

**RELATIONSHIP BETWEEN RELATIONAL CAPITAL AND FIRM
PERFORMANCE: THE MODERATING ROLE OF FIRM SIZE**

[Name of Writer]

[Date of Submission]

[Name of Institution]

ABSTRACT

This research study aimed to investigate the relationship between relational capital and firm performance. It further examined the mediating role of firm size while the case of the automobile industry was considered. The study bifurcated the primary independent variable which is relational capital into supplier capital, customer capital and internal network capital. For the data collection, the research relied on the primary method with the help of close-ended survey questionnaire and 100 participants were approached. The data analysis techniques incorporated correlation and regression analysis. On the basis of correlation analysis, it was found that the association of each independent variable with the dependent variable was statistically significant which was further positive and strong. In addition, regression analysis revealed that the effect of customer capital was negative and significant on the firm's performance while supplier capital affected positively and significantly. Moreover, the insignificant moderating effect of firm size was found. This implied that the automobile industry should maintain a pleasant relationship with the stakeholders cumulatively in order to enhance the firms' performance irrespective of its size.

Keywords: *Relational capital, firm size, firm performance, automobile industry*

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CHAPTER 1: INTRODUCTION

1.1.Contextual Background

It has been observed that in many organizations there is lack of managerial awareness pertaining to the importance of relational capital. There are various scholars as well that have highlighted the benefits arising from the unaccounted for relational capital. It is believed that the portion of the value of company market that is attributable to its portfolios of business relationship that accounted for business account is represented by the relational capital, and there is widespread agreement on it (Siddiqui and Asad, 2014). CIC developed an intellectual model, and per this model, there are various layers where relational capital is put into.

The task related to the strategic factors' impact and the condition of industry on profitability and profits' persistence has garnered great significance. Furthermore, it is strongly believed that if managing the intellectual capital of the firm is effectively managed sustainable superior performance of the firm can be generated by it (Inkinen, 2015). Moreover, this management of intellectual capital is also considered as the most important strategic assets. The role of relational capital is indispensable in boosting the performance of the firm and its sustainability in the future (Sulait, 2010). There is no doubt that the post-modern form of the organisation is based on the structure of the networks are forecasted on successful relationship.

The level of uncertainty that cannot be dealt by the bureaucracy can be dealt by the organisation with the help of the network structures that are based on interconnection, which helps to enhance the effectiveness of the organisation. The organisation's tangible and non-tangible assets create the market value of the organisation. It is believe that virtually 80% market value of the organisation is resulted from the intangible assets of the organisation. The

intellectual capitals of the organisation or the intangible assets are the joint assets of the organisation, and these assets cannot be traced in the financial statement of the company. Nevertheless, the role of these assets is paramount and they greatly generate the future value of the organisation (Sulait, 2010). The intellectual capital is basically considered a difference between the market value and book value, and market value of the firm greatly hinges upon the intellectual capital of the firm. The future growth of the organisation is underpinned by the intellectual capital or relational capital of the firm, which is considered the most important financial resource and asset of the firm.

The value between the firm and its environment is referred to as the relational capital of the firm. The business capital and the relational capital are quite akin to each other. The firm's relational capital contribution to the value of organisation ought to be quantified by the firm. The intellectual capital is basically a broader term and the relational capital is come under the ambit of this term (Wang et al., 2016). In other words, the relational capital is basically a component of intellectual capital. Therefore, the performance of the firm can be evaluated from the potential of profit generating, value creation of stakeholders, and organisation's future viability.

1.2.Problem Statement

When it comes to the relationship between the relational capital and the firm performance, there is twofold impact of the relational capital and firm performance. Firstly, the cost reduction is resulted from the knowledge embedded in relationship among employees, suppliers and customers. Secondly, the satisfaction of the customers is affected by increasing the value of that is offered at the market (Kijek and Kijek, 2007). The cost of the organisation is reduced by the relational capital in many different ways. The organisation cost is reduced if there is effective management of relational capital, effective problem solving, better performance and

troubleshooting (Díaz-Fernández, Gonzalez-Rodríguez and Simonetti, 2015). Furthermore, the organisational cost is reduced when organisational's information processing capacity is increased by the relational capital.

The problem in this research was that the relationship between the relational capital and firm performance of automobile sector was quite conspicuous as there was direct relationship between them without the influence of any other variables. This direct relationship had become the subject of many researchers (Inkinen, 2015). There are sufficient amount of research that had focused on the direct relationship of relational capital and firm performance, but there had been very limited amount of study that focused on this relationship by considering the affect moderator (Wang et al., 2016).

The specific problem in this research was to relationship between the relational capital and firm performance by considering the moderating effects of the firm size on their relationship. In this manner, it could be analysed that how and to what extent the relationship between the relational capital and firm performance was moderated. Therefore, in this way the gap that had been existed in literature was filled.

1.3. Aim and Objectives of the Study

The main aim of the research was to analyse the relationship between the relational capital and firm performance by considering the moderating impact of firm size on their relation. Therefore, to attain the overriding aim of the research the following objectives were need to be fulfilled:

- To understand the concept relational capital, firm performance and firm size.

- To analyse the moderating effect of firm size on the relationship between relational capital and firm size.
- To highlight the significance of relational capital for the automobile sector of Pakistan.
- To provide set of recommendations to automobile sectors of Pakistan for improving the relational capital.

1.4. Research Questions

There were following research questions:

- What are the concept relational capital, firm performance and firm size?
- What is the moderating effect of firm size on the relationship between relational capital and firm size?
- What is the the significance of relational capital for the automobile sector of Pakistan?
- What are relevant set of recommendations for automobile sectors of Pakistan for improving the relational capital?

