:

Received: September 11, 2016; Accepted: November 23, 2016; Published: December 27, 2016

Abstract: This paper seeks to test the existence of links between key relational competencies and business performance. With information from a survey conducted among business managers from Spain, and business performance data for 2009-2011 obtained from the Intertel database, non-parametric contrasts were performed in order to verify such links. The results show a positive link of the economic variables analysed with the key competencies linked to Relational Capital for Spain for 2009-2011 period, being only the differences in the growth in sales variable statistically significant. This relation shows the importance that key competencies linked to relational capital has to increase business results, during economic crisis period.

Keywords: Competences, Relational Capital, Intangible Resources, Intellectual Capital, Business Results

1. Introduction

Wealth and growth in today’s economy are driven primarily by intangible resources (Lev and Zambon, 2003, p. 597). The importance of intangibles as a strategic resource is not a new theme. Marshall (1890) was aware of the importance of knowledge as a decisive production factor and “the most powerful engine of production”. However, since the 1990s, interest in the management, measurement and valuation of intangibles has increased (Edvinsson and Malone, 1999). This change has been caused by the unique combination of two related economic forces: intensified business competition and the advent of information technologies (Lev, 2001, p. 9).

What is referred to as the “knowledge society” emerged at the end of the last century (Bueno, 2003). The economic globalization process results in a constantly changing society where the weight of knowledge is steadily growing. Knowledge is the basic production resource that generates the transition to a society where a knowledge-based capitalism appears. Information technology allows a knowledge-based economy to be created and knowledge consumers are created at the same time. The knowledge-based society makes the elements of intellectual capital would be key resources to the organizations. Economic growth and competitive advantages not come from material resources, but they come from ideas and know-how (Bradley, 1997). Numerous authors acknowledge that knowledge is the main value source of corporate intangible resources (Johanson, 2005; Marr and Ross, 2005).

Intangible resources, or intellectual capital, are currently known to be the drivers of economic growth. Today’s society is known as the knowledge-based society. Knowledge is critical element in today’s society. Therefore, intangible resources have become the competitiveness base for any company, as their ownership provides the company with the opportunity to generate sustainable competitive advantage and increases the value of the company.

Intangibles, previously considered to be less important, are nowadays the elements that guarantee the success of a company in the 21st century. Intangibles resources are those ones that are based on knowledge, that is, Intellectual Capital. IC is the amount of intangible resources, including personal knowledge, capacity for learning and adapting, relations with customer and suppliers, brands, internal processes, etc, that are directly or indirectly controlled by an organization, and allows a company to be different, and therefore, to build sustainable competitive advantages over time (Bueno, 2003).

Intellectual capital, according to Robinson and Kleiner (1996), consists of knowledge, abilities, experiences, information systems, intellectual property, and organization structures; it can be the opportunity to create wealth.
One of the most important dimensions of intellectual capital is the relational capital that can be defined as the value expression of the relations that a company maintains with all the agents of its environment. There are many authors that consider this dimension as a main source of competitive advantage (Petrash, 2001; Mc Elroy, 2002; Guthrie et al., 2004; Rodriguez, et al. 2010). According to Huang and Hshueh (2007), a company improving its relational capital will directly contribute to business performance.

What are called competencies, are the competitive factors that are able to be a source of competitive advantage; they can be related to the dimensions of intellectual capital (IC). Competencies are the basis of their competitive advantages, in such a way that possessing them enables business value to be created. Competencies can be defined as the set of skills and aptitudes that a company can develop and allow itself to increase its value. These competencies can be related to the dimensions of intellectual capital (IC); in this case we will analyse competencies linked to Relational Capital dimension (Relational Competencies) because this dimension of intellectual capital is considered one of the most important one (Pralahad and Ramaswany, 2000).

Therefore, the aim of this paper is to seek for the existence of positive link between Key Relational Competencies and business performance. Concretely, we analyse the existence of a relation between key competencies linked to Relational Capital and business results. We will analysed this relation for Spanish companies (for period 2009-2011).

The paper is structured as follows. The second section justifies the key role of intangible resources in business competitiveness, from the resource-based view; to then show their link with relational capital and business results. The third section first describes the study methodology, including the results obtained. Finally, we present the conclusions obtained, the limitations of the study and future lines of research.

