DO RELATIONAL CAPABILITIES EQUALLY MATTER IN SUCCESSFUL COOPERATION? – EMPIRICAL EVIDENCE FROM POLISH ENTERPRISES

Beata Stępień, PhD
Poznań University of Economics, Poland
Monika Sulimowska-Formowicz, PhD
University of Silesia in Katowice, Poland

The Features and Components of a Relational Competence

A company, in order to design and shape its business networks, shall possess, develop and reinforce a set of internal resources necessary to work out a satisfactory cooperation process (Hamel and Prahalad, 1990). These resources can be identified as a relational competence (RC); knowledge, abilities, competences, reflected in procedures or rules of behaviour, helpful to build and manage inter-organizational relations (Casciaro and Piskorski, 2005; Knoke and Chen, 2009; Godfrey and Hill, 1995). RC, as a socially – oriented bundle of capabilities, enables to interact with other companies as a partner (Lorenzoni and Lipparini, 1999, Lambe et. al., 2002). Relational competence is embedded in social networks of individuals and in inter- and intra-organizational routines (Ahuja, 2000; Hakansson et al., 2009). Its value and competitive strength is created through social and sequential learning (Dyer and Singh, 1998; Lorenzoni and Lipparini, 1999; Kale et al., 2002; Gulati, 2007; Gulati et al., 2009). RC is a higher order – system; meta-competence necessary to reach common objectives and strategic goals, through effective and efficient business relations with mutually satisfactory results (Mitręga et al., 2011; Ford et al., 2008; Walter et al., 2006; Gulati, 1995a; Dyer and Singh, 1998).

Being a dynamic competence, the value of RC changes over time: with subsequent stages of partnership; with individual and organizational knowledge acquisition and with the fluctuations in business environment (Teece et al.,1997, Zollo et al., 2002). In order to fully understand and then make use of this changing nature and value of relational competence, we have to de-compose it first.

Building blocks of relational competence consist of knowledge about relations and their managerial processes; managerial competences, learning ability and attitude towards relations reflected in organizational processes. We take a relationship process approach (Ford et al., 2011) and divide components of relational competence into sets of attitudes, resources and activities, necessary at stages of:

- looking for and initiating the partnership; pre-relation competencies based partly on relational capital,
- managing the inter-organizational relation; relation management competencies,
- finishing the inter-organizational relation; knowledge accumulated in a relational experience.

The table 1 elaborates on the content of relational competence; it summarises all fragmentary competencies and knowledge we regard as important components of this RC metasystem.
Table 1. Components of Relational Competence

<table>
<thead>
<tr>
<th>Stage of relationship</th>
<th>Type of competence</th>
<th>Type of knowledge required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-relation</td>
<td>Partner selection competence</td>
<td>formulating the relational goals (proper understanding of company's needs towards partnership); identifying appropriate resources as well as organizational similarity and cultural coherence; choosing the proper mode of partnership governance,</td>
</tr>
<tr>
<td></td>
<td>Relation planning competences</td>
<td>relation-specific bargaining, effective contractual tools to frame partners' rights, duties and interdependencies, inter-partner organizational and technical fit framing, relation scheduling</td>
</tr>
<tr>
<td></td>
<td>Communication capabilities</td>
<td>functions of communication: instruction and feedback dispersion, reduction of uncertainty, socialization, coordination</td>
</tr>
<tr>
<td></td>
<td>Integrating and adjustment competences</td>
<td>acculturation determinants and process, negotiation styles, modes of reducing conflict, technocratic coordination mechanisms</td>
</tr>
<tr>
<td></td>
<td>Problem solving competences</td>
<td>risk management, conflict management, communication rules</td>
</tr>
<tr>
<td></td>
<td>Knowledge management competences</td>
<td>organizational learning and knowledge management</td>
</tr>
<tr>
<td></td>
<td>Relationship structuring competence</td>
<td>contractual and trust-based governance rules, aimed at economic and cultural interdependence and integration; shared management structures, symmetric power relations, conflict management, team building; relational motivation and leadership</td>
</tr>
<tr>
<td></td>
<td>Position in relation management competence</td>
<td>power-relation management in order to create balance in partners' power in relation and to avoid power abuse.</td>
</tr>
<tr>
<td></td>
<td>Relation efficiency management</td>
<td>control mechanisms</td>
</tr>
</tbody>
</table>

