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A part on Intangible Capital of Organizations

Nasim Mojaverian and Ali Naej Haghighi

PhD student of IT Entrepreneurship, Islamic Azad University, Ali abad-e-Katul branch, Ali abad-e-Katul, Iran.

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ABSTRACT

Nowadays, beside human, financial and physical, other capitals like intellectual, social and cultural capitals have been discusses. In traditional approach to management development, human, financial, economic and physical capitals play the most important roles but in the current era, managers need social capital more than human, financial, economic and physical capitals because today's world is knowledge world and talents, natural and other tangible assets are not the achievement key of organizations and societies but possessing and managing intangible capitals in challenging and fluctuating aura of organizations is the key to success. Those organizations that recognize these intangible capitals well and manage them will have better performance than their competitors. To manage these assets, organizations should be informed of their current status and do the necessary acts to compensate for their deficits and shortages. The purpose of the present study is studying the elements of intangible capitals in organizations. In this study, in sections 2, 3, 4 and five, human, intellectual, social and cultural capitals are considered in order. In part 6, the relation among these capitals is explained and finally it is discussed and concluded.

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INTRODUCTION

Nowadays, beside human, financial and physical, other capitals like intellectual, social and cultural capitals have been discusses. In traditional approach to management development, human, financial, economic and physical capitals play the most important roles but in the current era, managers need social capital more than human, financial, economic and physical capitals because today's world is knowledge world and talents, natural and other tangible assets are not the achievement key of organizations and societies but possessing and managing intangible capitals in challenging and fluctuating aura of organizations is the key to success. Those organizations that recognize these intangible capitals well and manage them will have better performance than their competitors. To manage these assets, organizations should be informed of their current status and do the necessary acts to compensate for their deficits and shortages. The purpose of the present study is studying the elements of intangible capitals in organizations.

In this study, in sections 2, 3, 4 and five, human, intellectual, social and cultural capitals are considered in order. In part 6, the relation among these capitals is explained and finally it is discussed and concluded.

Human capital:

With service economy growth where the need of having land, stock and market form a little part of organization assets, economists introduced the concept of human capital. Maybe it was a simple definition of work force but the expression of "human capital" made an important distinction in the previously used concept of work force. Human resource is the most valuable capital of an organization. It is the most valuable production factor fulfilling the goals and wants of an organization through material facilities (product or service). Human force is the most important element of every organization and when deleted from organizations, factors and facilities like buildings, machines, equipment and instruments will remain that can't be used separately. Human force is the support of an organization success and among the achievement methods of an executive institute is optimized use of human force.

Nowadays, it's clear that injection of great amounts of physical and material capital to third world countries has not facilitated their development trend but, only those countries having and efficient organization and

Corresponding Author: Nasim Mojaverian, PhD student of IT Entrepreneurship, Islamic Azad University, Ali abad-e-Katul branch, Ali abad-e-Katul, Iran.

specialized human capital have attracted physical and material capital well and used it to facilitate development trend. Investing in human force and promoting its quality is one of the main ways to increase productivity and facilitating economic growth.

Human resource and its development have changed to one of achievement factors for organizations. Planning and developing concepts like talent discovery and management, succession planning, staff education and development, meritocracy and serious attention of organization to control systems and performance evaluation, staff recruitment, promotion, educational planning processes which show organizations' serious attention to human development categories.

The existing statistics show that the value of markets and organizations largely depend on their intangible assets (sometimes to 90%) among the most important are talent, speed and flexibility to face with changes, learning capacity, work culture, responsibility and service compensation method, sharing the efforts and team work and finally organization team performance value and organization ability to train effective managers.

Intellectual capital:

Intellectual capital was suggested by Palik. Added value coefficient of intellectual capital measures the effectiveness of three kinds of data including the used capital (financial and physical), human capital and structural capital.

Intellectual capital has been raised theoretically in the world. Since intellectual capital is a valuable source for countries and organizations, its development and growth rate is rapidly changing to a development criterion in countries. On the other side, this intangible source has been raised as one of the most value making source of companies and a key capital in entrepreneurship growth.