2. Resource Based View: Intellectual Capital, Relational Competencies and Competitive Advantage

2.1. Resource Based View: Intellectual Capital and Business Value

Two principal theoretical explanations have heavily influenced the answer to the question regarding performance differences between firms. One approach theorizes that differences in the performance of industries, and by extension, firms, are attributable to the economic attractiveness of the structural factors of the industries. Another approach holds that differences in the firm’s success are attributable to internal or firm-level factors.

The Resource Based View has been a decisive contribution to strategic management. This emerged after years of domination of Industrial Organisation (Porter, 1980, 1985) where the competitive advantage of companies was exclusively justified by their belonging to specific economic sectors and the position maintained therein. However, the empirical evidence does not fully support this theory. At the same time, different authors have noted that companies have or control a wide variety of resources and combinations of them (capabilities) that are essential for the company to be able to operate.

The resource-based view (Barney, 1991, 1999; Grant, 1991; Teece et al., 1997) stresses that in turbulent times and in times of rapid changes in technology and in customer and industry needs, sustainable competitive advantages are mainly due to company resources and capabilities.

These resources have intrinsically different levels of efficiency, some of which are superior to others. Therefore, companies endowed with superior resources will have a greater likelihood of performing better, provided that the cost of acquiring them is lower than the value obtained as the result of the competitive advantage generated by those resources (Barney, 1986, 2001). This is the origin of the Resource Based View. There are different names for these resources that are so fundamental: “critical resources” (Wernerfeld, 1984), “strategic factors” (Barney, 1986), etc.

Amit and Shoemaker (1993) highlighted five characteristics that differentiate them: inimitable, rare, valuable, non-transferable and non-substitutable. We have added durability to the aforementioned characteristics.

Intangible resources are those that, lacking a financial or physical form, and being constructed by the company over time, combine all these requirements with more facility, and therefore become more frequently the key factor of business competitiveness (Lev, 2001). This statement is particularly applicable to the intangible resources based on knowledge, that is, to intellectual capital.

We find differences when grouping and classifying the elements which make up the intellectual capital and there are also differences in the terminology used. Despite this, there is a certain consensus regarding the three or basic dimensions: Human Capital, Structural Capital and Relational Capital (Stewart, 1997; Cañibano et al., 1999; Sullivan, 1999; Brennan and Cornell, 2000; Petty and Guthrie, 2000; Sánchez et al., 2000; Roos et al., 2001; Bontis, 2002; Ordóñez, 2002; Bueno, 2003; Palacios-Marqués and Garrigós-Simon, 2003; Kauffman and Schneider, 2004; Boedker et al., 2005; Marr and Roos, 2005).

The Resource Based-View approach has been evolved into other three directions:

Firstly, Intellectual Capital approach (Edvisson y Malone, 1997; Stewart, 1997; Sveiby, 1997; Van Buren, 1999; Reed et al., 2006). This approach holds that Intellectual Capital, or intangible resources based on knowledge, allow to company to generate a sustainable competitive advantage, and therefore, increase the value of the company. This approach allows to companies to know what a competitive advantage consists on and the requirements to consider a resource a critical resource inside a company (Brooking, 1997; Bontis, 1998; Bueno, 1998).
Secondly, the Knowledge approach says that knowledge is the main source inside a company (Nonaka, 1991, 1994; Grant, 1996; Spender, 1996; Teece, 2000; Nonaka y Teece, 2001; Cepeda, 2006). This approach identifies the characteristics of knowledge: it must be transferable, but this transferability is a slow process given that it is strategic, so it’s necessary a period before the competitors acquire it. For that, it is considered the knowledge as a specific resource. Secondly, the knowledge must be able to generate new knowledge. And another characteristic must be the difficulty of the appropriability of its rents.

Finally, RBV approach has evolved into another tendency: Relational Approach, which means that strategic resources of a company can extend their frontiers and be linked to other resources of other linked companies, such as, suppliers and allies, becoming therefore, into a sustainable competitive advantage (Moran y Ghoshal 1996; Steensma, 1996; Dyer y Singh, 1998; Koka y Prescott, 2002).

This last approach, Relational approach, is particularly relevant to study due to it’s really important the cooperation among companies to create networks: cooperation is one of the most important key factors to create a sustainable competitive advantage (Dyer y Singh, 1998). That is the reason we are going to analyze the Relational Capital, and its impact on the value creation.

2.2. Relational Capital: Concept and Value Creation

As has been previously stated, relational capital is one of the components of intellectual capital and therefore linked to obtaining sustainable competitive advantage and performance (Huang and Hshueh, 2007). There are many definitions put forward in relation to this concept that are more or less widely accepted.

