

Building SMEs Competitive Advantage in Export Markets: The Role of Human Capital and Relationship Quality

(Membina Kelebihan Bersaing IKS di Pasaran Eksport: Peranan Modal Insan dan Kualiti Hubungan)

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ABSTRACT

Small businesses look for cooperative relationships with foreign partners to build competitive advantage in export markets. In addition, the ability of small businesses to compete is also strongly related to human capital specifically the managerial competences. This study aims to investigate the effect of managerial competences on the relationship quality, which in turn affects the competitive advantage of small business in export markets. Data were collected among small and medium manufacturers. A total of 228 small and medium businesses participated in this study. This study employs structural equation modelling approach for data analysis. The findings indicate that human capital is a function of relationship quality and competitive advantage. In addition, relationship quality is significantly related to competitive advantage. Finally, relationship quality partially mediates the relationship between human capital and competitive advantage. At the end of this paper, the conclusion and discussion are presented, and limitation and future study are discussed.

Keywords: Foreign partner; relationship quality; human capital; managerial competency; SMES

ABSTRAK

Syarikat kecil mencari peluang untuk membina hubungan kerjasama dengan rakan kongsi asing untuk membangunkan kelebihan bersaing di pasaran eksport. Tambahan lagi, keupayaan syarikat kecil untuk bersaing berkait rapat dengan modal insan khususnya kebolehan pengurusan. Kajian ini bertujuan untuk menyelidik peranan keupayaan pengurusan terhadap kualiti hubungan, yang mana seterusnya memberi kesan kepada kelebihan bersaing syarikat kecil di pasaran eksport. Data diperolehi dalam kalangan pekilang kecil dan sederhana. Sebanyak 228 syarikat kecil dan sederhana mengambil bahagian dalam kajian ini. Kajian ini menggunakan pendekatan model persamaan berstruktur untuk menganalisis data. Penemuan menunjukkan bahawa modal insan adalah fungsi bagi kualiti hubungan dan kelebihan bersaing. Akhir sekali, kualiti hubungan berperanan sebagai perantara separa kepada hubungan antara modal insan dengan kelebihan bersaing. Di akhir kertas ini, kesimpulan dan perbincangan dibentangkan serta limitasi dan kajian akan datang dibincangkan.

Kata kunci: Rakan kongsi asing; kualiti hubungan; modal insan; keupayaan pengurusan; IKS

INTRODUCTION

The competitive ability of small and medium enterprises (SMEs) in cross border markets is limited by the scarcity of tangible resources. Consequently, developing the competitive advantage of SMEs in export markets to achieve a successful international venture has been the priority of many governments. Within this point of view increasing number of research particularly in international business domain has relied on the resource-based perspective (Bloemer, Pluymaekers & Odekerken 2013; Matanda & Freeman 2009). By resource this paper means those assets and capabilities that are internal and external to the firm (Gulati, Nohria & Zaheer 2000). The resource-based view (RBV) advances with the notion that competitive advantage is a function of distinctive resources that firm possesses (Barney 1991; Barney, Wright & Ketchen 2001). Existing studies have conceptualized the central role of the development and management of strategic human capital (Becker & Huselid 2006; Hutzschenreuter & Horstkotte 2013) and relationship marketing (Ambler

& Styles 2000; Leonidou et al. 2013; Zhou, Wu & Luo 2007) on the performance of firm in international market. Nevertheless, the understanding about the role of human capital and relationship marketing in international business study (Sousa, Ruzo & Losada 2010) particularly in the development of export market competitive advantage within the context of small emerging markets and SMEs is rather limited. This is because the focus of the existing studies is mainly the Western and developed countries perspectives. Conversely, small emerging markets provide a new perspective because the domestic market is small, the institutional support is under-developed and resource availability is relatively limited.

Human capital is the key element in export marketing domain (Leonidou, Katsikeas & Piercy 1998; Sousa et al. 2010) and SMEs internationalization realm (Ruzzier et al. 2007). Due to the small size, the strategic decisions of SMEs are often confounded with its managers' characteristics. A review of literature by Sousa, Martinez-Lopez and Coelho (2008) indicates that managerial characteristics have been found to be important factors behind export

success. Within the SME perspective and in the context of international market ventures, where the environment is complex and hostile, the eminent of managerial function is even more evident. This view is consistent with Carpenter, Sanders and Gregersen (2001) who empirically found that better performance of multinational enterprises is the outcome of the international human capital qualities of top managers. A recent finding by Hutzschenreuter and Horstkotte (2013) provides further support for the importance of managerial role in coping with the intricacy of cross border differences.