In a simple interpretation, intellectual capital can be considered a knowledge package formed of a set of intangible and hidden sources, principles, culture, behavioral models, capabilities, structures, communications, processes and procedures leading to and resulting form knowledge.

Perhaps Machlup studies at the beginning of 60s on knowledge can be considered as one of the primary theoretical considerations to related concepts to intellectual capital. At the end of 60s, an economist called Galbraith written about intellectual capital in a corresponding letter to his economist friend Kalskey and because of this, emergence of intellectual capital phrase is attributed to Galbraith.

The first writings on organization intangible assets was published in the beginning years of 60s in Japan by Itami but it was not translated for long times later to other languages. 90s can be considered as the beginning point of wider attention to intellectual capital concept.

Nowadays, the international competition course has changed intellectual capital to a worldly element for competition, so that international organizations, in addition to trying to plan an international management framework of intellectual capital for countries, the rate of development and growth of this capital is considered as an index of development of countries. So, monitoring, managing and measuring intellectual capital both in macro and national levels and its organizational level is an undeniable necessity. The studies show that management weakness and measurement of intellectual capital sometimes lead to losing 50 or 70 percent of the real potential value of the companies.

Droker predicted that future organizations will be more knowledge-based and will compete based on knowledge source base and knowledge resources creating for themselves. So, changing toward a knowledge-based economy will have many more expanded impacts. Because of this, market value of companies is more dependent on its intellectual capital and as entrepreneurs and executive managers note physical assets, they should notice intangible capitals and intellectual capital as a necessity.

Social capital:

The issue of social capital was introduced by Hanifan in a paper in 1916 from West Virginia University but it was not considered seriously until Jane Jacob studies in 1960 on urban planning. In 1970, this theory entered economy world by Lory. He used social capital theory to criticize neoclassic theories and unfairness of income distribution. James Coleman entered this concept into politics for the first time in North America. His efforts were continued by Putnam in Europe. Social capital theory was mostly revolted by Bourdieu, Coleman and Putnam's theories.

4-1- definitions of social capital:

Social capital is a base for explaining and describing the relationships among people and organizations [13]. Based on Fukuyama, Social capital includes people's ability for working with each other to reach common goals in organizations and groups. Francis considered social capital as interactive respect phenomena, social groups, group sense of identity, the sense of common future picture and group working in a social system. In World Bank definition, social capital refers to organizations, communications and norms that organize the quality and quantity of social reactions of the society. Based on these definitions and in a common chapter, it can be said

that social capital is an existing feature in society structure and organization through which the interactive reactions quality and quantity in the society is organized and categorized.

Social capital has been used in different concepts which generally can be defined in three categories:

a) *Social capital from Burdieu's view:*

Bourdieu identified three kinds of capitals including economic, cultural and social forms. Economic form of capital can immediately be changed to money. Cultural capital is another kind of capital which can be changed to economic capital in some conditions under some circumstances. Finally, social capital notices to communications and participation of members and can be a tool to reach economic capital. As it is observed, from Bourdieu's view, economic capital is dominant form of investment and other kinds of capital include cultural and social capitals are conceptualized as tools to reach economic capital.

B) *Social capital from Coleman's view:*

Unlike Bourdieu, Coleman used different words to define social capital considering social capital concepts from different perspectives and presented a definition based on its role and effectiveness. Based on his definition, social capital includes the value of that aspect of social capital which is given to members as a source to reach their profits and goals.

Unlike Bourdieu who considered economic capital as the final goal, Coleman considered human capital as final goal and used social capital as a tool to reach human capital.

C) *Social capital from Putnam's perspective:*

Putnam [22] is among the recent researchers on social capital. He emphasized on the impact method of social capital on political regimes. Putnam considered social capital as a set of concepts like trust, norms and networks causing optimized relationship and participation of a society members and finally provide their profits. In his view, trust and reciprocal relation of members in a network are sources existing in society members' interactions. Putnam considered social capital as a tool to reach political and social development in different political systems. He emphasized the concept of trust and believed that this factor can cause political development through attracting the trust between people, politicians and elites.

