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Is foreign partnering experience of a company valuable for developing its relational competence?¹

The aim of this study is to enrich the understanding of the role of organizational learning from international experience in developing company’s relational competence (RC) and achieving desired outcomes of IORs. The research is qualitative, performed on a sample of 253 companies with diverse cooperative experience in non-capital IORs. Statistica and SPSS.22 software was used for Spearman correlation, mediation, and dominance analyses with bootstrapping. The results reveal positive impact of relational experience on company’s outcomes in IORs and the mediating role of relational competence. Experience in IORs affects relational competence, but companies should pay attention to the value of the gathered experience. Contrary to expectations, experience in international cooperation, although significant, is not the strongest predictor of RC. This implies the need for cautiousness and strategic thinking when building company’s portfolio of relationships in search for valuable knowledge and development opportunities.

Keywords: relational experience, relational competence, inter-organizational relations, international cooperation

JEL classification: L22, L25, F23

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Introduction

The research on management of inter-organizational relations (IORs) shows that although experience may be an important predictor of a company’s success in IORs, it hardly guarantees it [Hoang, Rothaermel, 2005; Rothaermel, Deeds, 2006; Kale, Singh, 2007; 2009; Heimeriks, Duysters, 2007]. To build lasting competitive advantage based on IORs, a company needs to learn and translate its experience into adequate capabilities to manage its IOR portfolio. International cooperation may be a valuable source of knowledge and resources, especially for companies from less developed countries.

According to evolutionary economics and organizational learning theory, relational experience gathered in demanding contexts should result in developing adaptability based on organizational routines and competences stemming from experiential learning [Dosi et al., 2000; Nelson, Winter, 1982]. However, taking into consideration different types of experience depending on the number of partners, length of cooperation, diversity of types of IORs, and company’s role in them, international relationships will not equally impact its ability to be a good partner. Since experiential learning is a source of organizational competences, it is worth identifying the most important types of experience according to their learning potential.

The aim of this study is to enrich the understanding of the role of learning from international experience in developing company’s relational competence and achieving desired outcomes of IORs.

In line with previous research [Das, Teng, 2002; Heimeriks, Duysters, 2007; Schilke, Goerzen, 2010], we may assume that growing experience in IORs, but mediated by company’s relational competence, should have a positive impact on its outcomes from relationships.

We may presuppose that international experience – as being gathered in a potentially more demanding environment and distinctively different contexts: business, social, and cultural – may be an especially important relational competence predictor.

1. Experience, relational competence, and IOR outcomes

The relational experience (RE) of a company is defined as the extent to which it has previously been involved in IORs [Schilke, Goerzen, 2010]. Since it is supposed to enhance its relational rent [Gulati, 1995; Heimeriks, Duysters, 2007; Kale,
Dyer, Singh, 2002], it is seen as an important predictor of the outcomes of its relations [Anand, Khanna, 2000; Hoang, Rhothaermel, 2005; Heimeriks, Duysters, 2007; Sampson, 2005]. Lack of experience is considered as one of the critical causes of failing in IORs [Lei, Slocum, 1991].

Relational experience may be a predictor of a company’s success in IORs as it leads to openness to engage critical resources in the IOR [Dyer, Singh, 1998], more appropriate partner selection decisions and ability to build mutual trust, reciprocity, and loyalty that weakens its partners’ tendency towards opportunistic behaviour [Gulati, 1995], as well as effective partnership governance based on relational mechanism [Gulati, Singh, 1998; Kale et al., 2000].

Assuming that the cumulated experience improves IOR outcomes, it is crucial to understand this process. Partnering experience (that grows along with the number, length, and diversity of inter-organizational relationships) does not itself offer an explanation of how companies turn it into success.

According to the evolutionary approach [Powell, 1998; Helleloid, Simonin, 2000; Zollo, Winter, 2002] and knowledge-based view [Cohen, Levinthal, 1990; Nonaka, Takeuchi, 1995; Inkpen, Tsang, 2007; Child et al., 2005; Wong, Cheung, 2008; Johnson, Sohi, 2003; Tseng, 2014; Chen et al., 2014], experience should be internalized and transformed into organizational knowledge, which is then diffused throughout organization and developed through the process of inter-organizational learning. The relational and resource-based view see that relational rents stem from inter- and intra-organizational structures, routines, and sequential learning processes creating path-dependency advantage of resources embedded in relations [Kale et al., 2001; Dyer, Singh, 1998; Lorenzoni, Lipparini, 1999; Gulati et al., 2009].

