The Influence of Consultant Capacity on Consulting Utilisation by Small Businesses: The Mediating Effects of Relational Embeddedness

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Although previous research has found that the higher the capacity of consultants in the previous preceding study, the higher the influence of consultants on the consulting use of enterprises, this study aims to check the concept of relational embeddedness and consultant capacity because there have been no studies mediated by relational embeddedness. It also aims to study whether the relational embeddedness of consultants is mediated when their capacity affects the use of consulting. The study was conducted on 240 small business owners with consulting experience in Korea. The survey method was utilised in the study. The questionnaire consisted of 30 questions, including five questions for demographics, and measurements were made using a five-point Likert scale. In the empirical analysis, descriptive analysis, exploratory factor analysis and reliability analysis, and a mediating effect test – first-stage multiple regression analysis, and second- and third-stage hierarchical regression analysis- were carried out using SPSS version 22. The results were as follows. First, the consultant's capacity, knowledge, attitude and ability all affected the utilisation of consulting. Accordingly, in order to increase the utilisation of consulting, consultants should improve their capabilities. Second, the consultant's capacity, knowledge, attitude and ability had a positive effect on relational embeddedness. Therefore, the consultant's capacity should be improved to build a relational embeddedness between consultant and small business owner. Third, as a result of testing whether relational embeddedness plays a mediating role on the effect of consultant knowledge, capacity and attitude on the use of consultants, all independent variables were partially mediated. Comprehensive results of the study confirm that the formation of the relational embeddedness between the consultant and the small business is a mediating factor that has a positive effect on the use of consulting results. In general, in SMEs, the consultant's capacity has been mentioned in several previous studies as an important factor influencing consulting utilisation. In this study,

relational embeddedness was identified as a valid mediator when consultant capacity influenced consulting utilisation. Therefore, further in-depth study on the method of forming consultant relational embryo in SME consulting is necessary.

Introduction

Small and medium-sized businesses with limited human resources need external experts to apply the development of technology and management environment. The Korean government has been carrying out consulting support projects on this policy (Song et al., 2014). There is also a trend to increase the size of the support budget every year. If the consultants who participate in the government's consulting support projects do not provide a way for SMEs to use them, the government's budget for supporting consulting to SMES will be reduced. Relational embeddedness is one of the important factors in improving consulting utilisation, so the purpose of this study was to prove whether the relational embeddedness with the small business involved in the consultation mediated whether the consultant's competence affected the use of a consultant. Although the link between the consultant's competence in SME consulting and the impact on the consulting utilisation of the firm has been studied previously (Lee & You, 2012), this study aimed to construct questionnaires by knowledge, capacity and attitudes to prove whether relational embeddedness has a mediating effect in improving the utilisation of consulting by SMEs.

Materials and Methods
Concept of consultant Capacity

In terms of consultant capacity, three characteristics of knowledge, attitude and ability are considered, considering the inward and outward characteristics of the consultant (Lee & You, 2012). Capabilities include the ability of the consultant to detect, analyse and diagnose problems, the ability to present alternatives to problems and the ability to gather information and communicate (Kim, 2017). Attitude refers to a sincere attitude in which a consultant engages in a consulting project. It refers to personal feelings about a problem, which reflect the value of the individual and must choose between personal preferences and the resulting competitive advantage (Jeong, 2017). Knowledge is all knowledge used for consulting, including general management, organisational management and major knowledge. Knowledge refers to facts, concepts, relationships and processes. General knowledge is knowledge of economic, social, political, cultural processes, institutions, and the environment that makes up the general context of consulting, which mediates a particular organisation or system.

Concept of Embedded Relationship

Bonds that are structurally linked to social networks are called embedded relationships. In other words, relational embeddedness can be said to form an intimacy with other members of the social network (in this study, between consultants and small business) and emotional, social and personal ties (Kim, 2017).

Concept of Consulting Utilisation

The consultant presents the results of the management consulting service based on the consultant's capabilities to address the challenges of the small business. Depending on the environment in which the company is located, various obstacles can emerge when implementing the proposed method, such as human resources, time and place. It is therefore hard to say that the problem is solved by the consultant simply presenting their expertise. In order to solve this problem, it can be inferred that the utilisation of management consulting results has an important effect (Baron & Kenny, 1986).