Pre-relation competences are affected by a relational capital; already accumulated knowledge and experience about business relations. Relational capital builds company's reputation together with attitude towards future business contacts; it can either foster or weaken business relations by influencing the whole process of partner’s selection and then relation management (Gulati, 1995b; Gulati et al., 2009). One of the building blocks of relational capital is a partnering experience - "the shadow of the past", dictating repetition of positive past experience by reconstructing the context of former alliances into present ones and ditching the pursuit of these relation mechanisms, solutions that proved to be unsatisfactory. The past experience is transferred into the relational capital through trust-creating mechanisms, both calculative – rational (based on strategic, economic analysis of partners' position and behaviors) and non-calculative, based on assumptions or shared values (Lewicki and Bunker, 1996; Gulati, 1995a; Dyer and Chu, 2000).
Relational Competence and Its Impact on Company’s Performance – A Conceptual Framework

As the system, all fragmentary RC components are interrelated; reinforce and complement each other, and they all seem to be crucial and necessary to build the high quality relational competence through creating a set of critical success factors in relation. The higher the value of RC composition (measured by its components, stability, reinforcement, uniqueness etc.), the more effective and efficient goals achievement is.

But do RC fragmentary competences equally matter in goal achievement? Do they play an equal role in achieving company’s effectiveness and efficiency? Are academics and managers united in their perception of RC quality and its impact on business relations results? We have tried to answer these questions by conducting an empirical research in companies involved in different types of inter-organizational relations. The method and results of this research we present below.

Impact of Relational Competence Components on Companies’ Performance – Research Method and Empirical Findings

CATI interviews were held in 2014 on a sample of 253 Polish companies. The sample consisted of medium and big production companies involved in inter-organizational non-capital cooperative activities with local and foreign partners. The ground of narrowing down the size of firms to medium and big ones, was the assumption that such companies could have diverse cooperative experience and stable organizational routines in this area. The interviews were conducted among managers responsible for cooperative relations management. Questioned companies declared involvement in diverse inter-organizational relations (distribution network, supply chain, outsourcing, joint marketing, joint R&D, coproduction and being a part of a cluster).

General assumption to the whole research was that effectiveness and efficiency of inter-organizational relations is determined by the quality of partners' relational competence (see the scheme 1) but to understand and properly manage RC it is necessary to be aware of the quality of RC components and the role they play individually in relation results, and that is why we assumed and then tested the following:

H1: Relational competence components differently affect general effectiveness of cooperation.

H2: Relational competence components differently affect general efficiency of cooperation.

As the prerequisite for testing H1 and H2, we had to check if relational competence leads to higher efficiency and effectiveness, so we tested the following:

H3 The higher relational competence of a firm, the higher its effectiveness in cooperation is.

H4 The higher relational competence of a firm, the higher its efficiency in cooperation is.

Relational competence (RC), efficiency and effectiveness were constructed on a basis of a set of components, that are presented in the Table 1 (relational competence components) and in the scheme 1 (effectiveness and efficiency constructs). Relation performance was measured by two dependent variables - effectiveness and efficiency.
Indicators were standardized and summed to construct global measure of relation's effectiveness, which had satisfactory Cronbach alpha of 0.89 and 0.83 respectively. Procedure of measuring RC components was multi-layered in order to justify the data and to avoid the side effect of their left-skewness. The method was based on already tested operationalisations (Ritter et al., 2002; Human, 2009; Human and Naudé, 2008; Schreiner et al., 2009; Mitręga et al., 2011).

The Results

Hypotheses 3 and 4, assuming the positive relation between the level and RC and company performance (measured by its’ effectiveness and efficiency) were positively verified. Tests showed a significant positive Spearman correlation between the level of relational competence and both cooperation effectiveness (R = 0.50, with p<0.001) and efficiency (R=0.44 with p<0.001) but the impact of RC on relation's effectiveness is slightly stronger than on efficiency, what supports our understanding of an efficiency as the derivative of effectiveness mediated by certain (time, costs) constraints.

