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**Title**

**ISSUES AND PERSPECTIVES ON TWO FUNDAMENTAL  
INTANGIBLE ASSETS IN ORGANIZATIONS:  
INTELLECTUAL AND SOCIAL CAPITALS**

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**Abstract:**

Today's turbulent markets and speed of globalization has caused companies to be equipped with other assets called intangible. Before the contemporary markets and SMEs have been emerged, just having the tangible assets would be enough to be survived in that past markets. also The decreased cost of information flow increases in the number of, the liberalization of product and labor markets in many parts of the world, and the deregulation of international financial flows have changed the equations of markets and organizations in general (Teece, 2002). This paper aims to review the Intellectual capital and social capital and their impact in organizations in brief.

**Key Words:** Intellectual Capital, Social Capital, Management

**Introduction:**

Success goes to those who manage their intellectual capital wisely (Stewart, 1997, p. 68). Many view the accessibility of knowledge as the foundation for establishing a competitive advantage in the new millennium (Edvinsson & Malone, 1997; Stewart, 1997).

Fundamental changes have been wrought in the global economy which are changing the basis of firm level competitive advantage, and with it the functions of management. That fundamental core is the development and astute deployment and utilization of intangible assets, of which knowledge, competence, and intellectual property are the most significant (Teece, 2002).

Social capital is about the value of social networks, bonding similar people and bridging between diverse people, with norms of reciprocity.

The core intuition guiding social capital research is that the goodwill that others have toward us is a valuable resource.

Social capital is defined as 'the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor'. Other definition is that social capital is fundamentally about how people interact with each other (Claridge, 2004).



Thus, while there are many ways to keep busy in business, and to expand revenues, there is only a diminishing subset of strategies for creating attractive profit margins. In the end, wealth creation in a world of heightened competition comes down to developing and owning difficult to replicate (intangible) assets, and orchestrating them (Teece, 2002; Vargas Hernandez & Noruzi, 2009).

### **Intellectual Capital:**

Intellectual capital is knowledge that can be exploited for some money-making or other useful purpose. The term combines the idea of the intellect or brain-power with the economic concept of capital, the saving of entitled benefits so that they can be invested in producing more goods and services.

It was in the mid-late 1990s that Tom Stewart (1998) began developing the case for knowledge as one of an increasing number of “intangible assets” that were beginning to dominate late twentieth-century organizations. He showed how “human capital” represented the skills and knowledge of an organization’s people – and reminded some of us how so many Annual Reports still seem to refer to “the contributions made by our people” but then often say little else to support, encourage, motivate this most expensive – and often most difficult to manage – organizational resource (Laycock, 2005).

“The traditional factors of production—land, labor and capital—have not disappeared. But they have become secondary. Knowledge is becoming the only meaningful resource”. Also Intellectual property systems have been strengthened since the 1980, both in the USA and abroad. Moreover, intellectual property is not just important in the new industries—such as microelectronics, biotechnology and the internet— it remains important in pharmaceuticals and chemicals and is receiving renewed interest in more mature industries such as petroleum and steel (Vargas Hernandez & Noruzi, 2009).

The theory of intellectual capital has emerged in the past decade in response to these advances within an organization. Although the theory is new and research is in the early formative stages, theoretical foundations have been identified as anchors of intellectual capital (Noruzi & Westover, 2009).