The cross border activities of small businesses are constraint by the inherent limitation of resource scarcity. In international markets, this constraint is even more obvious given that international business is resource demanding activities. For example, knowledge of foreign market is pre-requisite to a successful international venture as it permeates the effect of psychic distance (Johanson & Vahlne 1977). A resourceful firm can rely on its own resources to independently acquire the knowledge. However, small businesses are limited by resource scarcity hence the reliance on external sources such as the customers to generate market knowledge (Julien & Ramangalahy 2003). Review of the literature suggests the cooperative relationship with foreign partners or better known as relationship marketing (Knight & Cavusgil 2004; Lages, Silva & Styles 2009). A working relationship serves as a conduit to information flows between partners (Ambler & Styles 2000) and a relationship governance to mitigate opportunistic behavior. Since international business success is linked to information and knowledge of foreign markets (Johanson & Vahlne 2006), building a close and strong relationship or relationship quality with foreign customer is SMEs' top priority. Palmatier et al. (2006: 138) refer relationship quality to the '... overall assessment of the strength of a relationship'.

Despite the importance of human capital in the field of international business, still research focusing on the effect of human capital on export performance is limited (Sousa et al. 2010), particularly in the context of small businesses (Robson et al. 2012). In line with the research gaps, this study attempts to investigate the role of top management competence in relationship quality which in turn affects the firm's competitive advantage in export markets.

On the basis of the above discussion, this study seeks to achieve three objectives. First, this study proposes to investigate the effect of human capital on relationship quality and competitive advantage. Second, this study examines the relationship between relationship quality and competitive advantage. Finally, this study also investigates the mediating effect of relationship quality on the relationship between human capital and competitive advantage.

In the following section, the literature review is discussed which leads to the development of the hypotheses. After that, the methodology of this study is

presented. Next, the analysis and findings are examined. Finally, this paper is ended with the discussion on the implications, limitations and suggestions for future studies.

LITERATURE REVIEW

The literature demonstrates that for the past decades substantial number of studies in the realm of export marketing relied on the resource perspective to develop theoretical underpinning. Barney (1991) notes that the notion of RBV implies that firm achieves competitive advantage by leveraging the internal resources that are unique, rare, non-substitutable and difficult to imitate by rival firms, and included all assets and capabilities (Kaleka 2002). Small businesses unlike their bigger counterparts are deprived of tangible resources, therefore must depend on intangible resources. In the context of small business research, the literature has underlined the position of two key resources, namely managerial resources of human capital (Sousa et al. 2010) and relational capability (Knight & Cavusgil 2004; Lages et al. 2009).

Firm achieves competitive advantage when customers value its offering more than that of competitors. From the perspective of positional advantage, the value-creation activities relate to the value of export venture and the cost to deliver this value to the customer (Morgan, Kaleka & Katsikeas 2004). Along this line, Li and Zhou (2010) conclude that unique resources are behind the superiority of firm position in the market. In addition, the attainment of competitive advantage in export market is dependent on the ability to produce the right product for the market (Chrysochoidis & Theoharakis 2004). Since knowledge is the most critical resource for SMEs (Gassmann & Keupp 2007) hence managerial knowledge of international markets is critical to SMEs' competitive advantage. Furthermore, a quality inter-organizational relationship facilitates knowledge sharing and therefore helps to enhances firm's superior value offering. Accordingly, and based on the RBV, this study builds on the conceptual foundation anchored in the existing studies within the domain of human capital and inter-organizational relationship.

HUMAN CAPITAL

The existing studies in human capital demonstrate that managerial skills are strongly related to firm performance (Haber & Reichel 2007) including in export market (Sousa et al. 2008). Coleman (2007: 304) refers human capital to "... education, employment or industry experience, and other types of experiences that help to prepare the entrepreneur for the challenges of business ownership." In the context of this study, the definition is appropriate because it specifically entails the concept of human skills to the managerial function of small business organizations.