The use of consulting results is a major factor in the success of consulting and occurs at the executive stage of the consulting process (Yoon et al., 2015).

Relationship Between Consultant Capability and Consulting Utilisation

McLachlin (1999) argues that the preparation and participation of the recruitment firms, agreement between the consultant and the recruitment firms, the consultant's competence and integrity, and the use of the consulting results, as well as the control of the sponsoring firm, act as the main success factors for consulting. Lee, In-soo and Lee (2012) state that satisfaction with consulting plays a mediating role in relation to the consultant's competence and attitude, and the participation of small business in consulting utilisation (Lee & You, 2012). Previous studies have continuously verified that greater competence of a consultant is an important factor in increasing consulting utilisation.

Relationship between consulting utilisation and relational embeddedness

Informing a social network, the relationship between each element is based on economic exchange and information exchange. Since the energy required to form a strong network is large, the size and strength of the social network require embeddedness. At this point, the knowledge, attitude and ability of the person in contact with the customer (the consultant) is very important (Kim, 2017). Consultant competence is an important factor influencing relational embeddedness.

Relationship Between Relational Embeddedness and Consulting Utilisation

Relational embeddedness has been studied in various fields. Since small business lacks internal resources, it is necessary to secure necessary resources and information through management consulting. In order to continuously utilise the external resources needed by small businesses, an efficient network with various external stakeholders should be established and utilised (Jang, 2016). The purpose of this study is to examine whether the relational embeddedness of the consultant and small business mediates consulting utilisation.

The Research Model and Hypotheses
Research Model

The purpose of this study is to examine the relationship between the consultant's capacity and the influence on the utilisation of consulting output in small business consulting. Knowledge, attitudes and abilities were selected as independent variables as consultant competencies (Lee & You, 2012). Relational embeddedness was chosen as a parameter in the relationship between consultant capacity and consulting utilisation. Consulting utilisation was selected as a dependent variable based on the study on the effect on consulting utilisation (Yoon et al., 2015). Based on these previous studies, the hypothesis was constructed to empirically analyse whether the consultant's capacity mediates the relational influence on the relationship of influence to enhance the utilisation of small business consulting. The research model for this study is shown in Figure 1.
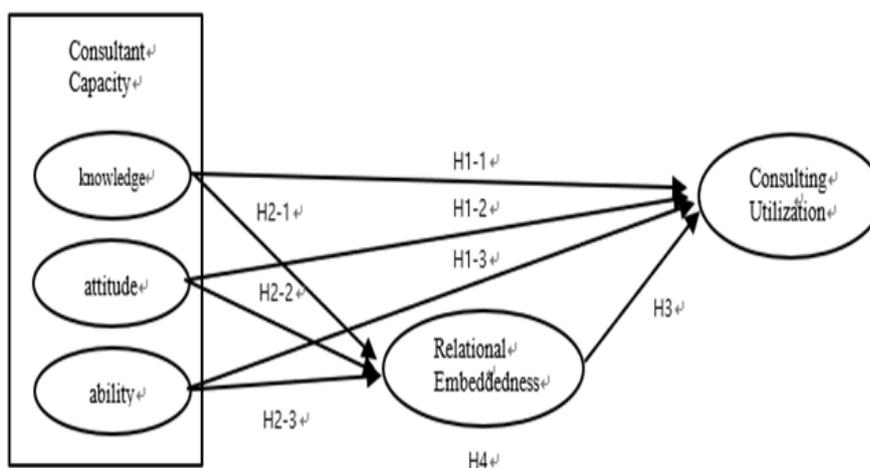

Figure 1. Research model

Research hypotheses

Based on the above research model, the following research hypotheses were established regarding the relationship among the consultant capacity on consulting utilisation.

H1.1   Knowledge will have a positive effect on consulting utilisation

H1.2   Attitude will have a positive effect on consulting utilisation

H1.3   Ability will have a positive effect on consulting utilisation

H2.1   Knowledge will have a positive effect on relational embeddedness

H2.2   Attitude will have a positive effect on relational embeddedness

H2.3   Ability will have a positive effect on relational embeddedness

H3.1   Relational embeddedness will have a positive effect on consulting utilisation

H4.1   In relation to knowledge and consulting utilisation, relational embeddedness will have a mediating effect.