As hypotheses 1 and 2 are complex in construction, we had to establish the strength of impact of every RC component on company both effectiveness and efficiency. The results suggest that relational competence components are NOT equally important in their influence on final results of cooperation. As Table 2 shows, there are three groups of relational components that differ in their value and ability to create successful business relations:

1. group of strongest impact consists of: knowledge management, position in relation management and efficiency management capabilities;
2. group of medium impact consists of: partner selection, problem solving and integrating capabilities;
3. group of weakest impact consists of: communication, relation planning and relation structuring.

Another general observation from correlation analysis is that consequently all relational competence components show stronger correlation to cooperation effectiveness than to its efficiency.

Table 2. Relational Competence Components, Cooperation Effectiveness and Efficiency Correlations

<table>
<thead>
<tr>
<th>RC components</th>
<th>Effectiveness R</th>
<th>RC components</th>
<th>Efficiency R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge management</td>
<td>0.46***</td>
<td>Knowledge management</td>
<td>0.41***</td>
</tr>
<tr>
<td>Position in relation management</td>
<td>0.46**</td>
<td>Position in relation management</td>
<td>0.39***</td>
</tr>
<tr>
<td>Efficiency management</td>
<td>0.44**</td>
<td>Efficiency management</td>
<td>0.38***</td>
</tr>
<tr>
<td>Partner selection</td>
<td>0.43***</td>
<td>Integrating</td>
<td>0.34***</td>
</tr>
<tr>
<td>Problem solving</td>
<td>0.40***</td>
<td>Problem solving</td>
<td>0.34***</td>
</tr>
<tr>
<td>Integrating</td>
<td>0.36***</td>
<td>Partner selection</td>
<td>0.29***</td>
</tr>
<tr>
<td>Communication</td>
<td>0.35***</td>
<td>Communication</td>
<td>0.29***</td>
</tr>
<tr>
<td>Relation planning</td>
<td>0.26***</td>
<td>Relation planning</td>
<td>0.24***</td>
</tr>
<tr>
<td>Relation structuring</td>
<td>0.26***</td>
<td>Relation structuring</td>
<td>0.23***</td>
</tr>
</tbody>
</table>

*** p<0.001; ** p<0.01; * p<0.05
Table 3. Hierarchical Multiple Regression Analysis - RC Components Influence on Relations' Outcomes - Effectiveness and Efficiency

<table>
<thead>
<tr>
<th>M</th>
<th>Independent variables</th>
<th>$\beta^1$</th>
<th>M</th>
<th>Independent variables</th>
<th>$\beta^1$</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>partner selection</td>
<td>0.078</td>
<td>9a</td>
<td>partner selection</td>
<td>-0.011</td>
</tr>
<tr>
<td></td>
<td>relation planning</td>
<td>0.022</td>
<td></td>
<td>relation planning</td>
<td>0.006</td>
</tr>
<tr>
<td></td>
<td>relational structuring</td>
<td>-0.112</td>
<td></td>
<td>relational structuring</td>
<td>-0.161</td>
</tr>
<tr>
<td></td>
<td>communication</td>
<td>-0.013</td>
<td></td>
<td>communication</td>
<td>-0.082</td>
</tr>
<tr>
<td></td>
<td>integrating</td>
<td>0.049</td>
<td></td>
<td>integrating</td>
<td>0.213</td>
</tr>
<tr>
<td></td>
<td>problem solving</td>
<td>0.186*</td>
<td></td>
<td>problem solving</td>
<td>0.182*</td>
</tr>
<tr>
<td></td>
<td>knowledge management</td>
<td>0.204*</td>
<td></td>
<td>knowledge management</td>
<td>0.194*</td>
</tr>
<tr>
<td></td>
<td>position in relation</td>
<td>0.074</td>
<td></td>
<td>position in relation</td>
<td>0.094</td>
</tr>
<tr>
<td></td>
<td>efficiency management</td>
<td>0.094</td>
<td></td>
<td>efficiency management</td>
<td>0.105</td>
</tr>
</tbody>
</table>

*** $p<0.001$; ** $p<0.01$; * $p<0.05$; bootstrap analysis for 5000 samples, 95% confidence interval, $M,M'$: models for effectiveness and respectively efficiency analysis, $\beta^1$ – standardized $\beta$

