CHAPTER 4: FINDINGS AND ANALYSIS

4.1 Introduction

This chapter of the research mentions the results and findings which are being derived in relation to the research question of the study. This study aims to find out the relationship of relational capital with the firm performance in the light of firm's size. The aim of this study is fulfilled in the light of the automobile sector of Pakistan. In order to collect appropriate information, regarding the specification being provided in the previous chapter, 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. The correlation analysis will find out the relationship of the relational capital (customer capital, supplier capital and internal capital network) and firm size on firm performance, whereas the regression analysis will find out the impact 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 statistical technique that is directed towards associating and finding relationship 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).

Through the correlation matrix, the individual analysis of dependent and independent variable is being 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.

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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 a significant relationship with financial performance, while the Pearson Correlation shows the value of 0.933 against financial performance, which shows that the customer capital has 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 relationship 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

Regression analysis can be termed as the statistical process that is aimed at evaluating the impact made a variable on the other variable (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, it can be stated that there are other variables that have not been considered in this study which can impact the financial performance to a greater 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

In the second part of figure 2, the results of ANOVA table are presented. The 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 last table in figure above is showing the values that are 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 individual impact the factors have on firm performance.

Analysing the table, it can de decipher 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 indicates that with 1-unit increase of the supplier capital is likely to increase the firm's performance and vice versa, thus retrieving that the supplier capital in terms of impact on firm's performance is directly propionate and significant.

4.4 Discussion of Objectives

This part of the chapter covers the discussion of the objectives set in this study based on the findings carried out in this whole research and the findings 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 understand 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. Based on the findings of this study, it has been found that the concept of relational capital is related to the value 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 findings of this study, 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). In the light of the findings of 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 findings of this study as well as the findings 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. Moreover, the firm size has a mediating effect on the relational capital as well as on the performance of a firm. It shows the increase in the firm size will always increase the firm performance and the relational capital. However, in the light of the study conducted by Corvino et al., (2019), it was found 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 impact on both firm performance as well as on the relational capital. Both of the factors are impacted positively as the size of the firm increases (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. In the light of the findings of this study, 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 study conducted by

Raheman et al (2010), it was found that 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 findings of this study and the findings of the previous literature are quite similar in the context of 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 significance of maintaining the relationships with the 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.