THE INTERNATIONAL JOURNAL OF HUMANITIES & SOCIAL STUDIES

Relational Capital and Its New Component

Neha Kashyap
Research Scholar, Delhi School of Economics, Delhi University, India

Abstract:
The purpose of this study was to establish the relationship between relational capital and its component. To help in the study, the study objectives were formulated together with a conceptual framework that linked relational capital and its components. Somewhere is given, the benefit to the organization, to improve their performance. Therefore, managers should intensify initiatives to encourage greater understanding and acceptance on relational capital elements, employ a viable relational capital composition that includes building strong social relational ties with the community and competitors, and pay attention to customers and employees in order to identify their needs and provide optimal value for them. This is likely to increase organization performance.

1. Introduction

This study basically shows the new component of relational capital. Relational capital is a part of intellectual capital .Although relational capital is not used so much in Indian context. Basically it focus on relationship of organization and their stakeholder, how an organization can boost their relationship with their stakeholders like customer capital, government, strategic alliance partner etc. now a days it is very important not only know the relational capital but we have to focus the component which can have better relationship among the factors and we should boost that and rest of the factors we have to improve. If organization is able to know their factor then there is place of rivals in market

2. Objective of Study

The main objective of this study is to find out the new component of relational capital on the basis of literature

3. Intellectual Capital

According to Bueno (1998), intangible assets or Intellectual capital are those joint assets of an organization, which are not recorded in a company's financial statements but have generated or will generate value to the organization in the future. The difference between market value and book value is intellectual capital which improves the market value of the firm. It is the firms' assets or non financial resources that underpin future growth (Levi, 2000)

4. Relational Capital

Relational capital is defined as the organizational association with internal and external stakeholders of the firm, including with customers, employees, suppliers, industry associations, stakeholders, and strategic alliance partners (Kannan & Aulbur, 2004; Ordonez de Pablos, 2003). It is the value of the relationships between the firm and its environment. The main indicators are reputation, strategic alliance, customers, suppliers and connection to other agents (Eduardo et al., 2004). Thus, we can see a firm as a nexus or network of relationships that consist of intangible processes and activities useful for generating intangible resources (Bueno, 2002). However, Bueno, (2002) attempted to divide relational capital into business capital and social capital. Furthermore, he subdivided social capital into social integration capital and social innovation capital.

The main theme of relational capital is the level of mutual trust, respect and friendship that arises out of close interactions between internal and external partners (Kale et al., 2000). Relational capital includes company image, customer loyalty, customer satisfaction, and interaction with suppliers by employees, negotiating capacity, distribution channels, supplier channels, licensing agreements, and franchising agreements (Starovic & Marr, 2003). Relational capital is the knowledge accumulated by the firm as a result of its exchanges with third parties and the potential for future knowledge accumulation as a result of such exchanges. Its value to the firm is directly related to the length of the relationship with third parties (Ordonez de Pablos, 2004).

A famous American economist holds that "in 1929, intangible asset to tangible asset ratio was 30/70. But in 1990, the ratio was 63/37 (Brennan and Connell, 2000). Liu holds that "10 to 15% of all companies market cost is tangible and physical asset and the remaining 85% is intangible asset (Ghelichli, 2009;). Therefore, not only do companies have to identify, assess and manage intangible assets but also they need to raise and improve the assets, otherwise, they would be collapse (Cohen and Kaimenakis, 2007).

5. Why Is Relational Capital Important?
There are two primary reasons why Adecco explored the idea of relational capital:

5.1. Valuation
To strengthen an organization's value, it is essential to define, understand and effectively communicate the success/ strength of its intangible assets.

5.2. Performance
In today's knowledge economy, it is easy for competitors to purchase the same technology, develop a similar product, secure additional financing, etc. As a result, performance is increasingly being driven by sources of capital that are difficult for competitors to capture and replicate, such as relational capital.

6. Component of Relational Capital
As we stated, it refers to the value of the organization of the relationships which it maintains with the main agents connected with its basic business process.