H4.2   In relation to attitude and consulting utilisation, relational embeddedness will have a mediating effect.

H4.3   In relation to ability and consulting utilisation, relational embeddedness will have a mediating effect.

Operational Definition of Variables

The operational definition of each variable is summarised in Table 1.

Table 1: The operational definition of each variable

Evaluation items	Measurement variable	Operational definition	Configure Questionnaire	Researcher
Consultant capacity	Knowledge	Management-wide knowledge required for consulting, specialised field knowledge, knowledge required for analysis	5 questions	(Shin & You, 2012)
	Attitude	Ethical conduct and responsibilities for consultants in consulting	5 questions	
	Ability	Ability to collect and analyse information necessary to carry out consulting work, diagnose problems of clients, and suggest alternatives	5 questions	
Relational embeddedness		Emotional and social bond strength and intimacy between consultant and small business based on social network Measures include mutual satisfaction, social relations, understanding of grievances, response to hardships, exchange of personal relationships, and intimacy between consultants and small business.	5 questions	(Shin et al., 2015)
Consulting utilisation		Management's willingness to use consulting results, increase communication and training opportunities among employees to utilise consulting results, and actual work utilisation rate of consulting results	5 questions	(Ryu, 2017); (Kim, 2009)

Results and Discussion
Empirical Results
Demographic characteristics analysis

The total number of samples used in this study is 246. Frequency analysis was performed on the general characteristics of the sample distribution. As a result, 58.9 per cent (145) were male and 41.1 per cent (101) were female. The highest age group were in in their fifties (64.2 per cent, or 158) and 16.3 per cent (40) were in their thirties. The highest level of education was 29.3 per cent (72) for university graduates or above and 26 per cent (64) for high school graduates.

Descriptive analysis

The results of analysing the data collected by the management consultants who are actually consulting are as follows. Individual measurement variables were found to follow a normal distribution with a standard deviation of 3 or less, absolute skewness of 3 or less and kurtosis statistical value of 3 or less.

Exploratory factor analysis and Reliability analysis

An exploratory factor analysis was conducted to test the validity of individual measurement variables. Principal component analysis was used and the rotation method was Varimax. In this study, factor analysis was conducted eight times. The KMO index value was 0.928, which is more than 0.7, a general level. The result of Bartlett's unit matrix showed that the χ^2 (p) value was 0.000, which is smaller than the general level of 0.05. Consultant attitudes 5 and relational embeddedness 5, which are measures of discrimination and discriminant validity, were removed and classified into five factors. In the reliability analysis, internal consistency reliability was analysed using Cronbach's alpha to secure the homogeneity between the measured variables obtained from the exploratory factor analysis. As a result of the reliability analysis, Cronbach's alpha for all the measured variables was more than 0.6, which is a general level.

Table 2 presents a summary of the exploratory factor analysis and the reliability analysis results.

Table 2: Exploratory factor analysis and reliability analysis

Measurement item	Exploratory factor analysis (Intensive validity & Discriminant validity)					commonality	Reliability analysis
	ability	Consulting Utilisation	knowledge	Relational Embeddedness	attitude		Cronbach's alpha
ability3	**.789**	.182	.197	.184	.103	.738	
ability2	**.780**	.124	.055	.197	.186	.700	
ability4	**.767**	.271	.190	.028	.118	.713	**.882**
ability5	**.763**	.263	.103	.114	.125	.691	
ability1	**.683**	.170	.206	.270	.010	.611	
Consulting Utilisation3	.323	**.733**	.163	.169	.131	.714	
Consulting Utilisation4	.291	**.727**	.233	.322	.142	.792	
Consulting Utilisation1	.146	**.715**	.200	.141	.169	.621	**.892**
Consulting Utilisation2	.227	**.714**	.231	.324	.055	.722	
Consulting Utilisation5	.257	**.671**	.186	.306	.177	.677	
knowledge5	.267	.271	**.710**	.270	.143	.742	
knowledge1	.133	.112	**.706**	.348	.095	.659	
knowledge3	.219	.089	**.698**	.309	.044	.641	**.859**
knowledge4	.235	.229	**.698**	.228	.201	.687	
knowledge2	-.005	.333	**.672**	.011	.232	.616	
Relational Embeddedness4	.193	.245	.240	**.737**	.131	.715	
Relational Embeddedness3	.195	.211	.287	**.719**	.105	.693	
Relational Embeddedness1	.142	.346	.203	**.703**	.167	.704	**.876**
Relational Embeddedness2	.262	.279	.265	**.687**	.167	.717	
attitude1	.038	.098	.014	.202	**.807**	.704	
attitude2	.157	.208	.369	-.084	**.641**	.622	
attitude3	.332	.147	.219	.260	**.570**	.573	**.747**
attitude4	.245	.235	.410	.339	**.512**	.660	
Eigen-value	3.749	3.447	3.372	3.109	2.035		
% of Distributed	16.298	14.988	14.660	13.515	8.846		
Accumulative rate (%)	16.298	31.286	45.946	59.461	**68.308**		
Kaiser-Meyer-Olkin Sample Fit							**.928**
Bartlett's unit matrix test	Approx-imate chi square	3415.268	df	253	p-value		**0.000**

