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RELATIONAL CAPITAL: STRATEGIC ADVANTAGE FOR SMALL AND MEDIUM-SIZE ENTERPRISES (SMEs) NEGOTIATION AND COLLABORATION

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Abstract

Collaborative entrepreneurship research suggests that organizations will soon pursue more collaborative relationships throughout a worldwide network of firms, driving a strategy of continuous innovation, specially small-and medium-size firms (SMEs). Tapping into a body of literature that focuses on the importance of human capital in driving long-term success, we merge ideas of collaborative research with a growing body of work on human capital or human resource management in SMEs. Our paper states that it is not the human, per se, that is the real asset but the relationships those humans have that are the most inimitable and important capital. We will discuss how companies use relational capital as the basis for collaborative entrepreneurship. Consistent with our hypotheses, our exploratory study suggests that smaller firms place more value on relational capital than do larger firms. We also have some indication that the only capital that differentiates low vs. high performance, regardless of firm size, is the relational capital aspect. To sum up, relational capital is a fundamental asset for firms, but especially for SMEs, and high performing companies are those that are able to negotiate with others and develop collaborative agreements, thus placing a high value in relational capital.

Keywords

Relational capital, human capital, collaborative entrepreneurship, negotiation, interfirm linkages, SMEs

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1 Introduction

Today's business environment is one where the amount of change is higher than ever in the past. Increased globalization, fuelled by the use of personal and corporate technology, means that small companies can now compete globally with as much ease, in many cases, as their large firm counterparts. Small and medium-size firms are competing and winning, and while doing so, they are providing examples for how their larger-firm counterparts need to do business if they want to be as agile (Brock and Evans 1989; Fiegenbaum and Karnani 1991; Jarillo 1989; Power and Reid 2005).

Because creativity, innovation and value creation are key for success in today's rapidly changing and turbulent environments, many companies are learning from entrepreneurial firms, and thus, the field is evolving. Since entrepreneurship is considered the identification, evaluation and exploitation of previously unexploited opportunities in the external environment, which is a goal of both large and small firms (Gundry and Kickul 2007; Hitt et al. 2001b; Venkataraman 1997; Zahra and Dess 2001), over the years the domain of entrepreneurship has moved beyond simply studying small firms. For example, several fields of research have developed that expand traditional entrepreneurship into areas such as intrapreneurship or corporate entrepreneurship, and more recently collaborative entrepreneurship (Miles et al. 2006; Pinchot 1985; Zahra 1995).

Researchers in collaborative entrepreneurship (Miles et al. 2006) foresee that organizations will soon pursue more collaborative relationships throughout a worldwide network of firms, driving a strategy of continuous innovation. They argue that small-and medium-size firms primarily will act in a collaborative way because they do not have the resources to engage in continuous innovation by themselves and will view the collaborative network as an essential means of doing business.

However, we argue that there is another reason small firms build collaborative entrepreneurship. Tapping into a body of literature that focuses on the importance of human capital in driving long-term success, we merge ideas of collaborative research with a growing body of work on human capital or human resource management in SMEs.

Work from the resource-based view of the firm suggests that human capital is a unique, inimitable resource that can drive long-term competitive advantage (Hatch and Dyer 2004; Hitt et al. 2001a; Lepak and Snell 1999; Wright et al. 1994). However, we will argue, by combining this research with the collaborative entrepreneurship work, that is not the human capital that is most important to success because it is not the human, per se, that is the real asset but the relationships those humans have that are the most inimitable and important capital. With this definition comes an expanded view of the "human" in human capital, where we discuss not only employees but other non-employee humans. Thus, those firms that can go beyond human capital and build high value relational capital will be the more successful, particularly as the rate of change escalates in business. We hypothesize that SMEs are currently the group of firms most ready to take advantage of relational capital.

2. Theoretical Framework

2.1 The Resouce-Based View Of The Firm

Early work on the resource-based view of the firm acknowledged that entrepreneurship is an intricate part of the resource-based framework (Conner 1991; Rumelt 1987) and there have been already pieces of work that have made the connection between entrepreneurship and resource-based theory (e.g. Alvarez and Busenitz 2003; Brush et al. 2001; Chandler and Hanks 1994).

The resource-based theory states that a firm's sustainable competitive advantage stems from resources that are valuable, rare, inimitable, and nonsubstitutable (Barney 1991; Dierickx and Cool 1989; Rumelt 1984), and therefore managers should seek to develop and exploit the firm's resources which possess these characteristics (Barney 1995), physical, human or organizational resources.