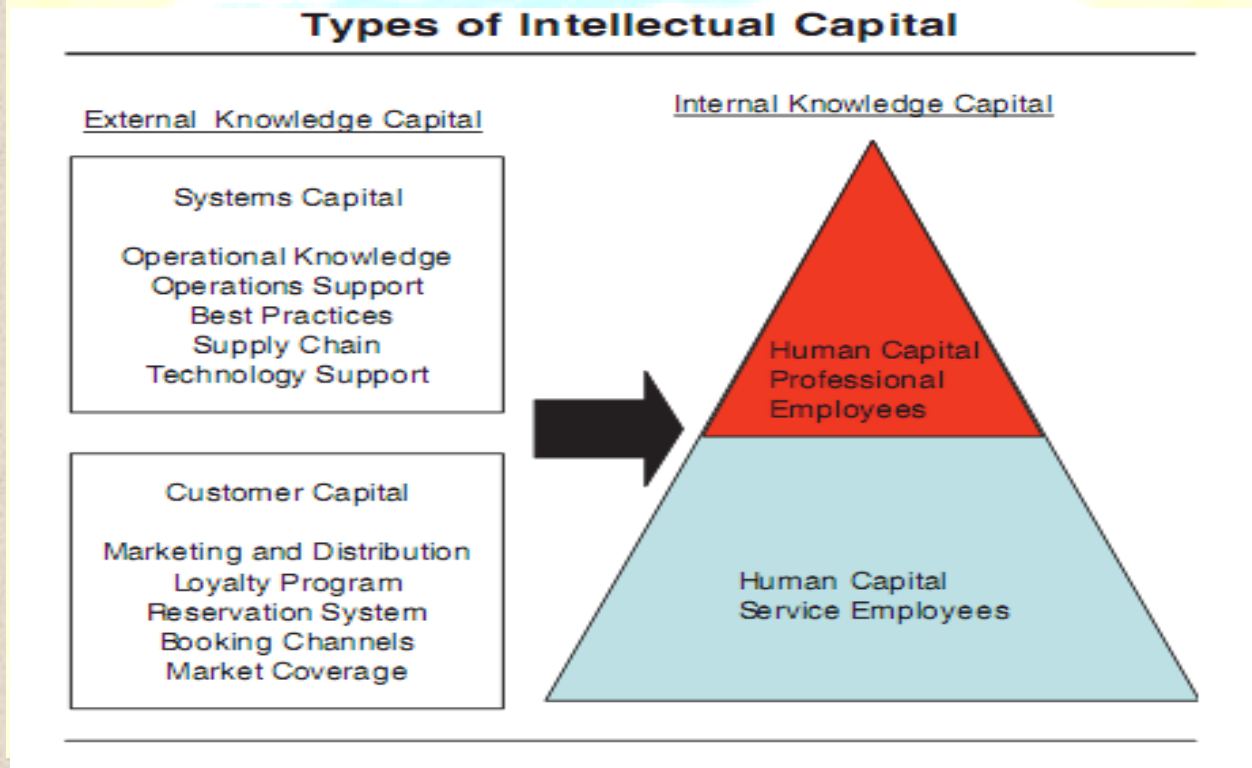


Klein and Prusak (1994) define intellectual capital as the intellectual material that has been formalized, captured and leveraged to produce a higher-valued asset (p. 67).

There are widely accepted, three-category classification, which divides intellectual capital into codified knowledge about an organization's systems and operations ; Walsh et al, 2008, p.302; Vargas Hernandez & Noruzi, 2009):

- Systems capital; knowledge about customers, markets, and distribution
- Customer capital; and knowledge acquired from people skills and expertise
- Human capital

**Figure 1:** Types of Intellectual Capital



Source: (Walsh et al, 2008, p.302).

Over the last ten years, intellectual capital (IC) has been the subject of several interesting developments, which led to its establishment as a recognized field of research and action. Yet, in spite of the already observed effort IC research is still in its infancy, and there is a need to consider to what extent it contributes in a sufficient way, to problematizing managerial and

policy issues of the knowledge economy. One of these challenges lies in considering the dynamic aspects of performance, and how IC research can address it in a proper way.

Intellectual capital can include the skills and knowledge that a company has developed about how to make its goods or services; individual employees or groups of employees whose knowledge is deemed critical to a company's continued success; and its aggregation of documents about processes, customers, research results, and other information that might have value for a competitor that is not common knowledge. Business organizations employ knowledge. They generate and process information, formulate plans and strategies, make decisions, monitor behavior and experiences, and learn, create, and use know-how (Augier & Teece, 2005).

Also Intellectual property systems have been strengthened since the 1980, both in the USA and abroad. Moreover, intellectual property is not just important in the new industries—such as microelectronics, biotechnology and the internet— it remains important in pharmaceuticals and chemicals and is receiving renewed interest in more mature industries such as petroleum and steel (vargas Hernandez & Noruzi, 2009).

### **Social Capital, notion and history in brief:**

The concept of social capital has a long intellectual history in the social sciences, but has gained celebrity only in the nineties, due to Bourdieu's (1980, 1986), Coleman's (1988, 1990) and Putnam's (1993, 1995) seminal studies.

