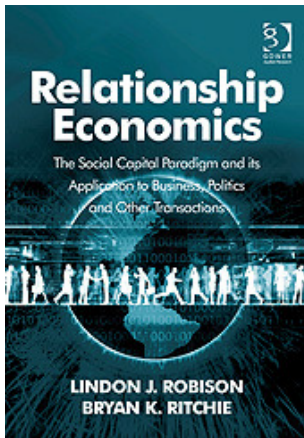




Relationship Economics



Lindon J. Robison, Bryan K. Ritchie. (2010). *Relationship Economics: The Social Capital Paradigm and its Application to Business, Politics and Other Transactions*. Gower, Farnham, UK.

<http://www.gowerpub.com/isbn/9780566091698>

The main thesis of this remarkable book is that not enough attention is paid to relationships and their importance to everything we do – at work, for recreation, in our families. A recurring theme is: “relationships matter, a lot!” It attempts to explain how relationships can be used for positive outcomes.

Economic theory and practice is based on the perspective that economic agents act independently and selfishly: that they are motivated solely by threat of litigation or by income incentives. The social capital theory developed by the authors suggests that feelings of connectedness may lead people to act in socially desirable ways without any external threats or subsidies. They write: “Understanding the interdependence of social relationship and economic decision-making will help clarify economic behaviour and led to more enlightened policy decisions.”

The historical divide between economic approaches has been between the use of the carrot and the stick. Social capital theory as defined in this book offers a third road: the ‘hug’ approach that recognizes the importance of socio-emotional goods (SEGs) as carrots or the loss of SEGs as a stick.

There are different kinds of social capital: inherited and earned *kernels of commonality*. Inherited social capital is more permanent – such as family or high school. Earned social capital can be acquired, such as through membership of clubs formed around mutual interests – sports, religion, politics or other similar values.

Relationship economics abounds with in-depth discussions of important aspects of building and maintaining social capital: why some kernels are more important than for building social capital than others; symmetry in the relationship; latent social capital; how ‘peer pressure’ works; the relationship between social capital and power; the connection with culture; why networks are important; social capital and ethics.

I love this book! It provides me with fresh approaches to persuade individuals and organisations of the importance of relationships and how relationships, connectedness and communication are intrinsically woven throughout all our lives. It also provides anyone who has been challenged to provide a ‘business case’ in economic terms to persuade corporate executives to support and invest in more effective stakeholder engagement through more effective communication. The data presented in this book is like gold and has provided me with many new perspectives to meet that challenge.

Relationship Economics reviewed by: Dr. Lynda Bourne FAIM: 25th April 2012

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