This view is echoed by others such as Ruzzier et al. (2007) and Wiklund and Shepherd (2008)

Human capital theory upholds the idea that knowledge provides individuals with increases in their cognitive abilities and leads to more productive and efficient activities (Davidsson & Honig 2003). Wiklund and Shepherd (2008) liken human capital to the knowledge and skills that assist in successfully engaging in new entries. Ruzzier et al. (2007) put forward that human capital represents an investment in education and skills and it is created when a person's skills and capabilities are improved. In a similar notion but slightly different expression Sturman, Walsh, and Cheramie (2008) refer to human capital as intangible personal resources embedded in individuals [entrepreneurs] and developed through education, training and experience, and it is closely tied to know-how. Both works seem to converge on a concept that associate human capital with the skills developed through education and experience. A review of literature by Sousa et al. (2008) reveals that indeed managerial education and international experience have been found to effect the performance of firms in export markets.

Another important posture of human capital is tacit knowledge, which may provide insights into the export market competitive outcome of the manager's international experience. Tacit knowledge is regarding how to effectively perform within a particular job. Tacit knowledge cannot be codified and therefore cannot be easily learned or shared through verbal communication or written texts. Tacit knowledge must be learned through effort, discovery, and experience (Polanyi 1969). The concept of tacit knowledge is closely related to skill and experience (Berman, Down & Hill 2002), which uniquely define specific human capital. Tacit knowledge has been shown to be a source of competitive advantage and positive performance (Berman et al. 2002; Hitt et al. 2001). In an international context, knowledge gained from experience is valuable resources upon which firms gain greater capabilities to identify opportunities and minimize the uncertainty of foreign markets (Johanson & Vahlne 2003). The fact that in small business this knowledge resides with the managers entails a strong relationship between managerial international experience and export market competitive advantage.

In line with the above arguments, the literature has conceptualized human capital in terms of intangible resource that greatly contributes to the performance and competitive advantage of the firm. Human capital has been manifested to be central in SMEs' internationalization and performance (Yeoh 2004), and it is conceptualized as an important variable in internationalization theory (Knight, Madsen & Servais 2004). In addition, previous studies demonstrate that human capital is also a key variable in export domain (Sousa et al. 2010). Scholars agree that human capital is a multidimensional construct, but at the same time they differ on the dimensionality aspect. For example, previous studies have identified several human capital aspects such as attitudes (Javalgi, Griffith & White

2003), national diversity [attitude] (Caligiuri, Lazarova & Zehetbauer 2004), and experience (Seleim, Ashour & Bontis 2007). Nevertheless, these studies seem to be fragmented. Few studies have been identified to employ a more comprehensive approach and investigate a broader perspective of the human capital dimension. For example, Bruns et al. (2008) advocate that human capital comprises two dimensions: general and specific. The general aspect of human capital provides the individual with all-purpose skills and broad problem-solving capabilities that are relevant across multiple contexts, and it is often associated with formal education. Specific human capital, on the other hand, is developed through training or experience. Sturman, Walsh, and Cheramie (2008) describe that the two aspects, namely specific and generic, can be viewed on a continuum. At one extreme of the continuum they place highly specific human capital, which they describe as individuals with knowledge and skills unique to a single firm. This highly specific human capital loses most of its value when the executives move between firms, because of its lack of transferability. At the other extreme is the generic concept of human capital. Generic human capital represents knowledge and skills that generate value or rents for any firm that makes use of them.

The above arguments note that managerial human capital is indeed the critical factor behind firms' competitive advantage in export markets. Specifically, the idiosyncratic posture of human capital entails the skills and foreign market knowledge which includes tacit knowledge that is based on experience. This insight resonates with the perspective of RBV and therefore this paper advances with the belief that the uniqueness of human capital is built upon managerial skills and knowledge.

RELATIONSHIP QUALITY

Inter-organizational cooperation has been acknowledged as an important ingredient in the strategic formulation of international business operations. Academically, the significant role of relationship capabilities to the performance of small businesses in international markets is highlighted in literature (e.g. Knight & Cavusgil 2004; Lages et al. 2009). Specifically, the literature demonstrates that building a working partnership is indeed crucial to the competitive ability of small businesses. For that reason, small businesses should look into the prospect to develop a strong and close relationship or what is called relationship quality with foreign partners in export markets for international expansion.