6.1. Relationships with external customers: relationships with different segments of external customers who demand or could demand the goods or services which make up the basic business process of the entity.
- Relevant external customer base
- External customer loyalty
- External customer satisfaction
- External relationship processes
- Distribution network

6.2. Relationships with suppliers: relationships with different suppliers of resources necessary for the basic business process of the entity. As the main variables:
- Formalization of supplier relationships
- Technological support
- Personalization of products and services
- Suppliers' response capacity

6.3. Relationships with shareholders, institutions, and investors: relationships maintained with the shareholders, institutions and investors which make up the market in which the organization operates
- Relationships with shareholders and institutional investors
- Relationships with market institutions
- Business participation relationships

6.4. Relationships with allies: Collaboration agreements which the organization maintains with a certain level of intensity, continuity, and structure with other institutions.
- Allie base
- Solidity of the alliances
- Benefits of the alliances

6.5. Relationships with competitors: existing relationships with other competitors in the same industry as well as in related sectors.
- Knowledge of competitors
- Relationships processes with competitors

6.6. Relationships with quality improvement and promotion institutions: relationships which the firm maintains with quality promotion and improvement institutions, with the aim of improving this one in its processes, products, and services as well as in the management company.
- Relationships with quality improvement
- Certification and quality systems

6.7.Relationships with public administration: interaction with the institutional apparatus which tries to objectively promote the general interests of society.
- Co-operation with public administration
- Participation in public management

6.8. Relationships with the media and corporate image: relationships which the institution maintains with the mass media to increase the profile of the brand as well as the reputation an name of the company.

- Trade mark recognition
- Relationships with the media

6.9. Relationships with environmental protection: preservation of the natural environment and promotion of ecological initiatives.
- Relationships with environmental protection institutions
- Environmental codes and certifications

6.10. Social relationships: relationships with trade union organizations, institutions in the labour market, leading to the creation, job-quality, and stability of employment.
- Relationships with trade unions
- Relationships with labour market institutions

6.11. Corporate reputation: relationships which the organization maintains with different social agents (markets, institutions, citizens, and external consumers) as well as the actions which lead to a favorable social perception.
- Codes of organizational behavior
- Corporate governance code
- Social action

Relationships for the defence and protection of artistic and cultural heritage
Relationships for the economic development of the surroundings in which operates.
Relationships for social solidarity and cohesion and which help the social integration of the disable and citizens who are subject to discrimination
Relationships for the technological and scientific development of the social surroundings in which the organization acts.
Relationships with the consumer protection organizations.

7. Different Perception towards Relational Capital

Authors	Relational capital includes.	Perception
Tsai & Ghoshal, (1998)	• Relationship among employees • Shared codes or share paradigm • Common understanding	The relationships among employees are embedded in attributes like a shared code or a shared paradigm that facilitates a common understanding of collective goals and proper ways of acting in a social system.
Ordonez de Pablos, (2005)	• Knowledge accumulated • Exchange with third party • Length of relationship	Relational capital is the knowledge accumulated by the firm as a result of its exchanges with third parties and the potential for future knowledge accumulation as a result of such exchanges. Its value to the firm is directly related to the length of the relationship with third parties.
Starovic & Marr, (2003).	• Company image • Customer loyalty • Satisfaction • Interaction • License agreements • Franching	Relational capital includes company image, customer loyalty, customer satisfaction, and interaction with suppliers by employees, negotiating capacity, distribution channels, supplier channels, licensing agreements, and franchising agreements .
Tomasz & Kijek, (2008)	• Relationship employees • With customers • With suppliers	Relational capital is represented by relationships among employees and within customers and suppliers.
Kale et al., (2000)	• Mutual trust • Respect • Close interaction	The main theme of relational capital is the level of mutual trust, respect and friendship that arises out of close interactions between internal and external partners
Morgan and Hunt, (1994)	• Partner's reliability • Confidence • Long term relationships	Relational capital includes trust, and trust is as existing when one party has confidence in an exchange partner's reliability and integrity. Trust is embedded in a particular exchange relation, and becomes a fundamental basis of long-term relationships between partners.
Bueno, (2002)	• Network	We can see a firm as a nexus or network of relationships that consist of intangible processes and activities useful for generating intangible resources.

Cic, (2003)	• Firm • environment	Relational capital (RC) refers to the value of the relationship between the firm and its environment.
Euroforum, (1998)	• main agents • business processes • social agent	Relational capital can be business capital i.e. the value the relationship that the organization maintains with the main agents connected with its business processes, and social relational capital which the organization maintains with other social agents and it's surrounding.

