

# The Impact of Relationship Quality on Start-up Performance of Start-up Firms in Ba Ria – Vung Tau Province

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**Abstract:-** This study examines the components of relationship quality influencing start-up performance. Relationship quality is presented by the components trust, commitment, satisfaction, communication quality of relationship, relationship-specific investments between start-up firms and local start-up support organizations in Ba Ria - Vung Tau province. This study uses quantity research methods by applying Structure Equation Modeling (SEM) with a sample of 425 start-up owners. The findings show that the components of relationship quality positively influences start-up performance. In conclusion, the study proposes managerial implications for start-up firms and suggests directions for further researches.

**Keywords:-** Relationship quality, start-up performance.

## I. INTRODUCTION

The theory of relationship quality (RQ) has been developed in different fields, the major transaction subjects are B2B, B2C and C2B. Osobajo & Moore (2017) examined RQ researches (1987-2015) that the relationship between firms and local community organisations was not to be discovered. According to GEM (2016) business development surveys in Vietnam indicated that operating rate in the early start-up phase was very low (at 12,5%) and remained operations under 3,5 years. Failure causes pointed were defects in building RQ with partners and business model innovation (Nguyen Quang Thu et al, 2017).

The study is conducted in BRVT province as there is a strong growth in the number of start-ups. However, cases of dissolution, revocation of business licenses of start-up firms went upward. Therefore, the study conducted was to help start-up firms focus on building relationship with local start-up support organizations to improve start-up performance. The research target is to assess impacts from the components of RQ to start-up performance, with two new contributors:

- Identifying the components of RQ between start-up firms and start-up support organizations;
- Testing the relationship between RQ and start-up performance for start-up firms.

## II. THEORETICAL FRAMEWORK

### A. Definition of RQ

Start-up firms to build a qualified relationship with start-up support organizations, the minimal requirement is having the start-up project with creative innovations. Start-up support organizations will assist over functions or commitments. Start-up firms have to meet the commitments assisted initially and maintain the relationship through relationship investment activities (Nyaga & Whipple, 2011), frequent communication (Lages & ctg, 2005). Since, both sides will be satisfied with the relationship and foster cooperation. Hence, RQ between start-up firms and start-up support organizations is multi-directional, based on perception of each side when gaining trust, satisfaction, commitment level, relationship investment and communicating quality of the relationship for the start-up project.

### B. Definition of start-up performance

Littunent et al (1998) defined start-up performance as existence/ survival over the first three years and, continuously operating after the early start-up stage. Based on the points of view of GEM (2016); Littunen, Storhammar and Nenonen (1998), Nguyen Dinh Tho and Nguyen Thi Mai Trang (2009), start-up performance is understood as the survival of start-up firms in the early start-up phase (less than 3,5 years), stably operating and achieving the objectives of start-up individuals (revenue, profit and market share as desired).

### C. Research model and hypotheses

Based on the criterial consequences of RQ, this study examines the relationship between components of RQ, and their influences on start-up performance. RQ is a multi-directional concept, but, there is an amid correlation (Skarmeas & Robson, 2008). The theoretical model is proposed in Figure 1.

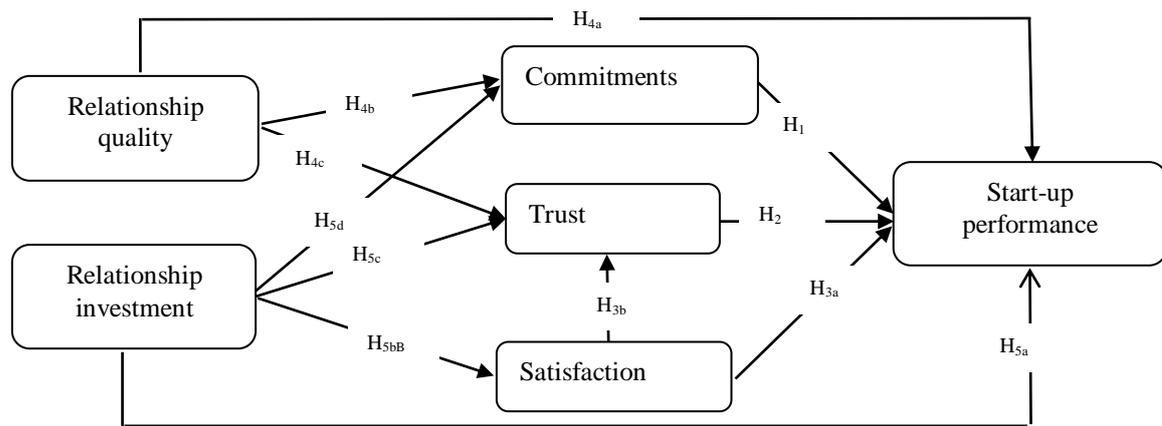


Fig 1:- Research model

Start-up support organizations will help start-up firms dedicate to found and invest in business. Commitments of support from start-up support organizations will help start-up improve start-up performance in the early start-up stage. Hypothesis H<sub>1</sub> proposed.