This study follows Griffith and Harvey (2001) in defining relationship quality. These authors (Griffith & Harvey 2001: 94) define relationship quality as "... the strength of an inter-organizational relationship and the potential for the relationship to continue the process of development". From the perspective of Johnson et al. (1993), relationship quality is viewed as a construct encompassing all those behavioral parameters that help to maintain a smooth, stable, and productive working

relationship. Based on the previous studies (e.g. De Wulf, Odekerken-Schroder & Iacobucci 2001; Palmatier et al. 2006), this study suggests that relationship quality is a construct consisting of several dimensions. Despite the substantial research interest on relationship quality, scholars hitherto disagree in terms of the number of the dimensions and what are those dimensions. Nevertheless, many studies (for review see Palmatier et al. 2006) consistently suggest trust, commitment and satisfaction as best reflect the quality of the relationship. The next paragraph briefly discusses each of these dimensions.

Cavusgil, Deligonul, and Zhang (2004) define trust as the confidence or belief that the exchange partner possesses about the credibility and benevolence of other partners. Trust has been conceptualized as the foundation of any business relationship. Commitment has assumed a central role in the development of buyer-seller relationship models (Skarmeas et al. 2008). It is "...an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum effort to maintain it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely" (Morgan & Hunt 1994: 23). Satisfaction of customer needs is always at the center of the exchange relationships because customers who are not satisfied cannot be expected to have good working relationships with the firms. Satisfaction is an affective or emotional state toward a relationship (Palmatier et al. 2006).

Inter-organizational relationship quality entails not only the strength and closeness of the relationship but also the long term nature of relationship building through a series of exchanges between partners. Ring and Van de Van (1992) view that a relationship is developed upon successful accomplishment of past transaction. When a firm behaves according to the relationship norms and meets partner's expectations, customer perceives the relationship is of high value. This in turn increases the level of relationship strength and closeness, and greater knowledge sharing. In an empirical study of Combe et al. (2012), customer knowledge is found to enhance firms' ability to change the current organizational process so as to response to the variations of customer needs, hence the creation of superior customer value and satisfaction. However, superior customer value creation is a result of a series of transactions between partners and does not confine only to the current partner's expectations but also the foreseeable needs and requirements of the partner. This is because customers' needs and requirements changes over time. This insight is consistent with Pelham (2010) who argues that sustainable customer relationship emerges when the firm's focus goes beyond the current customer needs. Meeting customer's expectation demonstrates strong exporter's commitment to the relationship. Furthermore, such a behavioral dimension in providing superior customer value is perceived to be foreseeable and predictable, which in turn develops stronger trust between partners (Katsikeas, Skarmeas & Bello 2009) and results in relationship quality.

HYPOTHESIS

The literature acknowledges that a manager's past international experience helps to develop international market knowledge and positive attitudes toward internationalization. In spite of that, the dynamic of today's international market warrants an awareness of the changing environments. Due to the liability of smallness that restricts SMEs from acquiring foreign market knowledge for superior performance, a large section of the literature advocates a strategic role for relational exchanges as a source of that knowledge (Freeman, Edwards & Schroder 2006). In SMEs, managerial human capital plays an important role for export activities and internationalization success. This is because most of the strategic decisions of small business are confounded with the managers.

In line with the above argument, this paper asserts that the managers' know-how helps to develop the capabilities to leverage relationship quality with foreign partners to gain knowledge of foreign markets and, ultimately, to achieve high performance in the international market. This is particularly true in the context of small firms where normally managerial characters are essential and decisive in strategic outcomes. In addition, managers are the main factor behind the initiation, development, sustenance, and success of a firm's export venture (Sousa et al. 2010). In this case, when managers' preference for interpreting their environment or cognitive styles influence their interpretation of the situation (White, Varadarajan & Dacin 2003), the knowledgeable and experienced managers are more competent to make crucial choices regarding the partnerships. As a result, when customers interact with competent sellers, which may include managers' knowledge and experience, they receive increased value, their relationship becomes more important, and they invest more effort to strengthen and maintain it (Crosby, Evans & Cowles 1990). Therefore, this study believes that managerial human capital is directly related to relationship quality. Thus, the following hypothesis is posited.

H₁ Human capital is positively related to relationship quality.