Both entrepreneurship work and resource-based theory are related in several ways. Heterogeneity, for example, is a common attribute of both fields of study. While the resource-based view has tended to focus on heterogeneity of resources, entrepreneurship body of research suggests that entrepreneurial opportunities, in the sense of Venkataraman's (1997) definition, exist primarily because different agents have unique beliefs about the relative value of resources when they are converted from inputs into outputs (Kirzner 1979; Schumpeter 1934; Shane and Venkataraman 2000), that is to say, it concentrates on heterogeneity in beliefs about the value of resources.

Nevertheless, there is no real conflict between both theories if it is recognized that the own considerations on the value of resources are resources in themselves, so that the before mentioned discrepancies are in fact only apparent (Alvarez and Busenitz 2003).

Moreover, where the entrepreneurship body of research states that entrepreneurs are the ones who are able to recognize the existence of entrepreneurial opportunities, to discover and exploit them (Shane and Venkataraman 2000), entrepreneurs are human resources, thus recognizing their relational capital also is a key attribute of both theories, too.

Dyer and Singh's (1998) model of relational view proposes that the potential a firm has to create competitive advantage depends not just on its resources but also on its relational assets, that is to say, its relationships with other key firms. Following the resource-based language, interfirm linkages can also be idiosyncratic and thus can be a source of relational rents and competitive advantage. Even more, relational capital is path dependence and firms are limited by the boundaries of their network, in the sense that they may be unable to take advantage of some opportunities because their relationships do not provide access to the appropriate resources to do so. Therefore, the boundaries of social capital even create opportunity costs (Hitt et al. 2002).

It is generally accepted that there exists a significant positive relationship of intangible assets with business performance, and among them human capital emerges as a highly valuable one (Carmeli and Schaubroeck 2005; Hitt et al. 2001a). But human capital is not just the human beings, their backgrounds, education, knowledge or abilities. Far more important are the relationships employees develop in the name of the organization and, in general, social capital (Nahapiet and Ghoshal 1998).

Classic resource-based view researchers discuss about the consideration of entrepreneurship from this point of view, by stating that firms placing more value on the human-relations oriented sources of capital, in particular relational capital, will outperform their peers (Barney 1991; Rumelt 1984; Wernerfelt 1984).

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).

Literature on networks also deals with this topic, from studies that show the usefulness of a social network in order to sustain new businesses (Birley 1986), to those that examine how an efficient network can be sustained over the long-term (Jarillo and Ricart

1987; Birley 1989; Lawrence 1988). Indeed because networks could be the way to facilitate the pursuit of opportunities, by generating the capacity to obtain access to resources widely dispersed through the organization, with no need to install a rigorous previous procedure of appropriations, this literature now can be considered as relevant to corporate entrepreneurship. Thus, Stevenson and Jarillo (1990) propose that organizations which smooth the progress of informal internal and external networks to emerge, and allow the gradual allocation and sharing of resources, will show a higher level of entrepreneurial behaviour.

2.2 Collaborative Entrepreneurship

Along the history of defining the field of entrepreneurship, the concept has experienced a substantial evolution. Now, most researchers avoid limiting the study of entrepreneurship just as the starting up of new companies (Stevenson and Jarillo 1990) and prefer to define it as the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited (Venkataraman 1997). Also, this field of study does not limit itself to the research of internal venturing, but also to the ability of corporations to act entrepreneurially (Stevenson and Jarillo 1990).

So, research in entrepreneurship is focused on three main fields: the study of sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them (Shane and Venkataraman 2000). We aim to concentrate on the last one, namely the firm's ability to build collaborative behaviour through strong relationships, managing and negotiating properly interfirm linkages.

To remain competitive and take advantage of new entrepreneurial opportunities, entrepreneurs often need resources that they do not currently possess. This need triggers entrepreneurs to form both formal and informal relationships with other firms, that is to say, they are instigated towards negotiation and collaboration.

Collaboration can be represented as a hierarchy. The lowest level of collaborative capability would be when the productivity of the resulting network is simply the aggregate of individual partners (collected work). Following a continuum, collaboration moves forward to coordinated work and finally to concerted collaborative work, where performance of any one partner helps the whole network and increases overall performance (Nunamaker et al. 2002). In other words, and as Franco (2008) notes, inter-organisational collaborations can range from strategic alliances, partnerships and networks, to relationships within stakeholders under much less institutionalised ways.