Table 1

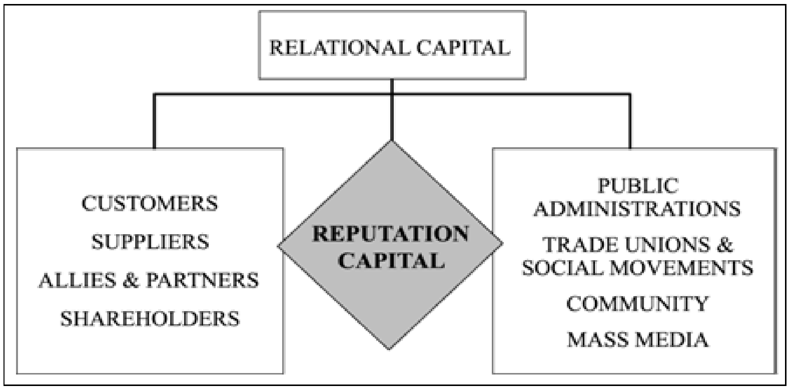

Figure 1

- Important aspects of the relational capital
  In the following some essential aspects of relational capital will be included.
- Long-term aspect
  As the parties interact over time, they build a base of understanding of each other through the sharing of information. The greater the knowledge of the other party, the greater one's partner specific absorptive capacity[1] for continued learning. A strategy reflecting ambitions and long term perspective signal certain seriousness. This seriousness could return added value and increased attractiveness from the external stakeholders.
- The satisfactory and loyalty aspect
  The satisfaction of the customer is crucial for success. Satisfaction is vital for the ability to create value for the customer. Loyalty on the other hand is a continuation of satisfactory behavior. Other essential key words are loyalty and image of the relational capital. To continue a relationship it is relevant to have an uncomplicated relation between the stakeholder and the organization.
- Franchising
  Franchising is a business relationship grounded in a licensing agreement between two independent firms. It can be categorized into two primary forms: product distribution and business format franchising.
- Collaboration
  For many years, multinational corporations could compete successfully by exploiting scale and scope economies or by taking advantage of imperfections in the world's goods, labor and capital markets. But these ways of competing are no longer as profitable as they once were. In most industries, multinationals no longer compete primarily with companies whose boundaries are confined to a single nation.

A company should not collaborate across units for collaboration's sake alone, of course, but only if it can reap economic benefits by doing so. The potential varies by company; for instance, a firm with many related businesses or country subsidiaries stands to benefit more than a loose conglomerate of businesses. And the type of benefits will vary, too, from among five major categories:

- Cost savings through the transfer of best practices;
- Better decision making as a result of advice obtained from colleagues in other subsidiaries;
- Increased revenue through the sharing of expertise and products among subsidiaries;
- Innovation through the combination and cross-pollination of ideas; and
- Enhanced capacity for collective action that involves dispersed

8. Refernces

1. Brennan N, Connell B (2000). "Intellectual capital: Current issues and policy implications". J. Intellect. Cap. vol. 1(3), pp. 206-240.
2. Bueno, E. (1998), "Medicio`n del capital intellectual: Modelo intellect", innstituto Universitario Euro forum escorial, Madrid.
3. Bueno, E. (2002), "Medicio`n del capital intellectual: Modelo intellect", innstituto Universitario Euro forum escorial, Madrid.

4. Cohen S, Kaimenakis N (2007).” Intellectual capital and corporate performance in Knowledge-intensive SMEs”. Learn. Org. vol. 14(3), pp. 241- 262.
5. CIC (2003), Modelo intellectus: Medicio`n y Gestio `n del Capital intellectual, Centro de investigacio`nsobre la Sociedad del Conocimiento, Madrid.
6. Ghelichli B (2009).” Knowledge management: The process of creation, sharing and application of intellectual capital in business’s”. Samt Publication, Tehran. pp. 75-91.
7. Kale, P.; Singh, H.; Perlmutter, H. (2000). Learning and protection of proprietary assets in strategic alliances: Building relational capital. Strategic Management Journal, vol. 21, pp. 217-37.
8. Ordonez de Pablos P (2005). “Intellectual capital reports in India: Lessons from a case study”. J. Intellect. Cap., vol. 6(1), pp. 141-149.
9. Ordonez de Pablos P (2005). “Intellectual capital reports in India: Lessons from a case study”. J. Intellect. Cap., vol. 6(1), pp. 141-149.
10. Euroforum (1998), Medicio´n del Capital Intelectual: Modelo Intelect, Instituto Universitario Euroforum Escorial, Madrid