1.5. Rational of the study

The intent of this research was to depict the relationship between the relational capital and the firm performance, and to show the moderating role of the firm size in their relation. The main reason to conduct this research was to clearly demonstrate that how the size of the firm

moderate the relationship between the relational capital and firm performance (Wang *et al.*, 2016). In various studies the relationship between the relational capital and firm performance had been focused on, but there were very few studies that had taken firm size into account to demonstrate the function of the size of firm that is moderating in the relationship between the relational capital and performance of the firm (Youn, Hua and Lee, 2015). Therefore, this study focused on that what sort of moderating affect is imposed by the size of firm on the linkage between the relational capital and performance of the firm, and to what extent.

1.6. Significance of the Study

There will be great significance of this research for the various stakeholders like top managers and various policy makers of the country. The upcoming decisions by the relevant stakeholders will greatly be supported by the main findings of the relational capital and firm's performance relationship and the moderating role of the firm size. Furthermore, the knowledge and understanding of strategies and polices that are necessary will be enhanced. The findings will provide great knowledge to the management and they will be able to employ these findings for the effective management of the relational capital, which will help to provide the firm performance that is sustainable. Lastly, the findings of the research will provide benefits to the future researchers for their purposes of future research.

1.7. Structure of the Study

The study was based on 5 different chapters. The chapters were:

Introduction: This particular chapter comprises of the overview of the topic of this study and also the rationale behind to conduct this research was focused on. In order to enhance the credibility of the research and to provide it broader picture, this chapter was divided into several

parts, these parts were: Contextual background, problem statement, aim and objectives of the research, research questions, rationale of the study and its significance.

Literature Review: In this section, the past and existing studies pertaining to the topic were reviewed. The review of literature helped to provide the strong foundation to carry out the research.

Research Methodology: In this chapter, different methods and procedures were discussed by the researcher to carry out the research. The justification for employing particular methods and approaches were also given in this section. Besides, it was also discussed in this chapter that through what way the data had been collected.

Data Analysis and Discussion: The focus on this chapter was on the findings of the study. In this the chapter the findings of the literature was focused on after interpreting the results that had been obtained through data collection. The findings of the research were also discussed in this chapter with respects to its relevant objectives.

Conclusion: This was the last chapter of the conclusion; in this chapter all the findings of the literature were concluded. Besides, the findings of the research were encapsulated in the form of summarised findings. In addition, the recommendations were provided to the relevant people, and future implications to the future scholars.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This chapter indicates the contribution of literature about the defined topic. Also, the highlights of the topic in terms of past studies are presented in this chapter. Hence, each appointed variable is defined under the lights of literature along with its determinants. Moreover, the important relationship of each variable is also determined under this chapter. Later on, from the review of past perspectives recent themes are generated. Each theme is later contributed to generate the conceptual framework. Eventually, the hypothesis is composed out of the defined conceptual framework that in turn is backed up by theoretical backgrounds.

2.2. Relational Capital

The track of the flow of assets through the route that has been configured socially is termed as relational capital. Besides, the joint action under a community is originated through the concept of relational capital (Cai et al., 2014). In simple words, all kinds of relationships between the firm and its stakeholders are denoted as relational capital (Corvino et al., 2019). The importance of relational capital is backed up by the tendency of communication of a firm (Corvino et al., 2019; Zhao et al., 2019).

In action, a wider form of information can be dispersed by the firm with a diverse relational capital (Russell et al., 2015). Consequently, engagement of all the stakeholder acts as a competitive advantage that in turn crown the firm the title of being a market leader (Zhao et al., 2019). Moreover, the organizations are involved in social exchange processes by buying raw material converting it into useful outcomes and delivering to the customers (Cai et al., 2014). Subsequently, the organizations are obliged to develop trust levels for executing the effective

social exchange. For this, the recent firms indulge relational capital for indicating a higher level of trust among the market.

Another critical association of relational capital with a firm's performance is backed up by the diminishing nature of past collaborations. In other words, the firm collaborates with other businesses and temporary stakeholders in the industry for a particular goal. As soon as the goal is accomplished the collaboration diminishes. Whereas, collaboration with key stakeholders (key suppliers, customers, investors, and employees) remains constant throughout the lifecycle of the business (Corvino et al., 2019). Consequently, the businesses can sustain in the market only due to their intangible capital or relational capital. Hence, the performance of any organization is evident to be significantly dependent on the relational capital of that firm.

2.3. Firm Performance

Every organization exists for a certain purpose that determines the legitimacy of that firm. In response, the organizations rate their positions in accordance with the set objectives. This evaluation of any organization in terms of performance is termed as the performance of the firm (Cai et al., 2014). Organizational performance is also denoted as actions that are practiced for the accomplishment of the desired goals (Raithel and Schreck, 2018). In association, the management of every organization is indulged in the enhancement of performance of the firm in terms of profits, people and value proposition (Ljungholm, 2016). Moreover, organizational performance is sensitive to many factors such as; the size of the firm, micro-macro environment, financial assistance, pressure from the stakeholders, etc. (Wang et al., 2014; Russell et al., 2015; Cai et al., 2014). Eventually, the performance of an organization indicates the capability of that organization that is later used by the industry to rank that organization (Zhao et al., 2019).

In correspondence, the higher the performance, the higher the market share is grabbed by the firm. Hence, such an organization is ranked as the market leader (Wang, Wang, and Liang, 2014).