The Relational Capital refers to the relationship among enterprises, customers, suppliers and partners, which is a key to long-lasting profit-making and successful business operations. Relational Capital, as we know, includes other stakeholders besides customer. However, we are going to pay attention exclusively to this group. Some authors (Prahalad and Ramaswamy, 2000) suggest that customers become a new source of competence for the organization because they renew the overall competence of the organization and rejuvenate the knowledge base preventing it from obsolescence in a turbulent environment (Gibbert et al., 2001).

Relational capital is defined as the set of all relationships–market relationships, power relationships and cooperation–established between firms, institutions and people that stem from a strong sense of belonging and a highly developed capacity of cooperation typical of culturally similar people and institutions (Capello and Faggian 2005).

According to Gupta and Zeitham (2006, p. 2), “customers are the lifeblood of any organization. Without customer, a firm has no revenues, no profits and therefore no market value”. In fact, in a worldwide survey of 681 seniors executives’ conducted by The Economist in 2002, 65% of respondents reported customer as their main focus over the next three years compares to only 18% who reported shareholders as their main focus (The Economist, 2003).

Relational Capital is defined as the knowledge embedded in the relationships with any stakeholder that influences the life of the organization. Relationships with stakeholders are the necessary condition for building, maintaining and renewing resources, structures and processes over time, as firms can access critical and complementary resources through external relationships. Some authors (Prahalad and Ramaswamy, 2000) suggest that the customer has become a new source of obtaining competitive advantage for the organization. The customer and satisfaction have become the aim of companies as it is only way to attain sustainable performance. Companies that improve their relations with their clients, and the satisfaction of the latter, will therefore achieve a better business performance and will increase their value because Human Resources can be defined as an elemental source to create value inside an organization (Roos et al., 2001; Bontis, 2002; Bueno, 2003; Marr & Roos, 2005).

According to Rodriguez et al. (2010), Relational Capital is defined as the collection of tacit and explicit knowledge regarding the form of the relations a company with its local agents. Customers are one of the main agents.

We can distinguish two types: client capital (relations that a company maintains with the rest of agents of the market: customers, suppliers, competitors, allies) and social capital (relations that a company maintains with the society: citizens, institutions, other agents).

There are a significant number of empirical studies that have shown a positive relationship between RC and results (Youndt and Snell, 2004; Cegarra et al., 2005; Alama, 2008; Wang, 2008; Miles, 2009; Cabanelas, et al. 2011; Delgado et al., 2011; Figueroa et al., 2013; Garcia-Merino et al. 2014; Aranburu et al., 2015; Lopes-Costa and Munoz-Canavate, A. (2015); Bianchi et al., 2016; Garcia-Zambrano, 2016).

According to Cabrita and Vaz (2005), Relational Capital is positively associated with business results, specifically with financial results. Wang and Chang (2005) also explain how inside companies belonged to information technology industry of Taiwan, the dimensions of intellectual capital impact positively on the entrepreneurial performance, where the relational capital is the most statistically significant dimension.

Cohen and Kaimenakis (2007) studied the relation between client capital and business results. According to the results, client capital is positively associated with business results. From a study using correlations and lineal regressions, it was concluded that all the components of intellectual capital impact positively on results, where the results are taken to be the return and the sales per employee.

In a fiercely-competitive environment, the key for creating profit and improving performance is to win the loyalty and trust of customers, and build long-term friendly relationships with them (Huang and Hshueh, 2007). Besides, according to Welbourne and Pardo del Val (2008), relational capital has an impact on organizational adaptability and therefore on firm performance.

The customer knowledge may create economic value in three ways: better service quality, customized service, and increased control (Mills, 1986).

Figueroa et al. (2013) analysed the relation between relational capital and results of business innovation. Using a sample of 163 Portuguese SME it is concluded that the relation is positive.

García-Zambrano (2016) studied how the highest investment in relational competencies impacts positively on business results, being these results more evident in a period of economic crisis.

We consider convenient to analyse the key competencies linked to relational capital and business results.

So, once we have seen the different empirical studies that relate the Relational Competencies (RC), and the performance of the companies, we advance the hypothesis of the work as:

H1. Key Competencies linked to Relational Capital or Relational Competencies (RC) impact positively over business performance.