Table 1 shows the difference between social capital differences based on the goal and analysis level.

Table 1: Comparison of Bourdieu, Coleman and Putnam view.

	Definition of social capital	Goal	Analysis level
Bourdieu	Sources measuring public benefit	Reaching to economic capital	People are competing with each other (person to person)
Coleman	Dimensions of social structure used by members as tools to reach their goals	Reaching to human capital	Persons in social and familial groups (persons with groups)
Putnam	Trust, norms and networks facilitating members' participation to reach common benefits	Reaching to political development	Political government win national level (group with local ruling system)

4-2 *social capital theories:*

1- *Weak ties theory:*

It is the first theory to conceptualize social capital. Granovetter, the founder of this theory believes that the more the ...of the relation among the members, the less the value of social capital and vice versa. In fact, he believed that firm relations among a group members leads to weak relations with outer groups and decreases the social capital but weak intra-group ties leads to relationship with outer groups and persons and causes social capital.

2- *Structural hole theory:*

This theory was used in 1992 by Burt for conceptualizing social capital. The focus of this theory is on the relationship between the persons and their colleagues in the network and also colleague inter-relations. The hole in this theory means the lack of relation among two persons in a social network which is considered an advantage for organization by nature. This theory supposes that markets, organizations and persons which are in unstructured, disordered and non-defined relation with each other, it will be a profitable capital for them and the more ordered and structured relation they have, the less this capital will be. Generally, formality and structural legalization is in conflict with social capital. Structure hole theory defines social capital as a structure-like network influenced by the following factors:

- Network size: wide and expanded networks are less imposing and the coercion for members to obey is less.

- Network congestion: networks which have higher relation and interaction among the members coerce the members more for obeying.
- Network hierarchy: networks where the relationship is formed based on a dominant relation have more coercion and determinism state.

Based on this theory, to measure social capital, these factors should be considered. The bigger the network size and the less its congestion and hierarchy, capital rate increases.

3- Social resources theory:

This theory originated by Lin and Coauthor, doesn't consider the network ties without its interior resources. Based on this theory, only resources inside the network can be considered as capital. For example, network members may have lots of resources like leverage, high education and etc. considered as valuable resources, but these resources will be regarded as capital if only the person needs these resources. In the mentioned example, if a person needs his colleague leverage to reach a goal, the resource is automatically considered a capital and other members' resources like higher education are not considered capital. Briefly, from this theory viewpoint, the members of the network possess valuable resources which can help the persons to reach the goals.

In fact, it can be said that weak ties theory and structure hole theory are focused on network structures but social resources theory notes to network contents.

4-3- dimensions, elements and indices of social capital:

Social capital is classified into the following elements:

Table 2: Elements and dimensions of social capital.

Questions for identifying the indices	Elements	Dimensions
Trust to most of the people, colleagues and others' work accuracy	Trust	Social
Friendship with colleagues, the belief of helping others, taking part in social events	Reciprocal relation	
Decision making in life location, taking part in local projects	Participation	
Information production, the rate of trying to discover the reality of information	Public awareness	
The rate of believing honesty, justice and noting public good	Ethics	
Belief in group rather than individuals, accountability for others	Social responsibility	
Respecting to others' beliefs, believing to observing customs	Behavioral rules	Cultural
Providence, honor, respecting others, education degree	Norms	
Education, cooperation mentality, believing human dignity	Values	
Believing to religion, religious beliefs, committing to religion	Religion and ideology	
What are symbols and to what extent do you know the symbols?	Symbols	
Public fear, individualism, democracy, accountability	Environment and aura	Security
Neighborhood security, attacking experience in environment, believing to social security	Security	
Observing the law, believing the law and justice	Law-centeredness	
Media role, censorship in media, people's belief in media	media	Economic
Prices, assets, exchanging, market competition	Company's day value	
Cost rate, budget, source allocation	Cost rate	

Source: Kavusi (2006).