Mehralian, et al. (2016) define the presence of effectiveness in organizational efforts to accomplish its objectives makes up the performance of a firm. Evaluation of a firm's performance assists the management in quantifying the factors that create hinder the accomplishment of the objective of that firm. Therefore, the performance is often in a continuous evaluation phase in terms of the relationship of a firm with its stakeholders, financial performance and managerial concerns. The evaluation of the performance of a firm is a complex process. Therefore, different aspects of modes of evaluations are performed by the analyst to highlight all the aspects of a firm's performance. In action, both pecuniary, as well as non-fiscal measures, are employed by managerial members to measure the performance and rate its effectiveness (Raithel and Schreck, 2018).

2.4. Firm Size

The size of any organization is often quantified in terms of financial decisions. However, it is quite more than just the financial worth of the firm and its market sharing in the market (Raithel and Schreck, 2018). In addition, firm size is determined as the presence of tendency of managerial compensation, variability in financial decisions and estimation of rates of return from the firm's performance. The size of any organization determines its capacity to grow and aid in the economic growth of the region it is operating at. In association with this, assistance from the theoretic background is employed by many analysts to first define the firm size then denote its determinants. In association with this, three theoretical backgrounds are observed from the

literature namely; technology, organization, and institution (Zhao et al., 2019; Ali et al., 2018; Corvino et al., 2019).

At first, the technological theories define firm size as the tendency to bear set-up costs for different tasks of that firm (Zhao et al., 2019). In detail, assigning every human capital with a specialized task incurs certain set-up costs for that task performance. For instance, a worker is hired to perform a production task in the production unit, so to increase the productivity the company is mandated to appoint more workforce. Hence, for every specialized task, a cost is incurred by the firm. Hence, the higher the specialized tasks are practiced by a firm it determines the size of that firm.

Secondly, the organizational concept of theories from literature denotes that contractual cost, transaction cost, and critical resources determine the size of a firm (Ali et al., 2018; Mehralian et al., 2016; Raithel and Schreck, 2018). In-depth explanation, the contractual costs define a firm's size as a configuration of contracts that are entertained by the firm at the contemporary stage (Zhao et al., 2019). With reference to the transactional cost aspect, organizational size is the length of transactions that take place in that firm. For instance, the higher the rate of transaction cost is practiced by a firm, the larger its size is considered (Josefy et al., 2015). Eventually, the critical resource defines that transactions can take place under the contractual or enforced entity, but the non-contractual source that governs the performance of transactional actions is the critical resource. Hence, an organizational size can be measured under organizational theories in terms of several contracts, transactional tendencies, and critical resources.

Ultimately, the institutional backup of organizational size is categorized into two namely; regulatory and financial (Russell et al., 2015). In action, the forces that govern the operations of a

firm are determined as an institutional aspect. For instance, legal obligations on firms enforce actions like environmental sustainability, corporate social responsibility, etc. on the firms to legitimate their existence in the market. Similarly, regulatory institutions obliged organizations as per their sizes and tendency to hold obligations. Likewise, financial institutions impose obligations in terms of financial decisions such as taxes, duties, tariffs, rate of return, interest rates, etc. (Ali et al., 2018). The higher the number of obligations from regulatory and financial institutions is enforced on any firm, the larger its size is considered.

2.5. Relationship of Relational Capital and Firm Performance

Relationship with different stakeholders develops relational capital. Suppliers, customers, stockholders, and employees are the most critical stakeholders that shape up the relational capital of a firm. In association, agility is referred to as the ability to move from one place to another. In terms of businesses, the agility is referred to as the supply chain system of the organization (Byun et al., 2019). In other words, the efficiency in moving the inventory from point of origin to point of consumption effectively often denotes the performance of a firm. The supply chain management is the track record of the movement of a raw inventory from its origin to converting point where it gets modified or manufactured into another form that eventually becomes a usable product. Later, the modified product is delivered to the end-user for consumption (Yayla et al., 2018). Concerning supply chain agility, it is referred to as a firm's capacity of cohesion between the key suppliers and customers of that firm (Mehralian et al., 2016).

In other words, the environment changes with time resulting in pressure for change in the relationships of any organization. Similarly, a trustworthy and proactive relationship with key stakeholder aid every organization in its performance. For instance, any change in the environment such as; the rate of inflation, exchange rate, and employment rate can result in

altered charges of raw material and its transportation cost as well. In response, collaborative suppliers will aid the firm in mitigating such forces by induction of strategies like bulk supplies or collaborative supplies, etc. (Yayla et al., 2018). Consequently, the firm can fulfill the requirement of customers and grab their share in the market as well. In contrast, any hinder in the supply chain becomes a costly action for the firm. In practice, higher rates of supply and raw material will mandate the firm to raise prices of the product due to an increase in cost, this point will limit consumers from buying the same product at a higher price. Eventually, the firm is at risk of negligence and a downturn.

2.6. Impact of size of the firm on the performance of firm

To gain performance, size of the firm is considered as an imperative characteristic. There are large amount of resources and greater capacity for the purpose of production in large firms. The financial performance of the firm is improved through this way. When it comes to the smaller firms, the smaller firms are considered more flexible in nature than the larger firms, albeit it is believed that as compare to smaller firms, in lager firms there are better perquisites for behavior (Kioko, 2013). Given that, the larger firms are more compatible to involve in the process of inter-firm networking as they are well equipped as compare to their smaller counterparts. As compare to smaller firms, there is more trust is placed by the cooperative partners on the larger firms. This trust greatly emboldens the larger firm because the cooperative partners of the firm believe in the integrity and reliability of the firm. There is less potential drawback in the larger firms as they are characterised by high level of trust by the cooperative partners. Therefore, in this way the financial performance of the firm is increased and its cost is greatly reduced.