After correlating relational competence components and relations' effectiveness and efficiency, hierarchical multiple regression analysis was used to determine the strength of RC components influence on relations' outcomes (Table 3). Additionally, considering the side effect of right-skewness of the data, bootstrap analysis was used (MacKinnon et al., 2002). The analyses show that significant predictors of effectiveness and efficiency, and visibly dominant independent variables are problem solving competence and knowledge management competence. These variables dominate in model 9 and 9a, and when added to the subsequent regression models, $\Delta R^2$ raises significantly. Entering these two variables into multiple regression equation causes significance loss of remaining RC components. The next step of analysis was a dominance test, which is useful for finding the most important independent variable (here: cooperation effectiveness and efficiency predictor) and avoiding the misinterpretation of highly correlated data at the same time (Budescu, 1993). The most important variables affecting effectiveness and efficiency in regression model are (mean R2 higher than 0.08): knowledge management, efficiency management, position in relation management and problem solving.

**Discussion and Conclusions**

Research results confirm theoretical assumptions that company's RC and its components positively impact results of inter-organizational relations. But, unlike many theorists, interrogated managers do not regard RC components equally valuable; they confirm their interdependence, but have a clear hierarchy of particular RC components’ ability to create efficient and effective business relations. Contrary to academics highlighting the fundamental role of communication and integration skills in reaching the relational success, Polish managers placed the soft skills on the bottom of the “importance list”. Knowledge management, problem solving, accompanied by efficiency mechanisms and boosted by good (stronger) position in relation serve as prerequisites for successful relations in Polish business cooperation. Looking at the whole palette of the survey results we can see, that investigated companies tend to value using power and contractual approach in relations as the tool for securing their business positions. Respondents prefer to concentrate on knowledge gaining and
protecting mechanisms together with power management to reach their relation goals instead of building and developing integration and communication mechanisms. These preferences are also evidenced by our earlier research about cooperation in Poland, where we observed a prevalence of written forms of communication, detailed contracts accompanied by rare bonding initiatives and very moderate trust level between the partners (Sulimowska-Formowicz and Stępień, 2011; Stępień, 2012).

There can be several reasons for obtaining this kind of results. Firstly, we might suspect, that Polish managers seem unaware of (and therefore disregard) the value of the intangible assets (knowledge, skills, etc.) as competitive advantage drivers, but the data only partly support such a simplistic explanation, since even successful companies (with high levels of RC competence) point out control and efficiency mechanisms, contractual solutions and knowledge accumulation as the sources of business relations. The ground for such results can lie in the institutional environmental constraints and the preliminary results of the survey data support this assumption.

We analyse in this article the internal factors determining the content of relational competence and its impact on effectiveness and efficiency of the company. We do realise, however, that this is only one side of the picture. The environmental constraints (like the level of legal instruments protecting business rights, cooperation support mechanisms, prevalence and general attitude of business relations, or the perception of business partner) do influence the whole process of relation; affect all RC components and shape relational experience and capital together by modifying the structure, usage and outcome of trust building mechanisms. The conditions of Polish market, bearing still particularistic features, influences the cooperation processes and – in the situation of common business distrust – dictates using more contractual forms of business relations as the safer modes protecting from possible mischief (Sulimowska-Formowicz and Stępień, 2011; Stępień, 2012).

The last reason for such results can be a difficult measurement and universality of communicating, integrating or relation structuring skills. They are commonly used to run a business, and this lack of uniqueness, dedication may serve as a premise to neglect its impact on company’s relational success.

References


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Monika Sulimowska-Formowicz
University of Silesia in Katowice, Poland

**Abstract**

The main purpose of the paper is to estimate the impact of different relational capabilities on partnership's efficiency and effectiveness. We start from describing the components and structure of relational competence in theory, and then contrast it with the perception of its level, role and management in Polish companies (findings based on empirical research in 253 firms). Both theoretical advances and empirical data indicate, that systemic analysis and then careful management of relational competence leads to better performance, but managers and academics differ in their perception, of what kind of fragmentary capabilities are critical for successful cooperation.

**Keywords**: inter-firm relations, inter-organizational relations, cooperation, effectiveness and efficiency, company performance, relational competence, relations' success factors

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