*H<sub>1</sub>: Commitments influence positively to start-up performance;*

Doney & Cannon (1997) identified trust as reliability, goodwill derived from the nature of interactive honesty. Once start-up support organizations give trust to start-up firms, they will willingly collaborate, share and provide essential resources. Trust brings a positive influence on effectiveness among organizations (Ireland & Webb, 2007). Hypothesis H<sub>2</sub> is stated:

*H<sub>2</sub>: Trust influence positively to start-up performance;*

Caceres & Paparoidamis (2007) demonstrated a positive relationship between satisfaction and trust, satisfaction influences positively to exporting activities performance (Ural, 2009). When start-up firms and organizations are satisfied about operations: information sharing, honesty level, coordination of activities, interaction level and participation in making decision... trust in the relationship in both sides is at higher level. Since, start-up support organizations willingly provide supporting resources to improve start-up performance. Hypotheses H<sub>3a</sub>, H<sub>3b</sub> are proposed:

*H<sub>3a</sub>: Satisfaction influences positively to start-up performance;;*

*H<sub>3b</sub>: Satisfaction influences positively to trust;*

Relationship quality influences positively to commitments, trust and operating performance (Kuhlmeier & Knight, 2014). As start-up firms communicate regularly with start-up support organizations to foster carrying out the initial supporting commitments, creating much closely relationship contributing to improve start-up performance. Hypotheses H<sub>4a</sub>, H<sub>4b</sub> and H<sub>4c</sub> are stated:

*H<sub>4a</sub>: Communication quality influences positively to start-up performance;*

*H<sub>4b</sub>: Communication quality influences positively to commitments;*

*H<sub>4c</sub>: Communication quality influences positively to trust;*

Kwon (2011) demonstrated that relationship investment influences positively to trust and commitments between exporters and foreign customers. As start-up firms investing in relationship with start-up support organizations will foster initial commitments, enhance trust and two sides feel satisfied about this relationship. Gurcaylilar-Yenidogan et al (2013) showed relationship investment would improve operating effectiveness. Hypotheses H<sub>5a</sub>, H<sub>5b</sub>, H<sub>5c</sub> and H<sub>5d</sub> are proposed.

*H<sub>5a</sub>: Relationship investment influence positively to start-up performance;*

*H<sub>5b</sub>: Relationship quality influence positively to satisfaction;*

*H<sub>5c</sub>: Relationship investment influence positively to trust;*

*H<sub>5d</sub>: Relationship quality influence positively to commitments;*

### III. DATA

This study uses direct interview technique and e-mail sending with a detailed questionnaire with a 5-level Likert scale (from 1: completely disagree to 5: fully agree).

*Sample:* sample was selected conveniently upon the principle 5:1 (Bollen, 1989). The model has 25 observational variables so the minimum sample size is 125 (25\*5). The number of start-up firms is 4470 so the sample size is estimated upon Yamate (1967) with 95% confidence level and 5% standard error:

$$n = \frac{4470}{1 + 4470 \times 0.05^2} = 367$$

During the data collection had to remove the unsatisfactory surveys. The sample size added 25% of the minimum sample size: 367\*(1+25%) = 459. So the number of survey questionnaires was 459, collected 431, excluding 6 invalid questionnaires. The remaining formal sample was 425.

**IV. RESEARCH RESULTS**

The result of the CFA analysis with the saturated model showed that the Chi-squared statistic was  $\chi^2[260] = 433,766$  ( $p=0,000$ ). If the degree of freedom is adjusted at  $CMIN / df = 1,668 < 2$ , satisfactory compatibility. Other indicators, such as  $GFI = 0,924$ ,  $TLI = 0,963$ ,  $CFI = 0,968$ ,  $RMSEA = 0,040 < 0,80$ , were satisfied. CFA coefficients of all the observational variables are greater than 0,5 (Table 4.) that affirm unidirectionality and convergent values of the constructs used in the research model. Thus, the saturated model achieves the level of compatibility with market data.