Firms' competitive advantage is a function of its unique resources. In the context of this study, the uniqueness of managerial human capital emerges through the knowledge and experience in the international market. This type of experiential knowledge is known as tacit knowledge and difficult to imitate, and only can be acquired by going through the same experience. Experiential knowledge is key to organizational commitment in foreign venture as it reduces the uncertainties associated with foreign markets (Johanson & Vahlne 2009). Indeed, foreign market knowledge emerges in literature as the most important resource for SMEs in international market (Liesch & Knight 1999). This is because knowledge about the markets enables firms to respond and adapt to the customer needs

which in turn creates superior customer value. Therefore, market knowledge enhances firms' capability to compete in a highly competitive foreign market. Cadogan et al. (2012) emphasize that capabilities can only lead to sustainable competitive ability if it is market oriented. In this regards, a market oriented firm has the ability to offer a customer value in tandem with the changing needs of the customer through its knowledge about the markets. Likewise, managerial human capital that is conceptualized with a posture of international experience and knowledge leads the firm to offer superior customer value than that of competitors and helps to achieve greater competitive advantage. Hence, this paper advances with the following hypothesis.

H₂ Human capital is positively related to competitive advantage.

The quality of the relationship ultimately facilitates the exchange of knowledge between partners (Johanson & Vahlne 2003). Exporters may use this knowledge to respond to local market environments such as customers' needs and competitors' positions. Thus, exporters are able to gain competitive positions and achieve superior export performance (Zhang, Cavusgil & Roath 2003). Based on the above discussion, the following hypothesis is offered.

H₃ Relationship quality is positively related to competitive advantage

Ambler and Styles (2000) conceptualize relationship quality as a conduit to information flow. Small businesses are limited by the resource scarcity to acquire knowledge of foreign market which is important for the firms' competitive advantage. Therefore, small businesses use the managerial competences to leverage foreign partner knowledge by means of strong and closed relationship. In a strong and close relationship partners are more willing to share strategically important resources such as information about the market. This information then turns into knowledge resources and enhances firm's capability to response to customer requirements and offer superior customer value. This capability in turn enables the firm to develop its competitive advantage in foreign markets (Knight & Cavusgil 2004). Hence, this study offers the following hypothesis.

H₄ Relationship between human capital and competitive advantage is mediated by relationship quality.

The above discussion leads to the development of the conceptual framework of this study. Figure 1 shows the conceptual framework which consists of all the three constructs namely human capital, relationship quality and competitive advantage. In addition, the framework also demonstrates the direction of the relationship between the constructs.

RESEARCH METHODOLOGY

SAMPLING AND DATA COLLECTION PROCEDURE

Data for this study are collected from SME exporters in the manufacturing industry. The sample is derived from the directory of the Federation of Malaysian Manufacturers. Like other studies in export domain (e.g. Brouthers et al. 2009; Matanda & Freeman 2009), this study uses a single-key informant approach. The potential problem of single key informant is justified by the knowledgeable key informant who directly involves in the export activities of the firm (Souchon, Sy-Changco & Dewsnap 2012). Specifically, the key informant in this study was chief executive officer, managing director, export manager and marketing/sales manager.

Majority of the firms participate in this study are owned by Malays (57.66%), followed by Chinese (30.63%) and others (11.71%) which includes Indian. In terms of the firm size, 54.19% of the respondents are small businesses while the rest (45.81%) are medium size firms. Respondents for this study come from multi-industries background. Nevertheless, almost half (42%) of the participating firms comes from the food and beverage industry background. This is followed by wood, chemical, rubber and plastic industries, where each represents 8% of the respondents.

The main criteria for the selection of the sample are the number of employees. In this study, only firms with at least 20 employees qualified to be part of the sample. The criteria of minimum cut-off number of employees is suggested by others (e.g. Kuivalainen, Sundqvist & Servais 2007; Marino, Lohrke, Hill, Weaver & Tambunan