5-Cultural capital:

Every culture has a common thinking pattern which stabilizes all cultures and gives generality and integration. Beliefs and values form the society culture. Cultural capital of every society forms the identity and existence of that society and all progresses depend on determining and reflecting the place of this spiritual capital. So, all affairs of the society depend on culture and blessing and retrogradation depend on culture and cultural capital of the society.

The presupposition that every person sees his desirable target in maximizing group and social welfare or follow this desirability in in the framework of personal benefit package will determine the movement direction of the society toward promotion of national benefits and economic growth.

Some cultural elements including values, myths, innovation, creativity, group work mentality, criticism, importance amount of the person in society, noting work and activity and endeavor mentality, flexibility and resistance against changes, discipline acceptance and rule-centeredness are the motivation to advancement.

Cultural capital as a social intra-structural relation formed of interactions and composed of cultural knowledge leads to power and dignity.

Burdio described cultural capital as "forms of knowledge, skills, education and advantages possessed by a man letting him to reach a higher status in the society". From Burdio's perspective, parents give cultural capital to their children through transferring the attitudes and knowledge in current education systems helping their achievement.

In Taylor's belief, cultural capital has been formed of many categories, e.g. in a western culture, the following criteria are raised for cultural capital which seem descendent elements:

- a) Knowledge, language, tastes and life styles;

- b) What is known as sophisticated culture;
- c) The number and range of people's lexicon;
- d) People's ability in recognizing and understanding the foods and royal drinks;
- e) Selecting rugby instead of football.

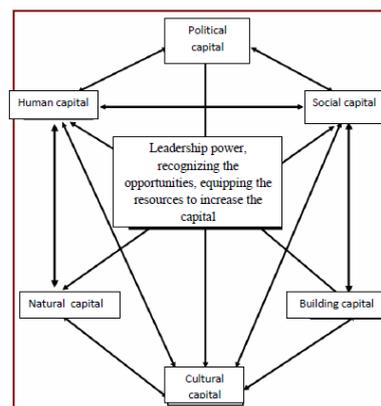
Burdio saw the issue deeper and only didn't consider the effects of social caste on people's cultural tastes but noticed the role played by culture in producing the production of society caste relations. He claimed that people can promote their social caste status not only by possessing economic capital (wealth/well-being) but also by having what he called cultural capital. From Burdieu's viewpoint, cultural capital includes a set of capabilities, cultural customs and habits like language, knowledge, taste and life style. Transferring economic capital from one generation to another one is done through legacy and bequeath but transferring cultural capital is a complicated work. The key concept of this process is what is called a frame like cliché of sensitivity, appreciations and interactions.

The cliché include the distinction between good and bad, high and enlighten culture and low and rustic culture and so on. In this process, the children of dominant caste learn appreciate their caste culture and consider working class culture low and degenerate. Moreover, parents of middle class try to guide their children to read good books and watch proper TV programs. Children of middle class more prefer to visit art galleries and historical monuments.

Ashafenberg and Mas considered the main features of cultural capital as the skill and familiarity with cultural secrets and acts of dominant castes. Domays mentioned that cultural capital is composed of language and cultural proficiency and the skills of higher castes culture. The subject of proper and sophisticated language is an important element of cultural capital definition presented by Solivan. Finally, cultural capital claims that persons are socialized based on superior cultural manner of the society. In addition to discuss cultural capital leading to reproduction of dominant caste culture, Burdieu mentioned that since dominant castes have more facilities and have more accessibility to different kinds of music, sports, foods and so on, they can establish and dominate their tastes. In other words, Burdieu considered what is a part of special interest of dominant caste as a measure of cultural capital. Other scholars like Gold, issued that cultural capital is a part of social capital which is not fully in line with what Burdieu considered. However, Putnam has a more exact view and considers cultural and social capitals in contrast. Cultural capital belongs to individuals and social capital belongs to members of a group. Social capital can be considered as a set of common informal norms and values among persons collaborating with each other. If the members of the group expect that behave honestly and normally, it can be said that they have trust to each other [16].