Translating relational experience into relational advantage sources is possible thanks to relational competence (RC), which consists of organizational procedures affecting company’s ability to manage its relationships and take advantage of them [Kale et al., 2002; Heimeriks, Duysters, 2007; Heimeriks et al., 2007; Duysters et al., 2012; Zollo et al., 2002; Lambe et al., 2002; Ritter et al., 2002; Walter et al., 2006; Human, Naudé, 2009; Schreiner et al., 2009; Mitrega et al., 2012].

Relational competence comprises a number of organizational attitudes, routines, and capabilities necessary to establish and frame a partnership, organize common activities and control their effect, manage inter-partner and organizational learning, and integrate the partnering companies on inter-organizational, interpersonal, and inter-team level [Sulimowska-Formowicz, 2018].

Since relational competence is the essence of the organizational knowledge about managing IORs, companies that develop it while gaining experience should reach better outcomes in IORs. We therefore posit the following hypothesis.

H1: The positive relation between relational experience and company’s outcomes in IORs is mediated by its relational competence.
2. Types of experience and relational competence development

The relational experience of a company shapes its relational capabilities [Heimeriks, Duysters, 2007; Schilke, Goerzen, 2010], and organizational routines that contribute to building relational competence are its answer to IOR-related questions [Anand, Khanna, 2000; Zollo, Winter, 2002]. We may therefore assume that the richer its experience in IORs, the stronger its influence on RC development. At the same time, as competence development is a path-dependent, time-consuming, and costly process, it is also important to understand the role of different types of experience in order to efficiently manage the experience portfolio.

Recurrent relations with the same partner bring partner-specific experience [e.g. Gulati et al., 2009] and gains based on more stable learning processes between partners looking after the stability of their relation. Partner-specific experience may lead to higher problem-solving abilities [Kale et al., 2000], diminishing opportunism, fostering mutual trust, and thus to creating informal safeguards in the form of relational governance mechanisms [Lewicki, Bunker, 1996; Dyer, Singh, 1998; Dyer, Chu, 2000; Huang, Wilkinson, 2013].

The partners’ common history may also bring negative effects, most often connected with possible cheating problems [Stańczyk-Hugiet, Strychalski, 2013], limited willingness to learn and be alert to new market opportunities [Hoang, Rothaermel, 2005; Hoffmann et al., 2010], and organizational inertia [Lorenzoni, Lipparini, 1999]. Therefore to achieve the effect of experience synergy, companies should seek occasions to diversify their portfolio of partners and become involved in different types of IORs.

Referring to those internationalization theories that accentuate the significance of the cumulated experience in international IORs for a company’s success [Johanson, Vahlne, 1977; 2009; Johanson, Mattsson, 1987], we assume that international experience may be critical for organizational competences development. Demanding contextual factors of a complex and turbulent environment and additional advantages stemming from embeddedness in international networks may have great knowledge-building potential.

In line with the above observations we hypothesize that:

H2: All types of relational experience are positively related to company’s RC.
H3: Among all types of relational experience, the experience of cooperation with foreign partners should play a dominant role in building company’s RC.
3. Research method

The research was performed on a sample of 253 Polish medium-sized and large manufacturing companies from different industries, under the assumption that such companies would probably have diverse cooperative experience in non-capital IORs and organizational procedures building relational competence.

93% of the sample companies cooperate with foreign partners on a regular basis, but they differ in terms of the number of foreign partners in their IOR portfolio, as well as in terms of the type of relations they are involved in (value chain cooperation, coproduction, supplementary services outsourcing, horizontal marketing and sales cooperation, strategic alliances and clusters), their role in them (equal, dominant, subordinate), and the length of their partnerships.

Although the sample is not fully representative in statistical terms, it is structurally similar to the one analysed by the Central Statistical Office of Poland [GUS, 2015], and therefore constitutes a certain representation of Polish medium-sized and large manufacturing companies.

The study is cross-sectional, self-descriptive, and unilateral, which means that only the sample companies, not their partners, were analysed.

As proxies for the types of IOR experience, we used: number of partners, average length of partnerships, internationalization of relations (share of foreign partners in all IORs), number of IOR types, number of roles played in IORs [Chrupała-Pniak, Sulimowska-Formowicz 2016; Sulimowska-Formowicz, 2018]. In order to make comparisons between the different types of experience, natural units of each type measures were translated into a 4-point scale (no, little, average, much experience). General relational experience is an index summing up the different types of experience.