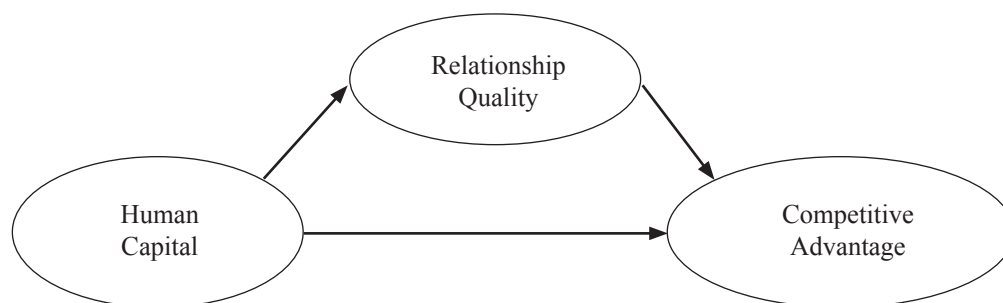


FIGURE 1. Conceptual framework

2008; Souchon et al. 2012) so as to avoid firms with no strategic commitment to international operations. On the other hand, the maximum limit of 250 employees is made to be consistent with a large number of studies (e.g. Crick 2007; Majocchi, Bacchiocchi & Mayrhofer 2005) which use the same limit and therefore, to allow comparability of results of the study. Based on the criteria, 851 exporters were selected from the database. Finally, the total number of returned and usable questionnaires is 220. The number of firms which refuse to participate or have closed down is 76.

This study adopts a combination of three methods of data collection. First, drop-off is used for firms located within close distance. This method is suggested as the most effective method in developing countries (Matanda & Freeman 2009). Second, mail survey is employed to cover distant locations. Third, a local research agency is used to increase the response rate. The responses of the different data collection methods are compared and the results indicate that there are no significant differences among difference method of data collection. Check for the non-response bias by comparing early (60%) and late (40%) responses indicates no non-response bias (analysis of variance test indicates no difference in respondent's position, business types, employee number and confident level).

INSTRUMENTS

A multi-scaling method, namely the Likert Scale (7-point) and open-ended, is used to measure the items representing the theoretical constructs. The scales are designed and then adapted for the current study from the original version identified in the literature. Then, for the purpose of pre-testing, in depth interviews with selected SMEs and academics are conducted to confirm the scales.

Human capital measured by scale represents the competence of the top managers. Drawing from Huselid, Jackson and Schuler (1997), Ling and Jaw (2006), and Jaw Wang and Chen (2006), the construct of entrepreneurs' human capital comprises eight items. The respondents are asked to respond to questions such as 'The capacity to take appropriate risks to accomplish objectives'.

The scale for relationship quality is drawn from a composite of three constructs: trust, commitment, and satisfaction. The scales for commitment and trust consist of seven items each. The original version of the scales were developed by Leonidou, Katsikeas and Hadjimarcou (2002) and Skarmeas et al. (2008). Example of the scale for trust is 'This importer has been frank in dealing with our firm' and the scale for commitment is 'We like being associated with our importer'. The scale for satisfaction is revised and adapted from the works of Ha, Karande and Singhapakdi (2004) and Skarmeas et al. (2008). Example of question for satisfaction is 'We are proud of having this working relationship'.

The scale for competitive advantage is adapted from Kaleka (2002) and Chryssochoidis and Theoharakis (2004). This scale consists of items grouped into three dimensions: cost advantage, product advantage, and service advantage. The three dimensions of competitive advantage are measured by five items each. The respondents are asked to indicate to what extent their firm's offering position in export venture is better or worst compared to the main competitor along the items such as 'Cost of production,' 'Product quality' and 'Ease of ordering the product'.

For constructs that are conceptualized as a multidimensional latent variable such as relationship quality and competitive advantage, each dimension is operationalized as the sum of items that are used to measure the respective dimension. This method is also known as partial aggregation (e.g. Baker & Sinkula 1999).

For the data analysis, initially a confirmatory factor analysis (CFA) is run to estimate the validity and reliability of the measure. Then the hypotheses are tested via structural equation modeling (SEM) (with maximum-likelihood estimation) using AMOS 18. The summary of the results is presented and discussed in the next sections.

VALIDITY AND RELIABILITY

The validity of the measure is tested using the correlation of item to total score. Items with factor loading less than 0.50 are removed. Table 1 shows the fit indices of the measurement models, indicating acceptable fit for all models and hence satisfying the condition for convergence validity.

In this study two tests are used to assess the discriminant validity of the measurement scales. The first test is the average variance extracted (AVE) (Fornell & Larcker 1981). The results (in Table 2) indicate that the scores for AVE are higher than the correlation between the two constructs hence the existence of discriminant validity is confirmed. The second test which is more rigorous compares the chi-square of two models, namely the unconstrained model of two constructs and the constraint model of the same constructs (Bagozzi, Yi & Phillips 1991), and is done in a series of tests. In the unconstrained model the correlation between construct is freely estimated whereas in the constraint model the correlation is fixed to 1. The results of all cases show that the chi-square for constrained model is superior at $p > 0.001$. These results imply further proof of the discriminant validity [test 1: managerial competence-relationship quality (constrained model: $\chi^2 = 124.91$, degrees of freedom [df] = 26; unconstrained model: $\chi^2 = 48.20$, df = 25; χ^2 difference = 76.70***, df = 1), test 2: managerial competence-competitive advantage (constrained model: $\chi^2 = 141.91$, df = 26; unconstrained model: $\chi^2 = 61.32$, df = 25; χ^2 difference = 80.58***, df = 1), test 3: relationship quality-competitive advantage (constrained model: $\chi^2 = 118.52$, df = 9; unconstrained model: $\chi^2 = 34.13$, df = 8; χ^2 difference = 84.38***, df = 1)].