SEM results (Figure 2), theoretical model has  $\chi^2[263] = 447,581$ ;  $p = 0,000$ ;  $CMIN/df = 1,702 < 3$ ;  $GFI = 0,922$ ;  $TLI = 0,962$ ;  $CFI = 0,966$ ;  $RMSEA = 0,041$ . Heywood phenomenon does not appear in the estimation of SEM so the model is compatible with market data.

Results of key parameters are presented in Table 5. Accordingly, commitments and trust influence positively to start-up performance ( $H_1: \beta = 0,124$ ;  $p = 0,054$ ;  $H_2: \beta = 0,369$ ;  $p = 0,000$ ). Satisfaction influences positively to start-up performance and trust ( $H_{3a}: \beta = 0,114$ ;  $p = 0,021$ ;  $H_{3b}: \beta = 0,170$ ;  $p = 0,002$ ). Communication quality influences positively to start-up performance, commitments and trust ( $H_{4a}: \beta = 0,178$ ;  $p = 0,002$ ;  $H_{4b}: \beta = 0,294$ ;  $p = 0,000$  và  $H_{4c}: \beta = 0,166$ ;  $p = 0,000$ ). Finally, relationship investment influences positively to start-up performance, satisfaction, commitments and trust ( $H_{5a}: \beta = 0,120$ ;  $p = 0,072$ ;  $H_{5b}: \beta = 0,335$ ;  $p = 0,000$ ;  $H_{5c}: \beta = 0,306$ ;  $p = 0,000$  và  $H_{5d}: \beta = 0,446$ ;  $p = 0,000$ ). The proposed hypotheses are accepted, none of them are rejected.

	Relationship	Estimate			t	P-value
		B	S.E.	$\beta$		
SATIS	<--- RSI	0,318	0,052	0,335	6,101	0,000
COM	<--- COMQUAL	0,351	0,068	0,294	5,166	0,000
TRUST	<--- COMQUAL	0,204	0,072	0,166	2,840	0,005
TRUST	<--- SATIS	0,176	0,057	0,170	3,090	0,002
COM	<--- RSI	0,426	0,056	0,446	7,625	0,000
TRUST	<--- RSI	0,301	0,063	0,306	4,798	0,000
STARTPERF	<--- TRUST	0,335	0,055	0,369	6,071	0,000
STARTPERF	<--- COMQUAL	0,200	0,064	0,178	3,120	0,002
STARTPERF	<--- SATIS	0,107	0,047	0,114	2,300	0,021
STARTPERF	<--- RSI	0,107	0,060	0,120	1,799	0,072
STARTPERF	<--- COM	0,116	0,060	0,124	1,925	0,054

Table 5. SEM results

Notes: B: unstandardized coefficients,  $\beta$ : standardized coefficients; S.E: standard error

**V. CONCLUSIONS AND MANAGERIAL IMPLICATIONS**

*A. Conclusions*

This study demonstrated a positive relationship between components of RQ and start-up performance. This study result is relevant to the previous studies. For example, satisfaction and trust have a positive relationship (Caceres & Papparoidamis, 2007); satisfaction influences positively to commitments, trust and operating performance (Kuhlmeier & Knight, 2014); and relationship investment influences positively to trust and commitments (Kwon, 2011).

*B. Managerial implications*

To improve start-up performance, start-up firms should have to build qualified relationship with the local start-up support organizations to exert essential supporting resources. Start-up firms should improve these components:

*Trust:* Start-up firms have trust in the information to which start-up support organizations provide, considering them as trustful organizations. Since, start-up support organizations should to give attention to business performance and consider benefits of both sides to ensure the most possible benefit for start-up firms.

*Commitments:* Start-up firms should carry out the commitment of the initial support against agreements for partnership to be persistently lasted and consistently developed over time. Start-up firms effortlessly build and invest to develop the business.

*Communication quality:* Start-up firms should have a continual interaction in strategy deployment process, strategic objectives have to be informed clearly to each side. Members of two sides regularly communicate when implementing strategies.

*Relationship investment:* Start-up firms spend investment in relationship in terms of human resources, capability, technology or supporting system with start-up support organizations.

*Satisfaction:* Start-up firms should coordinate activities with start-up support organizations, interact between managers to make decisions together. Besides, the two sides need to share information, manage linking activities in an honest manner, willingness to cooperate to deliver benefits for both sides.

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