There is lively debate on the impact of firm size on the performance of the firm. It is believed that smaller firms are easily outperformed by the larger firms. However, when it comes to harsh economic conditions, it usually becomes the cause collapsing of large firm. There are many advocates of smaller firms who argue that the niche markets knowledge and unique sort of offerings enable to small firms to get competitive edge. Nevertheless, there is a perception that the larger firms are more profitable as compare to the smaller firms. There are a very few people who questioned the creditworthy of the large firms. This is reason that most of capital provider more likely to invest in the larger firm (Mazhinduka, 2015). The products of lager firms are marketed on large scale, besides there is great spending on research and development on larger firms. The great spending on research and develop by the larger firms provides benefit to smaller firm in the long run as well. The reason behind the perception that the larger firms are profitable than the smaller firms is based on the aforementioned advantages. Whatsoever, the firm size of the organisation is considered the most considerable aspect, and it is considered by many of the scholars that the size of the firm has an imperative impact on the determination of the performance of the firm. Although, there are advocate of lager firms and smaller firms who create complexities in understanding that what size of the firm will be considered most appropriate for the performance of the firm.

2.7. Impact of moderating effect on Firm Performance

The organizational performance or the firm performance has been explained above that a firm tends to achieve its desired objective. Concerning the moderating effect of any organization, it is referred to the interactional effect of a third variable on the relationship of two variables (Byun et al., 2019). This effect is used by analysts to determine the impact of the relationship between two such variables that are complex or extremely volatile. In the case of firm performance, it is sensitive to several factors, hence induction of a third variable to measure the extent of change in organizational performance is essential. With reference to this, the impact of the moderating effect on organizational performance is directly proportional.

Any stimulating factor can be employed as a moderating effect to measure the performance of the firm and its positioning in society. For example, the impact of stockholders can be employed as a mediating effect to measure the company's performance in terms of rate of return. Similarly, the tendency of brand trust can be investigated and moderating force to quantify the relationship between customer loyalty and perceived value (Ljungholm, 2016). In fine, the effect of any moderating variable is observed to be significantly and directly associated with the performance of the firm. For instance, any change in the moderating variable like supply chain, customer's perception, environment, etc. will directly stimulate the performance of the organization (Josefy et al., 2015). Consequently, the efficiency and effectiveness levels in the performance of any firm are dependent on the various variable. To list an explicit view of a firms' performance and its size, the researcher must align the third variable and keep the research in a specified direction.

2.8. Moderating Effect of Firm Size on Firm Performance

In the reviewed literature, the firm size has been observed as a primary factor to stimulate the profitability of a firm. Also, the induction of economies of scale has entitled firm sizes as a critical determinant of a firm's performance (Raithel and Schreck, 2018). As stated previously, the determination of firm size and its determinants varies in accordance with the different theoretical backgrounds (Ali et al., 2018). In response, firm size can be considered with respect to its capacity to own leadership in the marketplace. For instance, larger-sized manufacturing companies own cost-leadership over the smaller ones. The reason for this is larger organizations have defined and diversified work with high set-up costs. Besides, the contractual cost and transactional cost is also higher for such an organization due to the rate of production. Hence, the size of a firm can aid in defining its operational performance and set a competitive edge over the market.

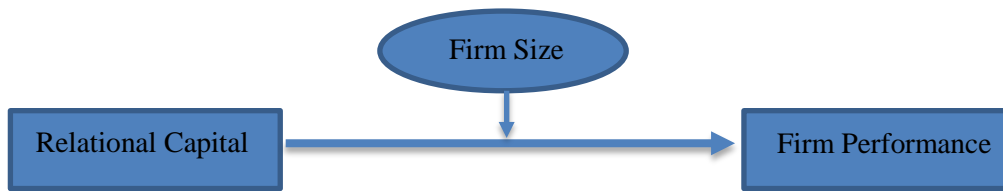
In contrast, the impact of size of firm on the performance of the firm is significant, but not always proportional. Some studies support the fact that the size of firm can inversely impact the performance of a firm (Corvino et al., 2019; Ali et al., 2018; Raithel and Schreck, 2018). In association, larger-sized organizations are complex to manage whilst smaller ones are easily (Josefy et al., 2015). Similarly, the induction of transparency in huge organizations is again a hinder. Moreover, decision making and style of leadership also becomes complex with expansion in the size of a firm. Consequently, firm size is considered as a moderator to estimate the impact of another variable on a firm's performance. In correspondence, the impact of environmental factors in the determination of a firm's performance is also crucial as it directly stimulates the size of the firm (Wang et al., 2014). Hence, firm size and environmental impact are essential moderators of firm performance.

2.9. Conceptual Framework

From the review of related literature, the relationship between relational capital and firm performance is ranked as significant. In addition, their association with each other is observed to be critical (Corvino et al., 2019; Ali et al., 2018; Raithel and Schreck, 2018). In such circumstances, the literature has indicated that the induction of a moderator for such evaluating complex relations is an effective fit. Consequently, important moderators are evident in the literature such as environmental impact, size of the firm, etc. Ultimately, the size of the firm has been viewed as the most stable and stimulating moderator of a firm's performance (Ali et al., 2018; Wang et al., 2014; Corvino et al., 2019).

Moreover, firm size is found to be backed up by different theoretical frameworks namely, technological, organizational and institutional (Cai et al., 2014). Besides, the emphasis of every theory coincided with a point that firm size is directly associated with the performance of that firm. In association with relational capital, it has been viewed as a critical as well as the sensitive aspect of a business. From the literature, it has been outlined that firms with wider standardization of works hold stronger relational capital. On the other hand, companies with limited exposure to stakeholders encounter limited relational capital.