In order to justify why firms tend to collaborate, Ahuja (2000b) indicates two broad classes of explanations. Reasons coming from the resource-based perspective, reflecting firms' inducements or incentives to collaborate, state that firms form linkages to obtain access to needed assets (Hagedoorn and Schakenraad 1990; Harrigan 1988; Nohria and Garcia-Pont 1991), learn new skills (Baum et al. 2000; Hennart 1988; Kogut 1988; Powell et al. 1996), manage their dependence upon other firms (Pfeffer and Salancik 1978), or maintain parity with competitors (Garcia-Pont and Nohria 1999). A second set of explanations of network formation behaviour appeals to the opportunities a company has to collaborate, provided by its position in the prior network structure, thus suggesting that the patterns of observed negotiation and collaboration among firms reflect the prior patterns of interfirm relationships (Gulati 1995b, 1999; Gulati and Gargiulo 1999; Walker et al. 1997), so supporting the path dependence vision of collaboration suggested by the resource-based view.

Going one step further in the path dependence issue, thus entering the resource-based view again, not every company can neither negotiate nor collaborate successfully. Although interfirm collaboration can improve partners' effectiveness (Huxham 1996,

Huxham and Vangen 2005), the complexities and challenges faced by collaborators are dangerous and can lead collaboration to failure. As suggested before, the structure of the existing interfirm collaboration network influences the path of future linkage formation. If a company has a tradition of interfirm linkages, it gains interesting expertise in managing them (Anand and Khanna 2000; Westney 1988). Companies learn how to deal with others and those more experienced in collaboration have more chances of negotiating better. When parties negotiate, they exchange information that will be further on used to develop strategies for further negotiations (Olekalns 2002). Furthermore, organization's regular routines can embed the necessary knowledge to coordinate the relationships and the task of collaboration management can be institutionalized (Westney 1988; Romero et al. 2008). Firms can resort to analytic assistance that considers the nature of the issues which constitute the domain of the collaboration and that pays attention to how these issues are structured and defined by the parties (Eden et al. 1981). Tools such as problem structuring methods, a family of model-based approaches to group decision and negotiation support, can provide a balanced attention to both the process and the content of inter-organisational collaboration (Ackermann et al. 2005, Franco 2008). Finally, when a firm has an extended experience with linkages it suffers less uncertainty about the process and reduces inertial barriers to collaboration (Ahuja 2000b).

So, collaborative entrepreneurship is a fairly new field of research that is flourishing because it is viewed as a process by which small and medium-size enterprises (SMEs) can quickly transform ideas into marketable business opportunities (Miles et al. 2006; Pinchot 1985; Zahra 1995). Since collaboration is a result of social interaction, relational capital is a key resource for those companies that collaborate.

For our research purposes, we will focus our study in how companies use relational capital as the basis for collaborative entrepreneurship. We suggest considering relational capital as an extension of human capital, where it's not just people that are important but the relationships people have with others that is the real "true" asset. So, our aim is to evaluate the importance of relational vs. human capital to both SMEs and their large firm counterparts.

3 Hypotheses Development

Successful collaboration requires a different kind of company, one that places high value on relationships because high quality, trustworthy and long-lasting relationships are important in order to innovate across organizations (Ahuja 2000b; Capello and Faggian 2005; Tsai and Ghoshal 1998). In fact, learning and innovation have been fundamental issues studied in alliances and interfirm network research (Ebers and Jarillo 1998, Dasi et al. 2003). However, for many firms, collaboration generates fear that comes from needs to protect technology, not share information on pricing, and holding customer lists close. When the fear is overcome, firms see that they create a more open way of communicating, negotiating and working together that places value on high-quality relationships with people in other organizations.

Moreover, Miles et al. (2005) foresee that, in advanced economies, investment across firms and over time will eventually create a "metacapability" of collaboration - a widely distributed social asset that will drive continuous innovation. Specially, small-and medium-size firms primarily will be interested in developing such capability and joining a multi-firm network. Their main reason will be that they do not have as many resources as bigger companies to engage in continuous innovation by themselves. These authors expect that the leaders of the new organizational form will be pioneers and risk takers, whereas the former will view the collaborative network as an essential means of doing business.

