THE IMPORTANCE OF RELATIONAL CAPITAL

THE 21ST CENTURY BUSINESS ENVIRONMENT

Today's business leaders face incredible challenges. They participate on teams, manage functional groups, and basically do their best to help fellow employees manage the pressures of their jobs. The Internet and pace of communications puts business leaders on call 24/7 with seemingly little time for anything but meeting the bottom line.

On that point, the Harvard Business Review recently noted that there are two main factors colliding with traditional management process and structure in the 21st Century business environment:

1. **The movement toward more collaborative management structures.**
2. **The urgency of work due to the pace of technology.**

As recently as a couple of decades ago, traditional management structure was still largely intact, with the familiar hallmarks of vertical, command-and-control decision making that proceeded slowly within departmental silos.

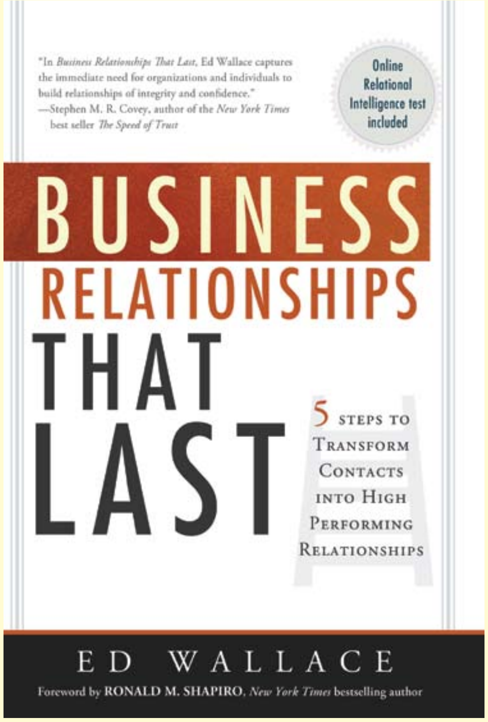
With the tsunami of technological change occurring in the 1980s and 1990s—including the process improvements inherent in enterprise-wide systems like SAP and Oracle, and tools like Lotus Notes—traditional management has been widely replaced by flattened, matrix-style organizations. These organizations are characterized by collaboration and virtual teaming with distributed leadership and, at times, lack of clarity on who is actually making the decisions.

The flow of work, which once could bog down and be traced to a single, isolated individual or department, is now broadly influenced by large numbers of project participants, whose collective stake in project outcomes creates a relentless sense of urgency to drive completion of the tasks at hand.

The information overload and the breathtaking pace of today's work environment have left many business leaders struggling just to keep up, let alone to manage effectively.

Consequently, at an individual level, business relationships have suffered significantly; they're often reduced to a series of short-term transactions between Blackberries, not people! Suddenly, checking items off our to-do lists is mistaken for actual performance.

I can't tell you how many times that I emailed the person in the office right next door to me! An opportunity to handle something in person was handled electronically, simply due to the number of emails that I had to



Business Relationships That Last, like Jerry Acuff's *The Relationship Edge in Business* and Keith Ferrazzi's *Never Eat Alone*, teaches that personal interaction and trust are critical to business success, and equips readers with the tools they need to implement this concept into their daily operations.

> **"The more people who use the principles and practices in this book to deepen their relationships, the richer we'll all be—and happier!"**
>
> **—Keith Ferrazzi, bestselling author of *Never Eat Alone* and *Who's Got Your Back?***

ABOUT THE AUTHOR

Ed Wallace graduated cum laude from Villanova University, was a Teaching Fellow at Drexel University while he earned his MBA, and has a CPA designation in the State of Pennsylvania. He is president of The Relational Capital Group, which focuses on helping professionals advance the key relationships that most impact their performance.

dispense with. At other times, I've left work on a Friday feeling like I added value to my company, based solely on the fact that I had emptied this same email inbox!

However, there remain two constants through all of these 21st Century dynamics:

1. **Business is still driven by people and relationships, not tasks or project plans.**
2. **People have not changed in regard to their need for human interaction and outstanding business relationships.**

INTANGIBLE ASSETS

Over half the market value of Fortune 500 companies today is contributed by intangible assets:

- These intangible assets include intellectual property, brands, corporate reputation, employees, acquired goodwill and customer relationships
- These intangible assets are also critical sources of income, referrals, repeat business, financial growth and competitive differentiation.

In fact, the intangible assets comprised of customer, employee and supplier relationships are sometimes referred to as Relational Capital. The Relational Capital of companies is so important and valuable that some investors will pay a large premium above book value to own shares of these companies.