From the considered review, the conceptual framework for this study has been generated in terms of three basic variables namely relational capital, size of firm and its performance. Among these, relational capital is the independent variable whilst firm performance is a dependable one. Provided, size of firm is quantified as a moderating factor in order to observe its impact on the relationship of relational capital and firm performance.



From the defined conceptual framework, the following hypothesis is generated. These will be tested in the study;

- H1 A firm's relational capital is positively related to its size
- H2 The relationship between relational capital and firm performance is mediated by firm size
- H3 A firm's relational capital is positively related to its performance

2.10. Chapter Summary

So far under this chapter, it has been reviewed that the moderating effect is essential for determining any two complex correlations. In addition, three basic variables were defined by the literature. At first, the relational capital has been viewed as the intangible capital of a firm that indicates its market reputation. Secondly, firm size is observed as a determinant of a firm's performance. Thirdly, the firm performance has been analyzed as the tendency of an organization to accomplish its defined objective. Ultimately, the literature has assisted in the formation of themes for the conceptual framework that indicates relational capital as the dependent variable and firm performance as a dependent one. Provided, firm size has been employed in a moderating effect.

2.11. Hypotheses

H1: A firm's relational capital is positively related to its size

H2: The relationship between relational capital and firm performance is mediated by firm size

H3: A firm's relational capital is positively related to its performance

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CHAPTER 3: METHODOLOGY

The chapter will shed light on the methodology employed to research, which is related to link between relational capital and firm's performance in line to the firm's size with the mediating factor to establish the link between the two variables. The industry chosen for particular research is the automobile industry of Pakistan where the relational capital relation with a firm's performance can be adequately and effectively studied.

3.1 Research Design

To carry out any research, there needs to be an organised methodology, which requires the proper justification that is fulfilled by the research design (Creswell and Creswell, 2017). The research design is divided into qualitative and quantitative analysis. This particular research employed is based on studying the numeric data in the form of figures and statistics, thus quantitative research will be used. Under the quantitative research design, the researcher is more concerned regarding the quantifiable data and design of various facts that could result in revealing the latent patterns that are found in the area to be studied (Neuman, 2016).

The research will study the relational capital and its link to the firm performance in the form of numbers and data from their accounts that can only be studied in the form of mathematical means. Moreover, the previous research of Ogundipe (2012), which is based on the same topic of relational capital concerning firm performance, has employed the same qualitative design and has based their analysis on this particular research design.

3.2 Method of the collection of Data

Researchers collect information in two forms, which are primary and secondary, where primary data refers to the fresh and first-hand information collected for this specific research (Palinkas et al, 2015), whereas secondary data refers to second-hand information which is already available on different sources and is already collected by some other researcher (Johnston, 2017). The particular study aims at the automobile industry of Pakistan to study how the firm performance is related to the relational capital.

Thus, the data collection requires first-hand information from specific people operating in the automobile industry and is directed with the sole aim to obtain information related to this study, which cannot be obtained from any secondary sources such as journals, articles, books, and newspaper. The other reason for employing the primary research method is that it will eliminate all the chances for research to be biased, as the researcher will collect all the information from himself, ruling out prejudice.

3.3 Instrument for data collection

The data collection instrument refers to how the data will be collected for the study (Canals, 2017). The data collection instrument used regarding the primary study is the survey forms which will integrate the variables and mediating factor to identify how the dependent variable which is relational capital and independent variable which is firm performance are interconnected.

The survey questions will be in light of the automobile sector in Pakistan and how these variables are impacted in the context of the industry. The survey form is adapted from the study of Tumwine, Kamukama, and Ntayi (2012), which is based on a five-point Likert scale.

Moreover, the survey forms tend to cost-effective and easier to execute, yet the collection of information tends to be efficient.

3.4 Sample Size and Sampling Technique

The small part of the population that is being chosen or selected for the data collection process, to study the characteristics of the entire population is known as the sample of entire population (Gentles et al., 2015). The sample size selected for this research will be 100 employees and managers of the different automobile businesses in Pakistan. These employees have direct access to the information needed for this particular research in terms of relational capital and the employees with whom the survey will be collected will be those who have the direct information in relation to the firm's performance and determination of the firm size.

Moreover, the technique that is to be selected for choosing the sample depends on the nature of the sample size and instrument that can be used for collecting data on research design. The convenience sampling technique will be employed where researchers will seek for his convenience to select the respondents to be included in this research.

3.5 Data Analysis Method

The data analysis technique refers to the organisation, analysis, and discussion of the data. The different researches have different data analysis technique, which solely depends on nature if the study (Mertens, Pugliese and Recker, 2017). In this particular research, through multiple regression models and correlation matrix, analysis will be done through the SPSS technique, to test the hypothesis advanced. The SPSS version 20.p version will be used to conduct statistical data analysis.

The correlation analysis is conducted to determine the interdependence of both firm's performance and relational capital onto one another to seek whether both the variables are heading in uniform direction or contrasting direction, to indicate whether the relationship is direct or inverse. Moreover, the regression analysis helps in determining the relation that the independent variable has on the dependent variable in light of the mitigating factor of the firm's size.

3.6 Ethical Consideration

The research undertaken must be within the ethical standards set and within the ethical boundaries which the researcher is bound to fall in. As the research is primary, thus the direct response is taken from the respondents, whose integrity and confidentiality are maintained throughout. The consent of the respondents is taken beforehand and then they are being surveyed. The researcher has refrained from the forceful survey from any of the respondents.