Relational competence is a composite variable and its measure is an average of indexes of its seven components [Sulimowska-Formowicz, 2018]. It is operationalized with the following items – routines used by companies in their IOR management processes: (1) partner selection, (2) relation planning, (3) common activities management, (4) integration, (5) problem solving, (6) knowledge management, (7) efficiency management. Each of these seven components was assessed with an index measure. Following the approach of Heimeriks and Duysters [2007] and Ritter et al. [2002], the respondents were asked to indicate on a list of routines those used on a regular basis; they thus obtained a score expressed as their share in the total number of routines listed, which was then weighted by the result of self-assessment of organizational expertise in that particular group (measured with additional 23 items using 5-point Likert scale). Both company’s RC and its components measures are indexes expressed on a 5-point interval scale [King, Minium, 2009; Stevens, 1946].
The idea for grouping routines into RC components is based on literature, and the descriptions of RC routines are also inspired by already tested operationalizations [Lambe et al., 2002; Ritter et al., 2002; Walter et al., 2006; Heimeriks, Duysters, 2007; Kale, Singh, 2007; Human, Naudé, 2009; Human, 2009; Schreiner et al., 2009; Mitrega et al., 2011].

In order to meet the calls for assessment of company’s satisfaction with the relation in both financial and non-financial aspects [Palmatier, Dant, 2007; Ashnai et al., 2013], we used two perceptive scales of its effectiveness and efficiency in IORs to measure IOR outcomes [Chrupała-Pniak et al., 2017; Sulimowska-Formowicz, 2018].

Effectiveness is measured using eleven statements referring to the perceived degree of satisfaction with reaching company goals connected with relation [Zollo et al., 2002; Holtbrügge, 2004]. These indicators are standardized and summed to construct global measure, with Cronbach alpha coefficient of 0.89.

Efficiency is measured using four statements referring to the perceived economic efficiency of cooperation: cost, work, and time efficiency as well as obtaining tacit resources. These indicators are also standardized and summed up to construct a global measure with Cronbach alpha coefficient of 0.83.

Statistica and SPSS.22 software was used. Due to moderate and extreme left-side skewness of variables, nonparametric methods applied included: Spearman correlation, mediation, and dominance analyses with bootstrapping.

4. Findings

Correlation analysis showed a positive relationship between relational experience and IOR outcomes. Importantly, correlation is stronger with efficiency than effectiveness (R coefficient equals respectively 0.33 and 0.26, relevant with p.001). Effectiveness correlates more with relational competence (R=0.40, relevant with p.001). This may suggest that the surveyed companies deal with the economic effect of experience – higher efficiency due to more cost-effective operations and effectiveness stemming from transmitting experience into know-how in the form of RC (as suggested in H1).

Mediation analyses reveal partial mediation. RC weakens the relation between RE and IOR outcomes (H1 partially confirmed). The mediating effect of RC is stronger in the relation between experience and effectiveness. Companies develop RC with a growing experience in IORs, which then strengthens their ability to reach the goals they set for their IORs. The weaker mediating role of RC in the relation between experience and efficiency means that company’s efficiency in IORs is better explained by factors other than RC, which may suggest that the processes of learning from experience are also connected with building other professional competences necessary to operate efficiently.
The results of correlation analyses indicate a positive connection between growing experience and developing relational competence, although not all analysed types of experience are of significance for company’s relational competence (H2 not confirmed). The length of relations and diversity of roles played in IORs show no impact on RC.

Table 1. Relations between different types of RE, IOR outcomes, and RC

<table>
<thead>
<tr>
<th>Type of experience</th>
<th>Relational competence (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>relational experience (general)</td>
<td>0.33***</td>
</tr>
<tr>
<td>number of partners</td>
<td>0.43***</td>
</tr>
<tr>
<td>international experience</td>
<td>0.31***</td>
</tr>
<tr>
<td>diversity of types of relations</td>
<td>0.14*</td>
</tr>
<tr>
<td>diversity of roles played in relations</td>
<td>0.02</td>
</tr>
<tr>
<td>average length of relation</td>
<td>0.09</td>
</tr>
</tbody>
</table>

Notes: The possible redundancy of the variables building relational experience was examined in the Statistica package, none of the measures of the relational experience types obtained the critical value of the tolerance index, the obtained values are in the range of 0.62-0.76 and RE Cronbach α equals 0.69.

Source: [Sulimowska-Formowicz, 2017; 2018].