Evident of reliability of the scale is referred to the internal consistency (Fornell & Larcker 1981). Table 2 show that the scores (0.83 and above) for internal consistency were well above the acceptable standard (Fornell & Larcker 1981; Nunnally 1978).

TABLE 1. Confirmatory factor analysis results for measurement model fit

Model	χ^2	Df	RMSEA	GFI	AGFI	CFI
Top Management Competence	18.09	7	0.08	0.97	0.92	0.98
Relationship Quality	150.51	84	0.05	0.92	0.88	0.93
Competitive Advantage	152.95	62	0.08	0.91	0.86	0.96

Notes: RMSEA = root mean square error of approximation, GFI = goodness of fit index, AGFI = adjusted goodness of fit index, and CFI = comparative fit index.

TABLE 2. Average Variance Extracted (AVE) and correlations of constructs

Construct	1	2	3
1. Top Management Competence	0.73		
2. Relationship Quality	0.50**	0.84	
3. Competitive Advantage	0.54**	0.53**	0.82
Internal consistency	0.89	0.83	.86
Mean	5.21	5.42	5.12
Standard deviation	0.87	0.73	0.95
Skewness	-0.96	-0.41	-0.14
Kurtosis	1.57	0.58	-0.45

Note: Asterisks ***significant at $p < .001$ (1-tailed); **significant at $p < .01$ (1-tailed); *significant at $p < .05$ (1-tailed). Average Variance Extracted (AVE) value is shown in diagonal.

ANALYSIS AND FINDINGS

The hypotheses are tested using structural equation modelling. The fit indices of the structural model suggest a satisfactory fitting ($\chi^2 = 104.036$, $df = 50$, $CMIN/df = 2.081$; $GFI = 0.927$; $NFI = .935$, $TLI = .953$, $CFI = .965$, $RMSEA = .069$). Hypothesis 1 predicted a positive relationship between human capital and relationship quality. The results indicate that human capital has a strong and positive impact on relationship quality ($\beta = .45$, t -value = 6.28, $p < 0.001$), in support of H1. Hypothesis 2 expects a positive effect of human capital on competitive advantage. The results show that human capital is significantly related to competitive advantage ($\beta = 0.33$, t -value = 3.75, $p < 0.001$), supporting H2.

Furthermore, the results also demonstrate a positive and significant relationship between relationship quality (RQ) and competitive advantage ($\beta = .53$, t -value = 5.23; $p < 0.001$), in support of H3. Finally, the mediating function of relationship quality is tested using the Sobel

test. The results show that the mediating effect of RQ on the relationship between human capital and competitive advantage is significant ($\beta = 0.23$; t -value = 3.95; $p < 0.001$), hence H4 is supported. The results however suggest partial mediation function of relationship quality.

DISCUSSION AND ACADEMIC IMPLICATIONS

In recent decades, the number of SMEs venturing into foreign markets has increased significantly. This pattern of SMEs internationalization has intensified the competition in international markets. Thus, the ability of firms to survive and achieve superior performance in international market has been the topic of interest in many studies (Sousa et al. 2008). Along this line and within the export marketing environments, the resource abundance multinational corporations have the competitive advantage over small businesses mainly because the latter is limited by the scarcity of tangible resources. As a result, small business exporters are forced to focus on intangible resources to develop its competitive advantage in export markets. Borrowing from Resource Based View (RBV), this paper conceptualizes that competitive ability of SME is the outcome of its idiosyncratic resources that are rare, difficult to imitate and cannot be substituted. Against this background, this study contends with two types of intangible resources that are keys to the development of SMEs ability to compete in export markets, namely managerial human capital and relationship quality. In addition, this study also advances with the view that relationship quality mediates the interaction between human capital and competitive advantage.