The confidentiality of the research is maintained in a way the personal information extracted from respondents will be kept private and confidential and will not be revealed to anyone. Moreover, the data extracted from the research will be solely used for this particular research. The objectivity of the research will be maintained as the researcher has been fair in his selection of methods and direction which has been chosen as each option presented is more of a rational one rather than based on self-initiation and assumptions.

CHAPTER 4: FINDINGS AND ANALYSIS

4.1 Introduction

This particular section mentions the outcomes which are being derived in relation to the objectives associated with this study. This study has a purpose to determine the relationship and influence of relational capital on the performance of the businesses. The aim of this research is fulfilled in the light of the automobile industry, which is operational in Pakistan. To collect appropriate data, regarding the specification being discussed in other sections, the secondary sources are being sought, which are assured to be authentic and reliable.

The employees of 5 major automobile businesses of Pakistan are being surveyed which are Honda Atlas, Pakistan Suzuki, Indus Toyota, Kia Lucky and Nishat Hyundai. The top managers were mostly targeted in this regard who are aware precisely about the firm's performance, thus can answer in an effective way. The five main factors are being regarded in the data analysis part, which are the three components of relational capital that is the customer capital, supplier capital and internal capital network.

The firm size is taken as the mitigating factor, while the firm performance is considered as a dependent variable. In order to find out about the relationship of the relational capital (customer capital, supplier capital and internal capital network), where its influence on the firm's performance is evaluated, while the regression analysis find about the impact of the relational capital (customer capital, supplier capital and internal capital network) and firm size have on firm's performance.

4.2 Correlation Analysis

Correlation Analysis is the finding technique based on statistics that is directed to evaluate the link between the dependent and independent variable (Lonstein, 2019). There is a common relationship and the common connection is found between firm's performance and relational capital as in line with the secondary resources being found in the chapter 2 of literature review. To test the hypothesis against the data, that has directed towards automobile industry in Pakistan, the correlation analysis is being conducted on SPSS.

		Correlations				
		Customer Capital	Supplier Capital	Internal Network Capital	Firm Performance	Firm Size
Customer Capital	Pearson Correlation	1	.987**	.964**	.933**	.931**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	100	100	100	100	100
Supplier Capital	Pearson Correlation	.987**	1	.932**	.955**	.903**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	100	100	100	100	100
Internal Network Capital	Pearson Correlation	.964**	.932**	1	.903**	.988**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	100	100	100	100	100
Firm Performance	Pearson Correlation	.933**	.955**	.903**	1	.891**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	100	100	100	100	100
Firm Size	Pearson Correlation	.931**	.903**	.988**	.891**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	100	100	100	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

In accordance to the correlation matrix, the particular analysis of dependent and independent factors has been carried out. The independent variable has been customer capital, supplier capital and internal network capital, along with the firm's size and is being tested in this model against the financial performance.

Firstly, the customer capital is being tested against the firm's performance and the result indicates that significance with financial performance is ($p=0.000$), which shows that the customer capital has vital link with the financial performance, while the Pearson Correlation shows the value of 0.933 against financial performance, k 93.3 % positive relationship with firm performance. The second variable that has been tested against the financial performance is supplier capital and the results after testing the model shows that the significance value in relationship with financial performance is ($p=0.000$), indicating a significant relationship. The Pearson Correlation shows the value of 0.955 against the firm's performance, which depicts that there is a positive affiliation of supplier capital by 95.5% against the firm's performance.

The last element of the relational capital that is internal network capital is tested against the firm's performance. The significance value that is generated after the tests of the results shows as ($p=0.000$), thus showing the significant relationship between internal network capital and firm's performance. The Pearson Correlation value indicates the value of 0.903, which concludes that the internal capital network has positive relationship by 90.3 % in line with the firm performance.

The mitigating value of firm's size is lastly tested against the firm's performance in regression model. The results indicated that the significance value of firm's size against firm's performance stands at ($p=0.000$), which is the depiction of firm size being significant to firm's performance. Further the Pearson Correlation value indicates 0.891 of firm's size against firm's performance, which is the indication of firm's size being 89.1% significant to the firm's performance.

4.3 Regression Analysis

This particular technique is based on statistical analysis that has an aim to evaluate the impact of a factor on other factor (Puzo, Qin and Mehlum, 2016). There are different ways to calculate the regression model however the used of SPSS software is perceived as the most effective one, thus is implied too in this research. This research undertakes the impact of the relational capital and firm size on the firm performance.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.967 ^a	.934	.932	.21166

a. Predictors: (Constant), Firm Size, Supplier Capital, Customer Capital, Internal Network Capital

The table one shows the collective impact of the predictors that are constants in this regard, the firm size, Supplier capital, customer capital and internal network capital. The R value stands at 0.967, indicating a collective impact of 96.7%. The R square value stands at 0.934, indicating the impact of 93.4%. The adjusted R square indicates the actual value of the impact the factors have on the financial performance, thus the adjusted value redeems at 0.932, which depicts 93.2% of the impact the four factors have on the firm performance, a positive one as a result. However, the other factors need to be considered, which can influence financial outcomes of the firm to some extent.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	60.617	4	15.154	338.277	.000 ^b
	Residual	4.256	95	.045		
	Total	64.872	99			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Firm Size, Supplier Capital, Customer Capital, Internal Network Capital

The above model shows the regression and residual values for the impact of the predictors that are firm size, supplier control, customer capital and internal network capital on the dependent variable that is the firm performance in this study. The notable point in the figure is the significant value of the model which determines that there is a positive impact and a remarkable fit between both the dependent and independent variable, as the value stands at 0.000.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.134	.054		2.490	.015
	Customer Capital	-1.249	.308	-1.302	-4.053	.000
	Supplier Capital	1.780	.216	1.760	8.221	.000
	Internal Network Capital	.350	.285	.407	1.230	.222
	Firm Size	.091	.178	.113	.508	.613

a. Dependent Variable: Firm Performance

The above figure is depicting the values related to the coefficients. Hence, in this regard too, the four factor are being taken as constants, that are customer capital, supplier capital, internal network capital and firm size and the impact that is being studied is upon the dependent

variable of the firm performance. The prior table has explained the overall impact of the model however, this table indicates the discrete impact the factors have on firm performance.

