

STRUCTURAL CAPITAL AND ORGANIZATIONAL CULTURE – AN APPROACH REGARDING THE DEVELOPMENT OF VALUABLE INTELLECTUAL CAPITAL

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Abstract: *The scientific paper presents an X-ray made in the framework of a scientific research in the field of intellectual capital. In order to have a clearer view over the subject, we have approached different practical and useful aspects regarding the structural capital and the organizational culture. In the current international context, the field of intellectual capital is an important field which can lead to the efficiency of all activities within modern organizations in general, but especially in knowledge-based organizations. The research presented is part of a wider study related to the field. The importance of intellectual capital as a key factor in appreciating the value of an organization has been reflected over time by highlighting the major importance it occupies. It is considered that this area can provide a very positive view of the value of the knowledge-based organization.*

Key words: *structural capital, organizational culture, organization.*

JEL Classification: *M 40, O 34*

1. Introduction

*“The most valuable capital is the one invested in human capital.”
(Alfred Marshall, Principles of Economics)*

The intellectual capital is often defined as a dynamic system of intangible resources and activities which underlie the organizations' sustainable competitive advantage. The definition does not seem to comprise the whole essence of intellectual capital and to draw a complete

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picture from both conceptually and practically perspective. Since the 1990s, practitioners and researchers focused over a reliable measurement of intellectual capital, becoming a major area of research.

The importance of intellectual capital in the current economy and knowledge-based society, intangible assets such as knowledge and the management of information and knowledge become the new core of economic development, as the impact of financial assets and fixed assets is clearly lower than the impact of knowledge. Intellectual capital can be valued by different methods, the simplest method being given by the difference between the market value of an organization and the total value of its assets. Of course, there are other evaluation methods, but the one presented above is one of the few methods which effectively accredit a definite value to the intellectual capital.

Intellectual capital is considered a hidden treasure, which has the role of helping the organization to grow in this age of technology and knowledge. The conceptual development of intellectual capital was done in two different directions: the first direction was oriented towards the need of organizational growth, development and at the same time, the ability to compete on the market, using the advantages given by intangible assets valuation. The second direction is related to the organizations' success increase, due to investment in intellectual capital.

As one can see in figure no. 1, intellectual capital comprises three interconnected elements.



Fig. 1. Components of intellectual capital
Source: adaptation after Stewart, T. A., 1997

Human capital and the investment in human capital also contribute to the development of organizational culture, which in essence is the management's subject, which currently is being given a great attention. The main indirect cause was represented by the Japanese organizations' performance to a significant extent through their specific culture. A recent

study developed by the OECD confirmed the importance of investing in education as an essential determinant of growth and economic development.

2. Theoretical considerations regarding the intellectual capital & the structural capital

A rational starting point for examining the notion of intellectual capital we consider to be the organization's analysis from the resource's perspective. Approached from this perspective, any organization presents itself as a system consisting of a set of mobilized resources within a given structure. Intellectual capital can thus be placed in a direct relationship with the art and science of collecting the maximum value out of the resources found at the organization's disposal and from the ways in which these resources are used.

In the economic sense, an asset is a resource under the control of an organization as a result of past events (investments, transactions) and which is likely to generate benefits in the future.

According to Skyrme, the knowledge and the intellectual capital are "hidden" assets of an organization, which sustains Steward's idea of creating competitive advantages by properly managing this type of asset. (Skyrme, 1997). Many authors have attempted to comprise in few words the essence of the intellectual capital concept.

According to Steward, intellectual capital is "knowledge, information, intellectual property, experience that can be used to create wealth." (Steward, 2000). In the same direction the following definitions come to underline the intellectual capital importance, and as Hugh McDonald declares, the intellectual capital represents the "knowledge that exists in an organization and can be used to create a competitive advantage" and also Leif Edvinsson and Pat Sullivan state that it is "knowledge that can be converted into value." Actually it is the intellectual potential, which entails the knowledge in various forms, which has the ability to transform itself into technological and managerial processes in a series of operational, active elements which are able to create value and to be integrated in the final material and immaterial products, of an organization.