3. Methodology

3.1. Selecting the Population, Obtaining the Sample and Research Process

An empirical study was performed doing a survey that focused on companies in the Spain. Table 1 (Study technical data) contains the technical datasheet of the conducted survey. We have selected a period of time (2009-2011, deep economic crisis).

<table>
<thead>
<tr>
<th>Table 1. Study technical data.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Sample</td>
</tr>
<tr>
<td>Technique for data collection</td>
</tr>
<tr>
<td>Calendar</td>
</tr>
<tr>
<td>Source of economic-financial data</td>
</tr>
<tr>
<td>Final sample</td>
</tr>
<tr>
<td>Result Variables</td>
</tr>
<tr>
<td>Random final error</td>
</tr>
</tbody>
</table>

The research process was organised as follows: first of all, though a telephone survey, the opinion of executives were gathered about different aspects relating to the importance of intangibles and their competencies. The initial questionnaire of Spain was validated by means of a pretest with the members of the Management and Finance Forum.

Micro-enterprise (businesses having no more than 10 employees or h2 million annual turnover) was excluded from the initial population as being too small. This cut the population under consideration to 41,776. We obtained a sample of 1,492 companies. This gave a confidence level of 95% and a maximum level of error of 2.8%. We tried to guarantee a minimum number of observations for each business size and sector to achieve acceptable levels of confidence and error.

Next, information was gathered from Itertel database about the business performance of the companies analysed the periods analysed. The timescale for which the financial information was obtained was the 2 years prior to the survey, that is, 2009-2011. Some firms, for a variety of reasons, did not have data for the four previous years, and were therefore not included in the analysis. Very extreme cases (those that were more than five deviations from the mean) were also removed. Finally, we gathered, a total of 1,238 firms were analyzed, giving a maximum error ratio of 2.8%, for a confidence level of 95%.

Later, given that the variables did not match normal distribution, and that the standard transformations to achieve normality were not successful, non-parametric tests, particularly the Mann and Whitney test, were performed.

3.2. Hypotheses

RC has been considered as a critical resource in the majority of companies. There is evidence that investments made in managing relationships with customers, as well as those made in relevant process and quality improvements, actually contribute to growth in revenues, profitability, and other financial and market performance indicators (Tornow and Wiley, 1991; Wiley, 1996; Vavra, 1997; Rucci, et al., 1998; Charles, 1999, Allen and Wilburn, 2002). This leads us to conclude that holding a core competency linked to RC can lead to better results.

We need to define what we mean by ‘performance’ in this context. Firer & Williams (2003) argue that traditional measures of corporate performance—based on conventional accounting principles of determining income—may be unsuitable in the new economic world, where competitive advantage is driven by intangibles. However, given that traditional measures continue dominating, it is necessary to determine the extent to which such measures may capture the contribution from intangibles. Among traditional measurements, the most common are return on assets (ROA), the growth of profit and the growth of turnover (sales).

These will all be used in this study.

The hypotheses will therefore be:

H1: Key Competencies linked to Relational Capital or Relational Competencies (RC) impact positively over business performance.

H1.1: Spanish companies whose directives affirm their key competence is linked to Relational Capital (RC) impact positively over economic profitability (ROA).

H1.2: Spanish companies whose directives affirm their key competence is linked to Relational Capital (RC) impact positively over growth in sales.

H1.3: Spanish companies whose directives affirm their key competence is linked to Relational Capital (RC) impact positively over growth in operating profits.

1 The Management and Finance Forum (Foro de Gestión y Finanzas) is an association integrated by financial directives of the main companies of the Basque Country.
4. Results

Firstly, we will analyse the compliance or not of hypothesis H₁, related to if Spanish companies that consider key competencies related to relational capital obtain better results; concretely we study the sub-hypotheses H₁,1, H₁,2 and H₁,3.

Table 2. Key competence linked to relational capital and business results, Spain (2009-2011): descriptive analysis.