Correlation analysis

As a result of exploratory factor analysis, the correlation between the variables and the degree of directionality and denseness of the variables were computed by averaging the measured variables with homogeneity obtained through reliability analysis. Knowledge showed high correlation with relational embeddedness at 0.649 **, followed by consulting utilisation and Pearson correlation coefficient at 0.610 **. As a result of correlation analysis, all variables were statistically significant (r≥ .05). Therefore, the causal relationship among the constructs could be analysed. Table 3 summarises the correlation analysis results.

Table 3: Summary of correlation analysis results

Constructs	N	Mean	Standard deviation	Knowledge	Attitude	Ability	Relational embedded-ness	Consulting utilisation
Knowledge	246	3.9537	.63165	1	.599**	.498**	.649**	.610**
Attitude	246	3.6961	.62588	**.599****	1	.489**	.543**	.553**
Ability	246	3.5691	.62022	**.498****	**.489****	1	.531**	.601**
Relational Embeddedness	246	3.9238	.65234	**.649****	**.543****	**.531****	1	.668**
Consulting Utilisation	246	3.7829	.66310	**.610****	**.553****	**.601****	**.668****	1

**. The correlation is significant at the .01 level (both sides).

Test of Hypotheses

To test the hypotheses of this study, SPSS version 22 was used. Table 4 summarises the hypothesis test results between consultant competency and consulting utilisation.

Table 4: Summary of multiple regression analysis

Hypothesis	Constructs	B	β	t	p-value	VIF	Results
	(Constant)	.374		1.719	.087		
H1-1	knowledge	**.341**	**.325**	**5.529**	**.000**	**1.707**	accept
H1-2	attitude	**.200**	**.189**	**3.233**	**.001**	**1.688**	accept
H1-3	ability	**.370**	**.346**	**6.421**	**.000**	**1.439**	accept
R2=.511, Adjusted R²=.505, F=84.191(p = <.001), Durbin-Watson=2.051, Dependent Variable: Consulting utilisation							
	(Constant)	.631		2.909	.004		
H2-1	knowledge	**.444**	**.430**	**7.217**	**.000**	**1.707**	accept
H2-2	attitude	**.179**	**.172**	**2.897**	**.004**	**1.688**	accept
H2-3	ability	**.245**	**.233**	**4.260**	**.000**	**1.439**	accept
R²=.496, Adjusted R²=.490, F=79.509(p = <.001), Durbin-Watson=2.110, Dependent Variable: Relational Embeddedness							
	(Constant)	1.117		5.803	.000		
H3	Relational Embeddedness	**.679**	**.668**	**14.035**	**.000**		accept

R2=.447, Adjusted R2=.444, F=196.971(p = <.001), Durbin-Watson=1.927 Dependent Variable: Consulting Utilisation

Mediating Effect Analysis

To analyse the relationship between relational embeddedness and consulting utilisation, the three-step analysis was conducted using the three-step approach of Baron and Kennyu (1986). In the first step, hypotheses H1.1, H.2 and H.3 were all accepted as consultant's capacity has a positive effect on consulting utilisation. In the next step, also hypotheses H2.1, H2.2 and H2.3 were accepted as consultant capacity has a positive effect on relational embeddedness. In the third step, hypotheses H4.1, H4.2 and H4.3 were all accepted. In relation to the impact of the consultant's capacity on consulting utilisation, the relational embeddedness of the consultant and the small business was partially mediated.