Analysing the table, it can be deciphered that two of the factors, that is the customer capital and supplier capital have a direct and individualistic impact on the firm's performance as the significance value shows less than 0.005, as in both cases the value stands at 0.000 while the internal capital network and firm size results in the significance value of 0.222 and 0.613 respectively. Looking deeper into the impact created by two of the factors, it can be retrieved that customer capital value stands at -1.249, which shows every 1 increase of customer capital leads to decrease in firm performance by 1.249, and similarly, every 1-unit decrease of customer capital results in increase in firm performance by 1.249, indicating an inverse relationship between customer capital and firm's performance. However, the impact of the supplier capital tends to be direct with the firm's performance as the value stands at 1.780, which depicts that with every 1 unit increase, the supplier capital will increase the firm performance and similarly lead to decline with decline in firm's performance, making it direct proportionate and important.

4.4 Discussion of Objectives

This part of the chapter covers the discussion of the objectives set in this study, were carried out in this whole research and the results of the previous studies related to the study topic that have been discussed objective wise. It aims to cover that how each of the objectives of this study has been achieved or fulfilled through the findings carried out in this study and also aims to cover the objectives in the light of the secondary findings in terms of the findings available in the previous researches conducted by researchers in the past that have been compared with the findings carried out in this particular research.

Objective 1: To comprehend the concept of relational capital, firm performance and firm size.

This objective aims to discuss the concept of the firm performance, relational capital and firm size that has been catered through the findings carried out in this study. As per the results of this research, the concept of relational capital is related to the worth of the capital inherited to the relationship of an organisation with its stakeholders including its customers, suppliers and other external stakeholders that have an impact on the organisation. The previous studies define the concept of relational capital as the relationships based on the monetary value of a company with all of its stakeholders that impact an organisation based on the sustainable relationships (Cai et al., 2014).

According to the research results, the concept of firm performance is defined as the functioning of an organisation based on its operations and profitability it is creating. It has also been found in this study that firm performance has to deal with various divisions including the internal and external environment of the organisation through which the performance of an organisation is evaluated. Previous literature define this concept in terms of how an organisation is operating and maintaining its internal and external working environment that could lead it towards higher profitability and a sustainable growth (Russell et al., 2015). As per this study, firm size is the scale at which an organisation is operating that is similar to the findings of the previous studies.

Objective 2: To analyse the moderating effect of firm size on the relationship between relational Capital and firm performance.

This objective requires assessing the relationship between relational capital and firm performance and also the impact of the firm size on both of these factors that have been achieved in the light of the results of this study as well as the outcomes of the previous studies. According

to the findings carried out in this study, it has been found that the relationship between relational capital and firm performance is highly significant that means relational capital impacts the performance of an organisation positively which means higher the relational capital, higher the firm performance of an organisation.

Further, the firms size's mediating effect on the relational capital is determined, as well as on the firm's performance. However, as per the research of Corvino et al., (2019), it was concluded that the relationship between firm performance and relational capital of an organisation is positively significant and these both factors can be associated to be critical to each other from an organisational context. Similarly, it has also been identified in the light of the previous studies the firm size has a mediating influence on both firm performance as well as on the relational capital. Both of the factors are impacted positively with the increase in size of firm (Byun et al., 2019). On the basis of these findings, it can be observed that both of the findings including the previous studies and the findings carried out in this study are similar which completely caters the requirements of this particular objective in an effective manner.

Objective 3: To highlight the significance of relational capital for the automobile sector of Pakistan.

This objective requires discussing the importance of relational capital in the automobile industry operating in Pakistan. According to the findings carried out in this study, it has been found that the significance of relational capital in the Pakistani automobile sector is higher. It has been observed that the automobile sector in Pakistan is operating on a larger scale, making the sector have a higher firm size that makes it essential for the automobile companies to have a higher relational capital with their stakeholders in order to sustain and expand their market in Pakistan. Similarly, according to the research findings of Raheman et al (2010), the automobile

sector operating around the world gets highly affected by the relational capital as they operate on a larger scale in which it is highly important for the automobile sector to maintain stable and strong relationships with their customers, suppliers and internal working stakeholders. It shows that the results of this study and the verdicts of the previous literature are quite similar in regard to the significance of relational capital. Moreover, the findings carried out in the previous studies conducted by the previous researchers are also focused on increasing the relational capital due to the importance of maintaining the relationships with vendors from which the raw material is supplied, the internal working environment including the employees and the culture followed in the organisation through which the automobile sector can improve its performance and increase its efficiency and also the strong relationship with its customers that are specifically the buyers of the automobiles that fall under the relational capital (Khan, 2012). On the basis of these findings, this objective has been fulfilled in an efficient manner.

CHAPTER 5: CONCLUSION AND RECOMMENDATION

5.1 Introduction

The chapter, in particular, underpins the conclusion and recommendation of the entire analysis conducted in this study. The chapter encompasses summarised findings which encapsulate the results generated with the help of correlation and regression analysis. In addition, the section also discusses the attainment of the objective set by the research study in the initial chapters. The chapter then contains a section for the research directions to be followed in future as to how the results can further enhance and improved in future. Additionally, it sets recommendations as well on the basis of the findings obtained in the previous chapter.

