Social Relational Capital

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Abstract:
The purpose of this study was to establish the relationship between relational capital and organization performance in automobile sector. To help in the study, the study objectives were formulated together with a conceptual framework that linked social capital and its components to organization performance. Organization performance was measured using attributes like profitability and future viability. A cross sectional, descriptive and analytical research design was adopted using a representative sample of 10 top automobile companies and 100 respondents from these organizations. Data was collected using a self-administered questionnaire to the automobile sector under study. The data was analyzed using SPSS (version 16.0), then manipulated using cross tabulations, Pearson's correlation coefficient and the regression to determine the relationship between the independent variables impact on the dependent variables. Social capital improves, organization performance increases. The results further revealed that social capital is significantly related to organization performance. Therefore, managers should intensify initiatives to encourage greater understanding and acceptance on social capital elements, employ a viable social 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.

Keywords: *Organization performance, Relational Capital*, *Social relationship*

1. Introduction

Social capital creates local economic prosperity. This finding by Putnam (1993a), Fukuyama (1995), Coleman (1988, 1990) and other social scientists has lent legitimacy to what those involved in community economic development have known intuitively for years: the level of inter-personal trust, civic engagement and organizational capability in a community counts. Their research indicates that the lack of, or decline in, social capital lies behind the psychological, spiritual and economic malaise in communities throughout the world. While there is a rich literature deploring the lack of civic commitment and the rise of individualism (Bellah et al., 1985, 1991; Etzioni, 1994; Lappe and DuBois, 1994), the social capital literature gives the issue a more compelling rationale for urgency: the bottom line. Just as the inter-personal aspects of total quality management (TQM) ushered in trust-building and team-building to the private and public sectors (Deming, 1982; Osborne and Gaebler, 1992), the concept of social capital brings these values centre stage in the so-called third sector: civil society. The recognition of social capital as a determinant of local economic development directs the attention of development planners to a very intangible goal. In addition to creating jobs, disbursing loans, generating income, training the labour force and delivering services, development planners must now confront head on the fuzzy task of shaping levels of inter-personal trust, feelings of belonging and responsibility, and the quality of civic engagement in a com- munity. These intangibles can no longer be relegated to quaint touchy-feely by-products of community economic development. A central task for development planners is now social capital formation i.e. community- building itself.

2. Social Capital and Community Economic Development

The term social capital has been used to describe what the Frenchman Alexis De Tocqueville observed in the US in 1835Ð a propensity for individuals to join together to address mutual needs and to pursue common interests. What he described was the level of community, community spirit, civic engagement, a sense of individual stewardship or trusteeship for the common good, a sense of being recognized and valued, a sense of belonging. He noted that it was the influence of customs [social capital] that produces the different degrees of order and prosperity which may be distinguished in the several Anglo-American democracies. (cited in Daly and Cobb)

There is strong indication that social capital has been eroding in the US, reflecting the rise of deeply ingrained individualism concomitant with advanced industrial society (Bellah et al., 1985). Lack of social capital is also pointed to as a major problem in less developed countries and newly emerging democracies, which Fukuyama categories as low-trust cultures. Social capital increases a community's productive potential in several ways (Putnam, 1993b). It promotes business networking; shared leads, equipment and services; joint ventures, faster information and more agile transactions.

Lechner et al. (2006) define social networks as the relationships with other firms that stem from relations with friends, relatives, and long-standing colleagues, prior tothe foundation of the firm. Social networks have benefits like providing the actors means to acquire information, accessing new ideas and information, and generating collective learning through the exchange of this knowledge. Anderson and Jack (2002) indicate that the social network approach has been used in two ways: to demonstrate personal networks of the owner manager of a new venture, which allows access to resources and information, and to demonstrate social embeddedness and the associated dynamics of economic exchange.

The studies that have included other developed countries are mainly cross-national studies using a single measure, for instance that of generalized trust, and examine the correlation with growth rates, i.e. at the macro level. Therefore, we aim to close this gap between purely micro level and "ad hoc" studies of social capital on one side, and the (too) simple macro economic studies on the other. The underlying considerations of constructing the questionnaire for this purpose can be most accurately illustrated by the point that "social capital is an aggregate concept that has its basis in individual behavior, attitudes, and predispositions" (as noted by BrehmandRahn, 1997).

The concept of social capital is new within the economics area but has old roots within the other social sciences, see Paldam and Svendsen (2000a). Having said that, a slight distinction between sociologists and economists can be claimed though, as sociologists tend to be more diverse in their interpretation of the concept, whereas economists are less so. But even when staying within the science of economics, there is still no complete agreement on the definition of the concept of social capital. Dasgupta (1999) describes in an essay both the sociological and the more economical background for the use and interpretation of social capital.