Figure 2 shows the result of the relation embeddedness analysis of the influence of the consultative relationship between the consultant and the small business on utilisation of consulting.
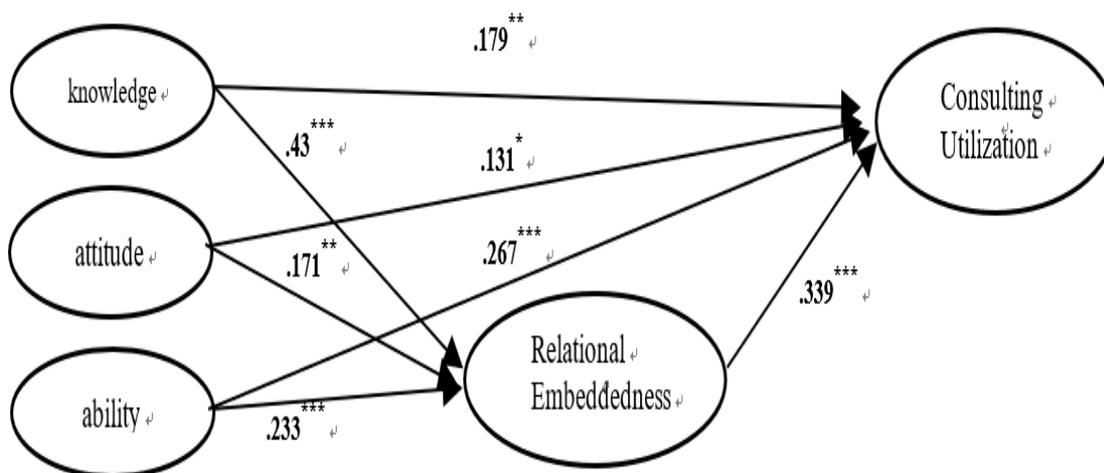

Figure 2. Analysis on the effect relationship of relational embeddedness on consulting utilisation

Table 5 presents a summary of the results of the relational embeddedness of the impact of the consultative relationship between the consultant and small business on the utilisation of consulting.

Table 5: Summary of effect of relationship analysis and relational embeddedness on consulting utilisation

constructs	Step1		Step2		Step3	
	Dependent variable:		Dependent variable:		Dependent variable:	
	Consulting utilisation		Relational embeddedness		Consulting utilisation	
	B	Beta	B	Beta	B	Beta
(constant)	0.374		0.631		0.156	
knowledge	0.341	**0.325*****	0.444	**0.43*****	0.188	**0.179****
attitude	0.2	**0.189****	0.179	**0.171****	0.138	**0.131***
ability	0.37	**0.346*****	0.245	**0.233*****	0.286	**0.267*****
Relational Embeddedness					0.345	**0.339*****
R^2	**0.511**		**0.496**		**0.569**	
R^2 (Adjusted $R^{2)}$	**0.505**		**0.49**		**0.561**	
F	**F=84.191*****		**F=79.509*****		**F=79.424*****	
Durbin-Watson	2.051		2.11		2.003	

p-value : *$P< .05$, **$p< .01$, ***$p< .001$

Conclusion

For small businesses, consulting is a necessary way to make up for scarce human and other resources. The consultant's capacity depends on their capabilities, which is why the consultant's competence is an important factor. In this study, the relation embeddedness between the consultant and small business had a positive effect on consulting utilisation. As a result of the above study, it can be confirmed that the formation of the relational embeddedness between the consultant and the small business is a mediating factor that has a positive effect on the actual use of consulting results. Further research is needed to contribute to increasing the utilisation of consulting by steadily researching plans for relational embeddedness between consultants and small business in SME consulting. Since this study surveyed only small businesses with consulting experience in Gyeonggi area, there may be a problem with generalisating the results, and there are limitations in the research that may show differences in perspective.

Acknowledgment

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