<table>
<thead>
<tr>
<th>Group 1: Key competence linked to Relational Capital</th>
<th>N</th>
<th>Average</th>
<th>Typical deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>407</td>
<td>0.023</td>
<td>0.1110</td>
<td>-0.633</td>
<td>0.500</td>
</tr>
<tr>
<td>Grow. Sales</td>
<td>436</td>
<td>-0.008</td>
<td>0.2930</td>
<td>-0.800</td>
<td>2.700</td>
</tr>
<tr>
<td>Grow. Operat. Profits</td>
<td>437</td>
<td>-1.301</td>
<td>10.3298</td>
<td>-137.7</td>
<td>29.200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group 2: Key competence linked to the others dimensions of Intellectual Capital</th>
<th>N</th>
<th>Average</th>
<th>Typical deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>476</td>
<td>0.016</td>
<td>0.1447</td>
<td>-1.600</td>
<td>1.8200</td>
</tr>
<tr>
<td>Grow. Sales</td>
<td>517</td>
<td>-0.030</td>
<td>0.3519</td>
<td>-1.000</td>
<td>6.0604</td>
</tr>
<tr>
<td>Grow. Operat. Profits</td>
<td>517</td>
<td>-2.426</td>
<td>44.1635</td>
<td>-1123.6</td>
<td>233.20</td>
</tr>
</tbody>
</table>

Table 3. Key competence linked to Relational Capital and business results, Spain (2009-2011): Mann-Whitney test.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mann-Whitney U</td>
<td>188,068,000</td>
<td>202,650,000</td>
<td>219,254,000</td>
</tr>
<tr>
<td>Wilcoxon W</td>
<td>635,053,000</td>
<td>714,216,000</td>
<td>314,957,000</td>
</tr>
<tr>
<td>Z</td>
<td>-0.644</td>
<td>-2.434</td>
<td>-0.253</td>
</tr>
<tr>
<td>Asintót. sig (bilateral)</td>
<td>0.520</td>
<td>0.015</td>
<td>0.789</td>
</tr>
</tbody>
</table>

Table 2 sets out the descriptive analysis related to key competencies linked to relational capital, where 46% (407/883)² of surveyed directors claim their key competence is linked to relational capital. It is likewise shown that “Return on Assets”, the “growth in sales”, and the “growth in operating profits” variables have a superior value (or less negative) on average in those companies whose key competence is linked to relational capital.

The Mann-Whitney test, in Table 3, shows how the differences in the growth in sales are statistically significant at 95%. This result allows us to claim that those companies whose key competence is relational show a statistically lower decrease of sales than others than do not pay attention to them. Companies worry about relational competencies will see their immediate effect on results in an increase (or lower decrease) of sales, which is likely to be motivated by higher customer satisfaction.

Therefore, H₁,2 is not rejected.

The reasons for the lack of significance in the business performance variables (except growth in turnover) would therefore appear to lie in a fall in immediate business performance, resulting from the fact that most of the outlay required for developing the intangibles is booked as expenses. So, we need to analyze the next years.

Therefore, according to obtained results, we conclude how companies which consider their key competence linked to relational capital obtain statistically significant results in a period of crisis, but the differences are only statistically significant for the growth in sales variable. The conclusions that we can obtain are related to the crisis: with the consolidation of crisis the interest about relational competencies drive to companies to better results, being these differences statistically significant.

5. Conclusions

The importance attributed to intangible resources is of increasing interest, which encourages researchers to turn to knowledge and their management. As the resource-based view argues, intangibles have become the most basic resource for creating competitive advantage. In this approach, any measure destined to improve the way intangibles are managed must contribute to better performance.

Management of intangibles has thus become one of the main challenges in the field of business management. However, it faces numerous difficulties, largely owing to the lack of information–partly a consequence precisely of their intangible nature. This study seeks to identify the relationship between a firm’s concern with relational competencies, concretely key relational competencies, and the economic and financial performance.

This paper seeks to establish a relation between the key Relational Competencies and the corporate value in Spanish companies.

Relational capital has been considered one of the most important dimensions of intellectual capital. It is defined as the combination of all relations that the company has with all the agents, including customers, suppliers, shareholders, etc. If a firm establish long-term relations with these agents, their ability to capture value from these relations will be increased. This means the value of the company may increase.

The results show that there is a positive relationship between the key competence related to relational capital and business results. The relation is achieved statistically for 2009-2011 period for the growth in sales variable, when the crisis is more stablished; this means that those companies, whose key competence is linked to relational capital, increase the value of the company. The Mann-Whitney U test showed

² It should be noted that the variable data vary according to the lack of data for all the years.
that the result is statistically significant at 95% in 2009-2011 period for the growth in sales variable.

Regarding the possible lines of future research, one of them could be to expand the selected years to see what happens in the following years. Also, include European companies quoted on the stock market. We could likewise study the degree of impact that other dimension of Intellectual Capital, such as Structural Capital, have on the business value overall.

**References**