The same perception of value can be applied to people when calculating and growing their personal net worth in life and business.

Your intangible assets include your knowledge and skills, educational background, reputation and your personal and professional relationships.

Your intangible assets:

- Provide access to business and career opportunities that generate income
- Attract people and business opportunities to you
- Generate referrals and repeat business
- Create a network of people that can offer help and resources to you
- Make your life and career more enjoyable

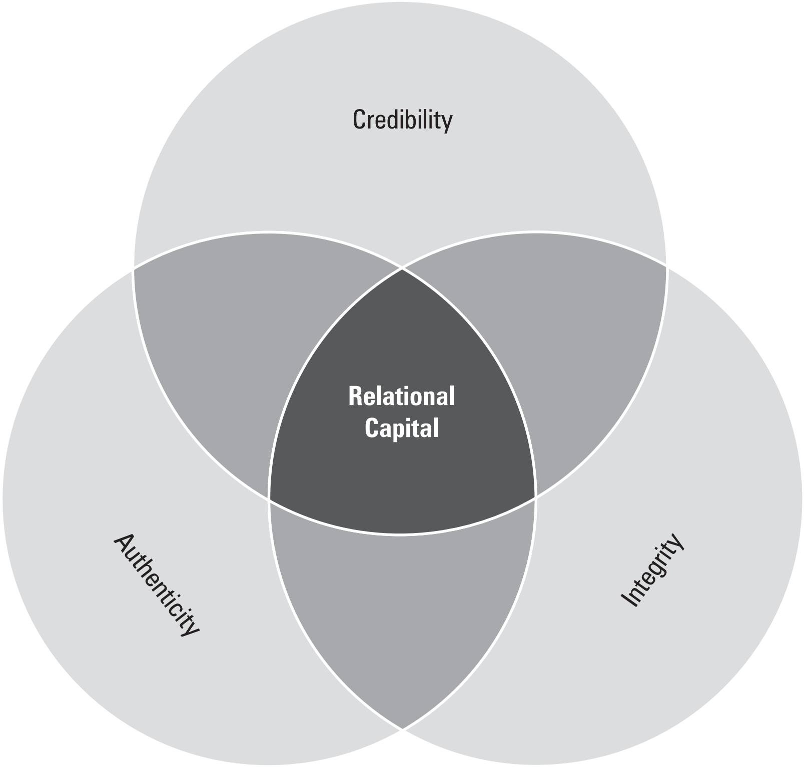
These intangible assets can be viewed as your ***personal*** **Relational Capital** which I define as:

The value created by people in a business relationship;
The most important element in a business relationship.

ESSENTIAL QUALITIES OF RELATIONAL CAPITAL

Three essential qualities—***credibility, integrity, and authenticity: the distinctive DNA of outstanding business relationships***—converge to create high levels of Relational Capital in business relationships.

Essentially, How people know and regard you!



ESSENTIAL QUALITIES DEFINED

Credibility: The American Heritage Dictionary defines credibility as "The quality, capability, or power to elicit belief."

Credibility is THE foundational quality in developing Relational Capital. All business relationships need to begin with finding sincere common ground and continue through to acknowledged competence by your business partners.

Integrity: Dictionary.com defines integrity as, "adherence to moral and ethical principles; soundness of moral character; honesty."

The old adage, "Integrity is doing the right thing when no one is watching," makes integrity a very private quality. However, there is an important public side to integrity that has to do with commitments. Making a commitment is just like making a promise. If you follow up on your commitment and keep your promise, you make a trusted friend, enhance Relational Capital and further your business relationship.

Authenticity: The American Heritage Dictionary defines authenticity as "The quality or condition of being authentic, trustworthy, or genuine."

Being ourselves—true to our own spirit and character and open about our backgrounds, circumstances and motivations—is sometimes difficult in business. One simple manifestation of authenticity is being able to tell clients or colleagues "*I don't know*" and trusting that the result will be genuine help to work things out together.

SUMMARY

1. The focus on building outstanding business relationships is more critical today than ever before due to the move toward collaborative management structures and the pace and impact of technological change.

  a. Business is still driven by people and relationships

  b. People have not changed in regard to their need for human interaction and outstanding business relationships.

2. Relational Capital is the value created by people in a business relationship; the most important element in a business relationship.

3. The essential qualities of credibility, integrity, and authenticity converge to form Relational Capital in business relationships.

4. Investing in Relational Capital development will amplify your personal net worth in life and business.

Notes: *Microsoft is a registered trademark of Microsoft Corporation, Oracle is a registered trademark of Oracle Corporation, SAP is a registered trademark of SAP Corporation, Harvard Business Review "Wild West of Coaching", 2005*