The significant role of RBV as an underlying theory in international business research continues to grow. The findings of this study like others provide another empirical support to the notion advances by the RBV. Therefore, this study contributes to the literature within the context of theory building by extending the explanatory power of RBV in the perspective of SMEs. The resource view promotes that sustainable competitive advantage in foreign market is a function of the firms distinctive resources (Barney 2001). The resources include all assets and capabilities possessed by the firms. Based on the RBV this study conceptualizes two types of resources are crucial to SMEs competitiveness in foreign markets. First, this study suggests the resource that enables the SMEs to overcome the limitation of internal resource scarcity and therefore proposed a strong and close relationship with foreign partner. Relationship quality has been conceptualizes in the literature as a source of foreign market knowledge. Second, this study advocates that SMEs should have a resource that may help them to leverage the relationship with foreign partners and recommend the human capital. Building on this insight, and therefore another original contribution of this study, a conceptual framework is proposed and the hypotheses that are developed a priori are tested.

The main contribution of this study is also related to the empirical findings that have highlighted the importance of human capital and relationship quality in building SMEs' competitive advantage in the export markets. Thus, this study adds to the growing stock of the literature in the field of export and small business. This findings resonate with studies showing that human capital is the key to the success of small businesses (Bowman & Swart 2007) particularly in export markets (Leonidou et al. 1998). In this study human capital is found to have significant influence on relationship quality and competitive advantage. The explanation that seems to accord with the findings is, due to the smallness, organizational strategic decision upon which small businesses develop competitive ability resides with the manager. For example, superior customer value offering in export market is intimately related to firm's knowledge about the customers' needs in that market. Managers learn and therefore gain information about the customers through experiential learning in the markets. Knowledgeable managers will then lead the organizational processes and activities toward meeting the current and future needs of the customers hence the superior customer value offering and the competitive advantage.

In addition, this study also finds that relationship quality mediates, though partially, the relationship between human capital and competitive advantage. With regard to this finding, this paper believes that resource scarcity limits the ability of small businesses to successfully compete in resource demanding activities of international business. Most small businesses enter international market through importers. Since building a quality relationship with importers facilitates resource sharing and acquisition, hence SMEs can build the stock of resources to compete in international markets. In addition, a close and strong partnership deters opportunistic behavior therefore reduce the cost of relationship governance. Increase resources and reduce transaction costs help SMEs to offer competitive products in export markets.

MANAGERIAL IMPLICATIONS

The findings suggest that SMEs should focus on, but not limited to, the two very important resources, namely human capital and relationship quality. However, managers of SMEs should scrutinize the two resources carefully because they are interrelated. Building a strong and close partnership with foreign counterpart is the utmost importance to SMEs as a strategic move to gain foreign market knowledge which in turn strengthens the firms' competitive position in export markets. Nevertheless, this should come with the proper managerial competence which is described by the international experience and the manager's ability to manage organizational change and absorb information from international sources. Along this line, the findings of this study suggest that building a strong relationship with foreign partners by means of human capital is not

an option. This strategic move helps SMEs to effectively leverage foreign partners' competences particularly knowledge of foreign markets.

For the policy makers, domestic SMEs should be encouraged to develop a strong and close relationship with foreign partners. Perhaps the best approach to do this is by participating in the international trade fair, locally as well as overseas. By doing so the managers of SMEs shall learn how to build network and develop a strong relationship with their foreign counterparts. In addition, managers of SMEs will also gain the complex knowledge of international business through the international experience during the trade fair. Furthermore, the government should also provide training to develop competent managers in terms of knowledge of international business.

LIMITATION AND RECOMMENDATION

This study has several limitations. For example, in this study data are gathered from exporters whereas an inter-organizational relationship is about the interaction between two or more parties. The data in this study by design are biased toward the exporter. The method of data collection from one side of relationship is consistent with the previous research (e.g. Brouthers et al. 2009; Matanda & Freeman 2009), and is justified to be methodologically acceptable based on the argument suggested in literature (e.g. Souchon et al. 2012). However, responses from both parties will add rigor to the findings hence the suggestion for future study.

In addition, data for this study are collected from a single informant that is susceptible to common method variance. Therefore, future study may adopt multiple informants approach. Finally, firms in this study are manufacturers. Therefore findings of this study cannot be generalized to other industries such as service. It is recommended that similar study can be replicated to service industry.

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