Table 2. Results of dominance analysis on the influence of different types of RE on RC

<table>
<thead>
<tr>
<th>Type of experience</th>
<th>R²</th>
<th>adjusted R²</th>
<th>mean R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>diversity of types of relations</td>
<td>0.17</td>
<td>0.16</td>
<td>0.16</td>
</tr>
<tr>
<td>number of partners</td>
<td>0.10</td>
<td>0.02</td>
<td>0.06</td>
</tr>
<tr>
<td>international experience</td>
<td>0.04</td>
<td>0.00</td>
<td>0.02</td>
</tr>
<tr>
<td>average length of relation</td>
<td>0.02</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>diversity of roles played in relations</td>
<td>0.00</td>
<td>0.06</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Notes: Analysis was carried out by building a regression model with a single variable and then introducing the next four variables, additional R² and mean R² were estimated to confirm the relevance of the independent variable in explaining the dependent variable.

Source: [Sulimowska-Formowicz, 2017; 2018].

Figure 1. Mediation models for the relation between RE and IOR outcomes

Notes: Sobel test Z=4.25 / Z²=3.92, p < 0.001; bootstrap analysis for 5,000 samples, 95% confidence interval 0.07÷0.20 / 0.06÷0.18; adjusted R² = 0.21 / 0.20; ‘’‘‘ p < 0.001; ‘’ p < 0.05; N=253; α values for efficiency.

Source: [Sulimowska-Formowicz, 2017; 2018].
In order to better understand the unequal importance of different types of RE for the development of company’s partnering capabilities, dominance analysis was carried out [Budescu, 1993]. Its results reveal that experience in various types of relations, not the number of partners or international experience, is the main predictor of RC (H3 not confirmed).

Conclusions

The results presented above confirm the theoretical assumptions about the positive impact of relational experience on company’s outcomes in IORs.

Mediation analyses showed that companies translate their relational experience into relational competences, thus enhancing IOR outcomes, which is in line with previous research [see e.g. Holmqvist, 2004; Heimeriks, Duysters, 2007; Schilke, Goerzen, 2010] and implies that if they develop high-quality RC, they may effectively learn from experience and transform this knowledge potential into their future success in IORs.

Although RE affects RC, companies should pay attention to the value of the gathered experience. The strongest predictor of RC is experience in diverse types of relations, explaining 17% of its variation. The number of partners and international cooperation are also statistically relevant predictors, explaining 10% and 4% of RC variation, respectively.

In pursuit of knowledge about relationships, management companies should look for new capabilities stemming from different forms of cooperation and a diverse partner portfolio. Along with developing an IOR portfolio, it is crucial to provide sufficient resources and deliberately shape organizational competences necessary to derive all benefits from relations. In order to develop RC, when planning on entering into new relationships, companies should pay attention to possible learning effects stemming from a broad experience [Anand, Khanna, 2000] and from experience with distinctive partners [Gulati et al., 2009].

In accordance with the ideas of incremental and radical organizational learning [March, 1991], the results show that experience in different types of relations combined with obtaining new partners is most likely to lead to acquiring new knowledge, developing RC, and preventing company from falling into a competency trap [Levinthal, March, 1998].

The results indirectly suggest that while the length of relationship is not an important factor for RC quality and IOR outcomes, it may be of importance for developing a capability to terminate those IORs which do not bring expected benefits [Mitrega et al., 2011; Ritter, Geersbro, 2011].
Experience in international IORs is not the strongest predictor of RC, which implies the need for cautiousness and search for foreign partners that would provide not only market penetration possibilities, but also valuable knowledge and development opportunities. This type of experience is of value for RC development but should not be treated as such per se. When selecting foreign partners, it is necessary to pay attention to what can be learned from them, taking into consideration one’s own absorptive capacity, their knowledge, and various environmental factors. The relevant but not dominant role of international experience in RC development may imply the existence of the mechanisms described by Schilke [2014], who points to an especially favourable influence of moderately changing environment on building dynamic competences and gaining desired outcomes. Too much stability generates weak developmental incentives, while extensive turbulence may be a source of resistance to change and counterproductive adaptive mechanisms. Foreign markets may be overly demanding and thus limiting RC development due to either too high perceived costs of establishing new improved procedures or inhibiting effects of organizational inertia.

Reaching a deeper understanding of the nature of learning from foreign experience requires further research concerning the types of routines developed within RC and their relationships with relational experience and IOR outcomes. The type of experience with foreign relationships – partner-specific or diversified – may also be informative. The analyses show that the length of relation is of no significance for RC, so we may assume that companies that prolong their cooperation with the same partner have limited opportunities to develop their RC and keep repeating existing procedures. This may be also due to their pursuit of efficiency, as mediation analyses show that the relative influence of experience is less affected by RC, which means that companies tend to use their existing knowledge extensively by adapting it to particular contexts.

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