The collaborative entrepreneurship literature suggests that SMEs are particularly equipped to succeed in building partnerships because they are more able to grow the types of relationships necessary for innovation across organizations (Miles et al. 2006).

We test this assumption by exploring the degree to which leaders in both SMEs and large firms value different sources of business capital.

From an economic point of view, a network of relationships, both strong and weak ones, enables the participants in it to work with much lower transaction costs (Williamson 1975). Through them, smaller companies can become much more efficient than larger, more formal competitors (Jarillo 1988).

Since the behaviour of one party in an individual negotiation process influences the behaviour of the other party involved in it (see details in Druckman 1994), it might be sensible to suppose that negotiations among small firms might easier lead to collaboration when the employees share a high relational capital and are able to keep it or even increase it over time.

There is also empirical evidence that during the life-cycle of the firm there is a shift from personal towards collective and institutional trust, so personal trust - and thus relational capital - plays a less important role when coming up to collaboration as the firm grows (Welter and Kautonen 2005).

Thus, our first hypothesis emerges:

Hypothesis 1. SMEs place more value on relational capital than do larger firms.

Relationships might also affect performance in entrepreneurial organizations by the chance it offers to get additional information. The differences in the way entrepreneurs think and make decisions may lead to the development of some unique social interactions as well. More specifically, Alvarez and Busenitz (2003) infer that entrepreneurs use their “strength of weak ties” (Granovetter 1978) to expose themselves to a broader cross-section of people and situations that they in turn gives them fundamental information to be used in the discovery and exploitation of opportunities.

Ahuja (2000b) synthesizes previous research about the main benefits of collaboration among firms, by stating that it helps firms to develop and absorb technology (Ahuja 2000a; Harianto and Pennings 1990; Moensted 2007; Montoro et al. 2006; Powell et al. 1996), withstand environmental shocks (Miner et al. 1990), and improve survival prospects and financial performance (Baum and Oliver 1991; Baum et al. 2000; Hagedoorn and Schakenraad 1994; Mitchell and Singh 1996; Rowley et al. 2000; Singh and Mitchell 1996; Zaheer and Zaheer 1997). Huxham (1996) describes these results as the “collaborative advantage” that is created among participant organizations.

However, relational capital is not just a variable that keeps constant along time. As Maurer and Ebers (2006) noted, firms have to adapt the way they establish relations, because their resource needs change over time and the configuration of their relations must accommodate their business development stage. Organizational performance improves when relational capital’s configuration is adapted to changing resource needs. By doing so, relational capital has an impact on organizational adaptability and therefore on firm performance.

Therefore, we propose our second hypothesis:

Hypothesis 2. Higher performing SMEs place higher value on relational capital than do lower performing SMEs.

4 Methodology

The study presented in this paper is an exploratory study with senior leaders that was done as part of an overall larger-scale research project. We partnered with a global staffing organization that sponsored the conference, and as part of that sponsorship they were given the ability to conduct a survey of conference attendees. The conference attracts higher level executives, and

therefore, it was a unique opportunity to collect data from a group that is often difficult to reach (e.g. 38% of the survey respondents were CEOs; 22% were vice presidents). A total of 382 people completed the survey in total; this was out of about 2,000 registrations (giving us a response rate of 19%).

The questions asked were based on earlier studies conducted by the researchers on the role of various forms of business capital on firm performance (see Welbourne and Wright 2002). Given our need to create a fairly short survey for this audience, we focused primarily on various aspects of human, leadership, and relational capital. For purposes of the study we present today, we used a subset of questions, representing two scales (generated from a factor analysis). The first scale measures human capital, and the second represents relational capital. There were five questions in the human capital scale. Using a response format that asked participants to rate the degree to which the various sources of capital were important both to their firms in the past and the degree to which they will be important in the future (1=not at all important and 5=very important), the following questions were part of the human capital scale: (1) Future – our ability to develop people, (2) Future – Our employees, (3) Future – the way employees at energized at work, (4) Future -the company's approach to employees, (5) Future – overall culture of the company. The reliability (alpha) coefficient for these five questions is .89.

The questions for the relational capital scale were as follows: (1) Future and to date – our level of customer service, (2) Future and to date - the relationship managers have with employees, (3) Future and to date – the quality of relationships we have with our clients, (4) Future and to date- the relationships we have with external firms such as partners. The alpha coefficient for these eight questions was .78.