In order to clearly define the concept of intellectual capital, the following statements are significant:

- Intellectual capital is the sum of everything that people in an organization know, giving it competitive advantages on the market;

- Intellectual capital is recognized as a value in most organizations, but it is not measured and evaluated in any other financial statement of the organization, except the market value attained on the stock exchange;
- Intellectual capital is the intellectual material which has been formalized, captured and used to produce more valuable assets. It is given by the knowledge which can be transformed into values.

Organization for Economic Cooperation and Development (OECD) defines intellectual capital as the economic value of two types of organization's intangible assets: the organization of structural capital and the human capital. (OECD, 1999)

Under current economic conditions, intellectual capital is a critical success factor, not only for organizations which use intensively the knowledge, but also for other types of organizations.

Structural capital

From the perspective of the approaches that underlie the creation of valuable intellectual capital, we highlight the concept of structural capital. Structural capital refers to the ownership of informational systems, distribution networks, supply chains etc.

Structural capital refers to the knowledge which remain in the organization "after the employees leave the office in the evening". It also comprises the organizational processes, procedures, systems, organizational culture and the data bases. We also mention the organizational flexibility, documentation services and knowledge centers. The use of informational technology and the organization's learning ability. Even if this kind of definitions have been used in order to set some guiding lines and clear research themes, they seem not to be very important and also relevant regarding the value for the potential investors and managers. It also does not mean that the investors do not take into consideration the intellectual assets when they intend to invest into an organization. They consider other intellectual assets to be more important as the value of the brand, reputation, the management, the franchise value etc.

The structural capital includes the organizational capital and the market's capital. Unlike human capital, it may be the subject of trade.

- Commercial capital – is the value resulted from the company's relationships with its customers;

- Organizational capital – includes the organization's abilities kept and stored in the form of hardware, software, databases, organizational structures, patents, trademarks, and any other organization ability which helps to scale the individuals' productivity by sending and sharing knowledge;
- The capital of process – the processes, activities and related infrastructure used to create, share, send and disseminate knowledge which helps to scale the individuals' productivity of an organization;
- Innovation capital – this component of intellectual capital reflects the capacity of an organization and the current investment to develop the organization: the research and development, patents, trademarks, and start-up organizations of increased importance.

Organizational culture

The organization culture is represented by the organization's struggle to adapt through diversification, by developing some specific cultural characteristics not only for emphasizing its specificity and to compete against other organization but to stay on the market and to record a positive evolution. Therefore, organizational culture comprises the following elements:



Fig. 2. Organizational culture's elements
 Source: Hatch M.J, 1993

The organizational culture characteristics are as follows:

- The culture represents a real “way of life” for the members of the organization, which is often considered to be as self-

understood. The organization's culture becomes more obvious only when it is compared with other organizational cultures or when it is changed.

- Because culture implies hypothesis, values and beliefs, it is characterized by stability in time. On the other hand, once the culture is well established, it can persist despite the employees shift, ensuring a social continuity.
- The content of a culture can imply internal and also external organizational factors. Internal factors, the organizational culture can support innovation, assuming the risks or the secret of information. External factors, the culture can support the slogan "the client before everything" or unethical behavior towards competitors.
- Culture can have a great impact on organizational performance and the satisfaction of its members.

In conclusion, the organizational culture is influenced by the nature of the industry, the business and the product. This is why the generated performance of intellectual capital will be differentiated.

3. Structural capital versus organizational culture in the modern organization

Consciously or not, each organization has a culture that is more or less consolidated and it is found at different levels and encountersthe elements of structural capital. Wherever people form a community, a culture is born. Notonly do organizations possess a culture, but*they are the culture*. The culture of an organization is *transmitted, learned, adaptable, multi-faceted, partially conscious and exceeds the individual*.

