

Chapter 7

How Islamic Relational Capital Is Being Explored

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ABSTRACT

This study aims to develop a relational capital model from an Islamic perspective. This study uses qualitative research that involves three 3 focus group discussions including three zones. The data were then transcribed verbatim and analyzed using the Nvivo application. Empirical findings revealed that five sub-themes (conflict management, customer satisfaction as a priority, enhancing professional networking, mutual respect, practicing Islamic good governance, and produce halal toyyiban product) formed Islamic relational capital. The present study only includes Muslim SME organization in its determinant framework of Islamic relational in Malaysia. This study serves as guidelines to policymakers, and Muslim and non-Muslim organizations to improve SMEs' competitiveness. Academics and practitioners could also refer to this study to enhance the knowledge of relational capital from an Islamic perspective.

1. BACKGROUND

In a knowledge-based economy, the world focuses more on intangible assets rather than tangible assets to achieve better performance (Agostini, Nosella, & Filippini, 2017; Allameh et al., 2010). Intangible assets are believed to ensure the survival of the organisation (Obeng, Robson & Haugh, 2014), encourage value creation (Berezinets, Garanina & Ilina, 2016; Edvinsson & Malone, 1997; Firer, 2005; Sullivan, 1999) and improve competitive advantage (Bontis, 1996; Marr, Gray & Neely, 2003; Petty & Guthrie, 2000; Roos, 2017). All organisations are trying to improve their value whether monetary or nonmonetary.

The term “intangibles” or “intangible assets” also refers to intellectual capital (IC) (Alcaniz, Gomez-Bezares & Roslender, 2011; Petty and Guthrie, 2000). Organisations that have a higher IC will benefit more than those with a poor IC (Ahmad & Ahmed, 2016). According to Khalique et al. (2011) intellectual capital is an important resource for an organization to succeed in a competitive environment. Thus, organizations must competently control and stored knowledge (Bontis, 1998; Bontis et al., 2005). Besides

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that, this topic has gained relevant attention among practitioners and academics (Berezinets, Garanina & Ilina, 2016; Cordazzo, 2005; Edvinsson & Malone, 1997; Firer, 2005; Keong Choong, 2008; Kujansivu & Lönnqvist, 2007; Secundo, Ndou, Vecchio & De Pascale, 2020; Starovic & Marr, 2004; Sullivan, 1999). Recently, Berezinets, Garanina and Ilina (2016) suggested IC as a weapon for overcoming the weakness of SMEs (Jordão & de Almeida, 2017; Verbano & Crema, 2016).

Relational capital (RC) is one dimension of the IC. Brooking (1996) view relational capital (RC) as market assets that refer to the potential an organisation has due to market related intangibles such as brands, customers and their loyalty, backlog, repeat business, distribution channels, various contracts and agreements such as licensing, franchises and so on. Market assets are important because they give companies a competitive market. Roos and Roos (1997) defines RC as “all the relationships that organisations have, such as customers, consumers, intermediaries, representatives, suppliers, partners, owners, lenders and the like.” Roos et al. (1997) noted that RC could not be controlled and owned by the organisation. However, it may have an impact on the relationship. In other words, the organisation does not own its relationship, but enables it to influence it.

Edvinsson and Malone (1997) describe RC as a customer capital embedded in structural capital which focus to develop relationships with customers. Bontis (1998) also refer RC as “customer capital” or as all relationships between organizations and their customers, stakeholders, suppliers, community and government. In addition, Bontis (2001) stressed that RC is a knowledge embedded in external relationships. RC can also be defined as collective relationships that enable organisations to cooperate with other organisations Capello (2002) and individuals (Kostova & Roth, 2003; Shipilov & Danis, 2006) strong understanding, relationship, collaboration and trust among suppliers, alliance partners and channels (Capello & Faggian, 2005).

Currently, various resource management issues have closely related to religious roots such as how to pleasure employees appropriately and the influence of religion are of is at importance, but they are hardly studied because of the dominance of Western management solutions (Hashim, 2009). This means that they try to manage with theories and modify their relationships with employer and employer must base on Quran base Sunnah.

The reason behind that is Islam has the second highest second-highest lowers among all religions, with approximately 1.5 billion Muslims globally, and it is one of the fastest growing religions (Mellahi & Budhwar, 2010). Moreover, the study conducted in 2015 highlighted that Islam comprised of 23.9 percent of the population that have 1.8 billion believers (Lipka and Hackett, 2017). In addition, by 2050, Muslims are projected to increase until 2.6 billion believers worldwide (Alam & Sayuti, 2011). Currently, attempts have been made to study Islamic finance (Ledhem & Mekidiche, 2022) and Islamic leadership (Moghimi, 2018), Islamic marketing (S. A. Shah et al., 2022; Suandi et al., 2022). The search for Islamic management literature indicates the lack of sufficient content on Islamic RC. Furthermore, through literature survey, the researcher found, no such research focusing on RC from the Islamic perspective.

Thus, this study is a unique attempt to develop the features as well as a model of Islamic RC to help those business leaders, managers, and employees of today to ascertain a morally based competitiveness model namely Islamic Relational Capital (*Silah*). It is expected that this study will contribute to policy implications for Muslim countries, mainly in SMEs, as a backbone of national economic development and to share ideas across the academic fields. It is believed that this is the first study done on this concept that fills the big research gap in Islamic management literature.

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