5.2 Summarized Findings

The research study focuses on the automobile industry of Pakistan where the researcher has striven to investigate the relationship between relational capital and financial performance, and the mediating effect of firm size. The research specifically focused on gathering data from 100 employees of the 5 major automobile market leaders. Precisely, on the basis of the correlation analysis, the results signify the relationship of the customer capital, supplier capital and internal capital network with financial performance. The initial part of the findings contained correlational analysis where all the independent and dependent variable indicated a significant association with the financial performance, with ($P=.000$) value which strong and positive as well. Moreover, the coefficients were obtained to be 0.933, 0.955 and 0.903 of customer capital, supplier capital, and internal capital with the firms' performance. In addition, the association of firm performance was also computed to be significant, positive and strong ($P=.000$), where the coefficient value was 0.891.

However, on the basis of regression analysis, the impact of the independent variables is examined on the dependent variable along with the moderating effect. The regression analysis further incorporated the model summary, ANOVA table and the coefficient value of the dependent and independent variable. R square of the model summary indicated that the model was statistically fit and the variables used as independent ones depicting relational capital were sufficiently explaining the firms' performance. The computed R square of the relational capital and the firm's size was 93.4% which following the adjusted reduced to 93.2%. In addition, the ANOVA table indicated that the overall effect of relational capital on firms' performance because the p-value was below 5%. The coefficient table also helped in defining the significance of the relationship, where internal capital was found to have a p-value of .222 implying that the effect was statistically insignificant on the firms' performance. The table further found that the effect of customer capital and supplier capital was computed to be significant having negative and positive effect accordingly. The findings of the study are similar to the research of Raheman et al (2010) where it was found that the automobile sector operating around the world gets highly affected by the relational capital.

Moreover, this research study was also able to attain the defined objectives. Initially, the research study comprehended the concept of relational capital as the association with the stakeholders which is also supported by the study of Cai et al., (2014). The findings related to firms' performance suggested that it can largely be influenced by the external and internal environment, however, on various occasions, it can also exert positive influence. The objective related to the moderating impact of firms size and relations capital on firm's performance, however, the study exhibited that the association was insignificant on the basis of regression

analysis. Overall, it was found that the performance of Pakistan's automobile industry is heavily affected by the customer capital and supplier capital irrespective of the size of the firms.

5.3 Future Implications

This research study underpins the case of the automobile industry of Pakistan, whereas, in future, the research can be based on any other industry, for instance, the pharmaceutical industry. The results suggested that in order to sustain the market pressure and function properly in the market is necessary that automotive firms improve the relational capital by enhancing the relationship with all the stakeholders. However since the firm performance can be influenced by numerous of sources such as stock rate and external factor, future research study can be based on study aspects related to the other factors which can possibly affect the firm performance. The research can be further improved in future with the help of an increase in the sample size. In addition, this research has underpinned employees perspective which can be altered in future be collecting data from the key managers only. In furtherance, this research is based on quantitative assessment, therefore, future researchers can interview the key stakeholders to enrich the findings of the study or by using a mixed research design.

5.4 Recommendations

As the relational capital refers to the combination of the various different variable such as supplier capital, customer capital and the internal network capital, it is important that stakeholder relationship is managed. The research further recommends stressing on the agile supply that network of the automobile industry. The research further suggests on improving the firm size which has a positive association with the firm performance. The research further recommends

that relational capital is not particularly responsible for improving the firm performance but the crucial decision making and significant leadership style can also impact firm performance as asserted in the literature review. This implies that the leadership of the automobile industry should be vigilant in devising policies to maintain stakeholders' relationship. Moreover, the key focus of the management should be on the supplier and customer capital as this research proposes on the basis of regression analysis.

5.5 Conclusion

The research study, in particular, was focused on the automobile industry. The research examined the impact of relational capital and firm's size on the firm performance. It was found from the analysis that the effect of customer capital and supplier capital as a part of relational capital were more significant in explaining firm performance than any other variable. However, on the basis of correlation analysis, all variables including the moderating variable were computed to have a positive association with the firm's performance in the case of the automobile industry. Conclusively, the research signified the importance of relational capital in the maintenance of stakeholder relationship and ultimately the firms' performance.

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Appendix

Survey Questionnaire

Components- Customer Capital	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Our customers find it easy to access our products					
Our customers contribute a great portion to the factory profits					
In my factory, the average throughput time of invoicing is appropriate					
There are many clear openings to customers					
There are good network systems with customers					

The factory takes service nearer to customers					
We are highly royal to our customers					
New business ideas are usually got from customers					
The systems ensures that customers are always in touch with the factory					
Customers normally participate in deciding on the matters that affect them					
Existing customers help the factory to enroll or get new customers					
Customers help this factory to improve or update its services					

Customers' complaints are handled on time					
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Components- Supplier Capital	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The collaboration contracts/agreements signed between suppliers and management is/are appropriate					
There exist clear openings with suppliers					
The factory pays suppliers promptly on time					
We have good relationship with suppliers					

Suppliers normally participate in deciding on the matters that affect them					
The factory takes service nearer to customers					
The factory networks with suppliers have made it what it is					
Our suppliers contribute to the factory profits					
Suppliers help this factory to improve on its product quality					

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Components- Internal Network Capital					
Informal activities (dinners, lunches, visits)					

are organized for employees					
New employees find it easy to learn from old ones					
Top managers mentor others in junior positions					
In the factory, we have a high degree of team work					
Our business unit discusses customers future needs with other department					
We collaborate with members in our firm to solve problems					

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