The organization distinguishes three levels of organizational culture:

- The most visible and flexible part during the changes are the artificial products that are meant to send the cultural messages. The artificial products include artificial physical products, behavioral products, verbal products, heroes, actors.
- The invisible part of culture, but which has the primary role in building and promoting concrete culture, consists of the following two levels and it is materialized by the basic concepts and values promoted by the group which holds the power within the organization.

- Although usually the company's organizational culture in which we operate seems to affect us insignificantly, it still has an important impact on our professional performance. Therefore, one of the most important criteria for selecting a new employer should be its organizational culture.

"The culture of an organization begins to be established at the same time with the organization's appearance, just as the man's personality is built from the first day of his life. But just like the personality of an adult, once formed, the culture of an organization will be very difficult to be changed, and it will never change in its essence, no matter how much we try" (Dan Popa).

In this context, on one hand, from the employee's point of view it is desirable to be compatible with the set of values promoted by the organization in which it works and on the other hand, from the manager's perspective he wants to use organizational culture for a better organization of the activity by developing the intellectual capital.

In practice, the role of intellectual capital from the time perspective and the other two elements- structural capital and organizational culture as presented in figure no 3.

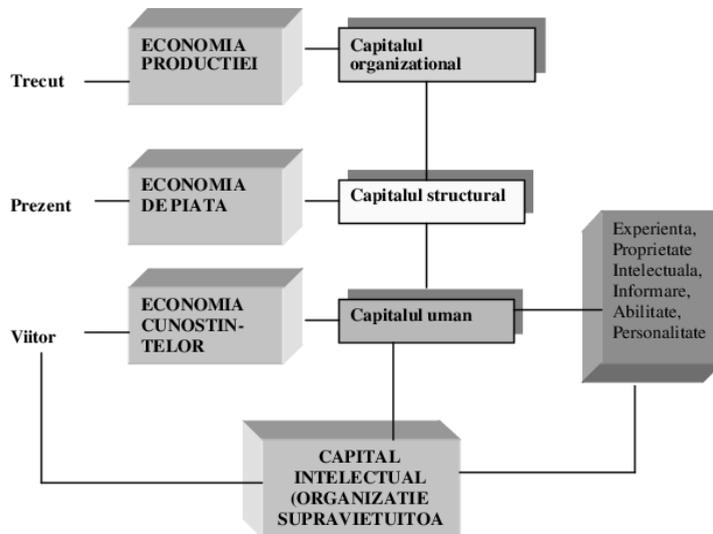


Fig. 3. The role of intellectual capital in an organization

Source: Sanchez S. and Co. 2017

Conclusions

As we have mentioned before, the organizations may depend more on their intellectual capital rather than their physical assets for survival. This is the result of the organizations becoming more amorphous and relying on knowledge. In order to highlight the organizations' potential it is very important to attract and retain the right combination of people with expertise and to be able to access the information network. If the velocity of the technological changes and the potential profits for the private sector organizations produced by the structural capital are taken into consideration, new market's opportunities can be exploited.

The importance of intellectual capital as a key factor in appreciating the value of an organization has been reflected over time by highlighting the major importance it fulfills. We believe that the outcome may be a very speculative view of the future value of organizations. If until now the investors "were supporting concrete things", now the investments are made in intangible assets. Until the year 1990 the pattern was reversed. Today, the investments in intangible assets dominate the market. We talk about things like research, education, skills, IT software, the Internet, implicit intellectual/human capital. The economy around the world is now driven by intangible factors. The nations' intellectual capital represents the new wealth. The capital is not represented only by the financial elements but it is represented by anything which produces new revenue.

Global management is the management of the future in a knowledge-based organization. The organization of the future is actually the learning organization which applies global management (Oprean, 2011). The point of view presented in this paper tries to emphasize and express the importance of intellectual capital and related concepts within the knowledge-based organization (Tîtu, 2016).

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