In addition to the two scales (relational capital and human capital) used for this study, we included several control variables that were obtained from the survey itself. We asked respondents to report industry, and we collapsed the responses to create aggregate groups (based the aggregation on number of people in groups so that very small groups were combined with similar industries). This exercise resulted in five industry categories, and we created dummy codes for each. The industries used for the regression analyses were government and not-for-profit, services, technology, and other (manufacturing was the industry not included in the regression). We added controls for firm performance (using a self rating of performance, a 1 to 5 scale). A score of 1 = very low performance, 2 = low, 3 = average, 4 = high and 5 = very high. We asked respondents to rate their firm's performance compared to others in their industry of same size and rate of change (self report 1 to 5 scale, with no change at all =1 ranging to high level of change =5). We also recorded job level with a 1 to 4 scale, where 1=manager; 2=director; 3=VP and 4=president or CEO. The variable used for company size was revenue. Respondents rated annual revenue for the prior year using the following scale: 1=less than 5 million; 2=5.1m to 25m, 3=25.1m to 50m, 4=50.1m to 250m, and 5= 250m and above. We also collected data on size using number of employees. Table 1 has the descriptive statistics for variables used in the analyses.

Please insert Table 1 about here

5 Results

With these data, we will try to find support to our first hypothesis, which stated that SMEs place more value on relational capital than bigger companies do. In order to understand whether firm size affected human and relational capital, we ran two regressions with the control variables and the measure of firm size (revenue), including relational capital as an additional control variable for predicting human capital, so predicting the former we control for the latter. Table 2 has the results of this regression.

Please insert Table 2 about here

The results show that revenue (our measure of firm size) has a positive effect on human capital and a negative effect on relational capital. The standardized coefficient Beta for the human capital equation is .19 and for relational capital it is -.20 (both significant at the .001 level). So, consistently with our line of thought, our results support hypothesis 1.

Our ability to test hypothesis two – whether higher performing SMEs place higher value on relational capital – with the current data are somewhat limited given the nature of the study and constraints in the performance measure. We did a preliminary test using ANOVA. For this analysis we used the number of employees in the firms to create two subcategories, the smallest and largest firms (where 1=less than 100, 2=101 to 500; 3=501 to 5,000; 4=5,001 to 25,000, and 5=25,001 or more employees). For size, we pulled out the smallest group (less than 100 employees) and the largest (more than 25,001 employees). We categorized performance into two buckets; lower (scores of 1 to 3) and higher (scores of 4 and 5). We did this based on the distribution of the scores as this created balanced sample sizes.

In Table 3 you can see that there is a statistically significant difference between high and lower performing firms on relational capital only (4.35 vs. 4.50) for smaller firms and for the larger firms (4.28 vs. 4.49). Our hypotheses is somewhat supported in that the direction of the results are in line with what we expected for the smaller firms, and although we did not develop hypotheses for the larger firms, it is of interest to note that the pattern of results is the same, with relational capital being more important for the higher performing firms in that size category.

Please insert Table 3 about here

6 Discussion

Consistent with our hypotheses, it appears that smaller firms place more value on relational capital than do larger firms. We have some indication that the only capital that differentiates low vs. high performance, regardless of firm size, is the relational capital aspect.

Previous research has already stressed the importance of the human element for gaining a competitive advantage in the new economy landscape (Grant 1996). Following the resource-based theory, human resources, as rare, socially complex and difficult to imitate ones, are likely to produce a competitive advantage (Barney 1991; Peteraf 1993), being human capital long been argued as a critical resource (Pfeffer 1994), even as a key determinant of the survival time of new companies (Arribas and Vila 2007).

Our research goes a step further, focusing on the specific characteristic of human capital as the ground for relational capital, and most specifically on the key importance of it in SMEs. The main reason for relational capital to be more interesting in smaller companies might be that they are aware of their lack of fundamental resources and thus have more incentives towards negotiating and collaborating with other firms. This line of thought is consistent with Ahuja (2000b), who specifically explains collaboration for resource needs of firms. Thus, bigger companies, with easier access to key resources and therefore less inducement reasons towards network formation, value human capital as a resource itself, leaving the chances for establishing interfirm linkages at a secondary level.