First of all, social capital can be analyzed at various levels in society, i.e. at the micro level (individual/household/neighborhood level), the meso level (institutions) and the macro level (national level). Or as Narayan and Pritchett (2000) put it, the literature on social capital can be separated into three "streams", the first of which is concerned with country level politics (including the growth aspect), whereas the second focuses the meso-level (efficacy of institutions in a broad sence of the word). Finally the third part of the literature views social capital as a resolution of market failures at the micro level. Concerning measurement, this distinction does not tend to cause any major problems as various authors seem to agree upon this distinction into three levels. At the micro level social capital consists of networks and norms that govern the interactions among individuals, households and communities. Progressively, the relationship of intangibles with operational performance started to be examined under the prism of human capital (Hanson, 2004) A growing number of recent research efforts examines the economic significance of intangibles within the context of a broader and more abstract concept, that of intellectual capital (Steward, 1991). Intellectual Capital (IC) is a broad concept including the knowledge and the learning capabilities of an organization. It is manifested as the synergy of knowledge resources associated with the human assets (i.e. human capital), the organizational structures (i.e. structural or organizational capital) and the external social partners (i.e. customer, or relational or social capital) of an organization. Existing empirical research has, primarily, focused on investigating the relations between IC and operational and financial performance of profit seeking organizations.

3. Component of social capital

The scope of this study is to analyze the relation between intellectual capital (social relational capital) and performance within the context of the public sector organizations and Local Governments in partic ular.

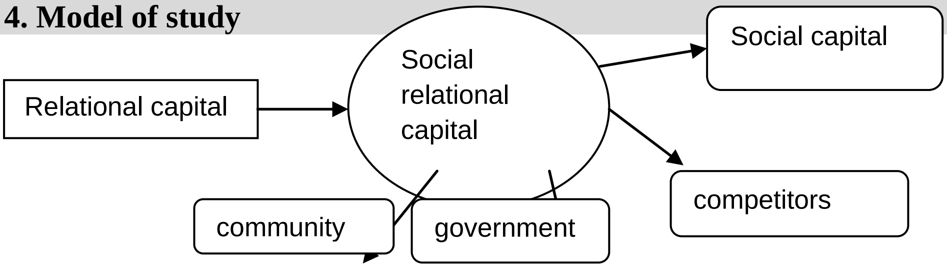
3.1 Relationships with competitors: existing relationships with other competitors in the same industry as well as in related sectors. - Knowledge of competitors - Relationships processes with competitors

3.2 The relationships among employees, board of directors are embodied in attributes like a shared code or a paradigm that facilitates a common understanding of collective goals and proper ways of acting in social systems (Tsai, & Ghoshal, 1998). Moreover, the compatibility of individuals` values with an enterprise's allows the employees to trust one another and pursue the collective goals by sharing knowledge and team working.

3.3 An external Community of practice is a group whose members(clients and employees) regularly engage in sharing and group learning based on common interest, mutual trust and collaboration.

3.4 Relationship with government - It includes the relationship between government and an organization. What are the responsibility of an organization regarding their social liability to pay the taxes in time.

4. Model of study



5. Objective of Study

1. To find out the consequences of social relational capital
2. To find out the relationship between social capital and relational capital

6. Hypothesis of the study

1. There is no relationship between social capital and relational capital.
2. Social relational capital is not a consequence of relational capital.

7. Research Methodology

The methodology will be based in two main aspects: a) theoretical research and b) developing an empirical methodology to prove the theory. A full application of the methodology to a broader analysis is out of scope for this work, as it would require a huge empirical amount of data. The empirical information is not an intention to be statistically or representative correct, but more an approach to get a quantity of empirical data and try to correlate it with existing theory. Hence a sample study is proposed.

8. Data Collection

The proposed study would collect data from both primary and secondary sources. Secondary data will be collected from published books, journals, and periodicals, etc., along with manuals, annual reports, and other reports of different companies in India. Primary data to test the hypotheses would be collected by administering a structured questionnaire to a sample of 100 individuals working in automobile sector.

9. Research Design

The approach and design that best met the research objectives and research was the use of cross sectional design combined with descriptive and analytical research design. Descriptive research design helps in establishing the characteristics of the variables and their relationships respectively while analytical research design was used to establish the quantitative relationship between relational capital components and organization performance in automobile sector.

10. Result of the Study

Table shows the model fit summary which shows regression, residual. Overall reliability is 0.843 which shows a good sign in terms of trust of statement. All the variable have positive high correlation which depicts the strong relationship among the variables.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.655[a]	.429	.405	5.49097

a. Predictors: (Constant), social, community, govt, customer

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2155.518	4	538.880	17.873	.000[b]
	Residual	2864.322	95	30.151		
	Total	5019.840	99			

a. Dependent Variable: org

b. Predictors: (Constant), social, community, govt, customer

Reliability Statistics

Cronbach's Alpha	N of Items
.843	5

Correlations

		Community	govt	customer	social	org
community	Pearson Correlation	1	.604**	.700**	.589**	.630**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	100	100	100	100	100
govt	Pearson Correlation	.604**	1	.610**	.752**	.460**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	100	100	100	100	100
customer	Pearson Correlation	.700**	.610**	1	.699**	.560**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	100	100	100	100	100
social	Pearson Correlation	.589**	.752**	.699**	1	.483**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	100	100	100	100	100
org	Pearson Correlation	.630**	.460**	.560**	.483**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	100	100	100	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

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