6-the ties between different kinds of capital:

One of the principles raised by Flora is referring and seeking help from institutes and organizations with constant learning model, so that until all capitals are not measurable, they are not referred and represented in planning information systems.



(Source:Flora, 2005).

As seen in the above graph and most of social sciences scholars believe, the existing capitals in the world can be changed to each other.

Among the studies, Butler et la research on drawing how different capital change can be mentioned. Butler and some other researchers presented a mode based on table 3 to show existing capitals and also their relationship in promoting economic development of the societies. In addition to introducing different capitals, he presented the processes which can promote economic development of capital and considered executive indices of society context. Based on this model in context, process and results, the relationship among different capitals can be shown to promote economic development of the societies.

Table 3: Butler's three-part model.

Result	Process	Context
The changes in natural capital. Criteria: environment health with society multiple benefit. Measurement: surfing opportunities, quality of water, soil and air, pollution rate, wild life, land development policy	Investing in keeping, protecting, rebuilding and promoting natural factors	Natural resources, air, water and natural resources quality, biological diversity, earth and soil
Changes in cultural capital Criteria: cultural awareness and information Measurement: forming new festivals	Investing in cultural capital Sharing cultural identity (cultural heritage, history, race)	Cultural capital Values, recognition and familiarity with customs and cultural heritage
Changes of human resources Criteria: using skillful and efficient people, crisis management, innovation, problem solving, increasing creativity, innovation and accountability Measurement: promoting educated forces, developing work force, health development	Investing in human capital Using specialized work force	Human capital Population, education, skills, creativity, population diversity
The changes of social capital Indices: increase of networks and communities, trust and participation Measurement: increase of economic development groups, new leaders, more participation of local people in organizations	Investing in social capital Accepting the probable risks, showing different ideas, youth participation in organizations and economic development, increase of decision maker groups	Social capital Trust, reciprocal relationship, network structure, participation ties, goal commonality, leadership, pluralism, accepting solutions, solution diversity
Changes in political capital Indices: increase of security resources ability for selected social authorities Measurement: new communities and governmental relationships in different levels	Investing in political capital The rate and range of dependence, economic development demanding groups with central, regional and local government	Political capital The range of social organizations using the government. Government ability in using the stored resources.
Changes in financial capital Indices: various and dynamic economy Measurement: poverty decrease, development of financial support institutes, trade, commercial and infrastructural development.	Investing in financial capital Regional and foreign supports from economic development plans, location of financial supports from debts to country's assets.	Financial capital Tax status, charges, investment, exemption, philanthropic helps, exchange bills, poverty.
Changes in building capital Indices: various and dynamic economy.	Investing in building capital Some efforts to establish infrastructural activities of economic development	Building capital House making, transportation, software and infrastructural communication, buildings, facilitators such as water, electricity, telephone.

Conclusion:

If physical capital is buildings, land or equipment and similar cases and financial capital is the money possessed by people, human capital exists in the mind (training of different skills) in the relationship of individuals with networks or other people. Human capital includes knowledge, skill and staff and managers' experience and their effective answer to future. The source of strategic rebuilding is innovation and creativity. Intellectual capital is used to create and increase organizational value. Structural capital refers to learning and knowledge in daily activities and is considered as supporting infrastructure of human capital. Relation capital shows formal and informal relationships of an organization with outer stakeholders and their understanding of organization and also information exchange between the organization and them. It also is increasing value making element for organization. Social capital is the sum of trust, norms and ties networks facilitating the cooperation for reciprocal benefit resulting in different kinds of group interactions. In knowledge-based economy, products and organizations live based on knowledge. Among these, the most successful organizations are those who use intangible assets in a better and faster way. Nowadays the success of an organization depends to its ability in managing these rare sources.

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