Our results also show a direct influence of relational capital on firm performance. Following our theoretical development, this research highlights the positive relationship of relational capital and performance in small firms. Moreover, according to the data even big companies benefit from this link. In fact, literature has mainly stressed the benefits of collaboration among firms independently of firm size. Considering the need of relational capital as the fundamental ingredient for developing successful collaboration, our results are in accordance with previous research.

These findings are consistent with core aspects of many of the theories we explored and our proposed model. It may be that high change and dynamic environments were only the domain of small and medium-size firms, but with globalization, technology, and more, even large firms are dealing with the type of turbulence that was only part of the SME environment. If this were the case, then it may be that relational capital, regardless of firm size, is the more important asset to build over time.

7 Conclusions And Limitations

The conclusion of this research could be summed up in the idea that relational capital is a fundamental asset for firms, but especially for SMEs, and that high performing companies are those that are able to negotiate with others and develop collaborative agreements, thus placing a high value in relational capital.

We know that this study has many limitations given the nature of it being an exploratory part of an overall research agenda. Our goal was to take tap into the minds of the senior executives given that this kind of group is often difficult to contact.

The primary conclusions we can draw are that the relationships we speculate about are holding and in the right directions. Also, these results gave us direction for developing improved measures, which are being used in several follow-up studies.

We cannot, unfortunately, generalize too much beyond our sample at this point in time due to the lack of adequate control measures and the fact that all of our data were collected in the survey. Also, the items used are less than perfect due to our restriction in asking too many or complex (too many responses used) responses in the questions.

Our use of both future-oriented and past-oriented questions provided us with good insights into the overall data, but it clouded some of the interpretations we can make. Also, all of our data are from one source, the survey, and although there is some research showing that single source data from surveys can be useful, we understand the limitations.

We think that the key ideas we tapped into by merging collaborative entrepreneurship, the resource based view of the firm, work on social capital and some of the thinking behind networks all help us develop an expanded view of the human capital in organizations, particularly entrepreneurial firms. Given the role of technology today, it seems that relational capital, in many ways, may be at risk. Are we reducing its value by relying on technology to talk to each other, or are we enhancing it? These questions will be more important if we continue to learn that relational capital is the key strategic assets firm need to compete in the new, global, technically-infused world.

All in all, we believe that this exploratory study provides an initial step forward in collaborative entrepreneurship research by highlighting the importance of relational capital in SMEs. Although our empirical research suffers evident limitations, its preliminary conclusions appear promising given the different influences of firm size in the value of relational vs. human capital found in this study. Aiming to continuing offering additional findings with future research, we hope to help advancements in the field of collaborative entrepreneurship regarding relational capital.

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TABLE 1

Descriptive Statistics

	Variable	Mean	s.d.	1 Human Capital	2 Relational Capital	3 Firm Perform.	4 Rate of Change	5 Revenue	6 Job level
1	Human Capital	4.50	.54	1.0					
2	Relational Capital	4.33	.52	.52**	1.0				
3	Firm Performance	3.34	.64	.03	.07	1.0			
4	Rate of Change	3.27	.73	.20**	.11*	-.05	1.0		
5	Revenue (Size)	3.81	1.42	.13*	-.08	.10*	.15**	1.0	
6	Job level	2.78	1.17	.04	.02	-.02	.11*	-.14**	1.0

*$p \leq .05$

**$p \leq .01$

Note: Left out industry variables for the paper; data are available from authors.

TABLE 2

Results of Regression Analysis

Variable	Human Capital	Relational Capital
Firm Performance	-.02	.08*
Rate of Change	.11**	.03
Government	.11*	-.12**
Other	.08	.03
Services	-.03	.07
Technology	.01	-.01
Revenue (Size)	.19***	-.20***
Job level	.09*	-.06
Human Capital or Relational Capital	.52***	.54***
R^2	.31	.29
F	19.13***	17.75***

*p ≤ .05

**p ≤ .01

***p ≤ .001

TABLE 3

ANOVA for Smaller vs. Larger Organizations

Compare human capital and relational capital scores for lower and higher performance firms within each firm size category

Sample and n (sample size)	Performance Category	Human Capital	Relational Capital
Smaller firms only (less than 500 employees), n= 165	Lower (n=109)	4.41	4.35
	Higher (n=56)	4.48	4.50*
Larger firms only (more than 25,001 employees), n=60	Lower (n=26)	4.51	4.28
	Higher (n=34)	4.54	4.49+

+ $p \leq .10$

*$p \leq .05$

**$p \leq .01$

***$p \leq .001$