By using a good structure like learning organization we will have organizational structure that have the ability to support the intangible capital in today's market. So today's organizations should try to use this paradigm to be competitive. Also because our contemporary organizations may differ from the traditional organizations and so we should implement new skills to be learning organization so that our staff can adjust themselves with new technologies. Also can sense the weak signals in the environment and can reply the prosper answer to them. In this situation our managers and executives and CEOs can effectively manage the intangible Capital in the organization.

Bourdieu identifies three dimensions of capital each with its own relationship to the concept of class:

- economic,
- cultural and
- social capital.

Bourdieu's idea of social capital puts the emphasis on class conflicts: social relations are used to increase the ability of an actor to advance her interests, and social capital becomes a resource in the social struggles: social capital is 'the sum of the resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition' (Bourdieu and Wacquant, 1986, 119, expanded from Bourdieu, 1980, 2).

In ancient time, the ruler of kingdom searches for the group of intellectual people, who can advise them for better a management. For developing the IC, they have been established so, many schools of thought & universities around the world. Today's ruler must do the same for worldwide holistic Intellectual human resource development, whole can make prosperous world. Organizations which have more intelligent staff will do better (Nirmal et al, 2004).

Social capital thus has two components: it is, first, a resource that is connected with group membership and social networks. The volume of social capital possessed by a given agent ... depends on the size of the network of connections that he can effectively mobilize (Bourdieu 1986, 249). Secondly, it is a quality produced by the totality of the relationships between actors, rather than merely a common "quality" of the group (Bourdieu, 1980).

Indeed, 'the increase in the stock of useful knowledge and the extension of its application are the essence of modern economic growth' (Kuznets 1966). Enlightened economic historians have long emphasized the role of technology and organization in economic development.

Formalization, the sharing of personal knowledge, and the development of structural approaches as a mechanism to transfer learning throughout the firm may on the other hand sap creativity and impede learning. Ideally, one would like to develop approaches or models which have a common essential logic, but which enable customization of particular features. This is but one of the many



challenges to service firms in the new economy where knowledge sharing itself can often be the basis of competitive advantage (Teece, 2002).

At the end of the 80s, Coleman gave new relevance to Bourdieu's concept of social capital. According to Coleman, 'Social capital is defined by its function. It is not a single entity, but a variety of different entities, with two elements in common: they all consist in some aspect of social structures, and they facilitate certain actions of actors within the structure' (Coleman, 1988, 98). In the early 90s, the concept of social capital finally became a central topic in the social sciences debate. In 1993, Putnam, Leonardi and Nanetti carried out a famous research on local government in Italy, which concluded that the performance of social and political institutions is powerfully influenced by citizen engagement in community affairs, or what, following Coleman, the authors termed "social capital" (Sabatini, 2006, p4). According to Claridge, 2004, some definitions come as follows:

**Table 1: Definitions of Social Capital**

Authors	Definitions of Social Capital
Portes	'The ability of actors to secure benefits by virtue of membership in social networks or other social structures'.
Brehm Rahn	'The web of cooperative relationships between citizens that facilitate resolution of collective action problems'.
Coleman	'Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure'.
Fukuyama	'The ability of people to work together for common purposes in groups and organizations'.  'Social capital can be defined simply as the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them'.
Inglehart	'A culture of trust and tolerance, in which extensive networks of voluntary associations emerge'.
Portes Sensenbrenner	'Those expectations for action within a collectivity that affect the economic goals and goal seeking behavior of its members, even if these expectations are not oriented toward the economic sphere'.

Putnam	'Features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit' .
Thomas	'Those voluntary means and processes developed within civil society which promote development for the collective whole' .
Pennar	'The web of social relationships that influences individual behavior and thereby affects economic growth'.
Schiff	'The set of elements of the social structure that affects relations among people and are inputs or arguments of the production and/or utility function' .
Woolcock	'The information, trust, and norms of reciprocity inhering in one's social networks'.

### **Intangible capital and Social Capital:**

Social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. Increasing evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together (Noruzi & Vargas Hernandez, 2010).

Successful managers and businesses have been managing intangible capital one way or another all along, whether consciously or intuitively. This however, does not mean that they have an intangible capital program or strategy. Managing intangible capital as a matter of common business sense is not sufficient for the development of intangible capital as an organizational competency. It is only when a management style moves from being intuitively applied to a planned and systemized process that it can be perfected. Only then can it be substantially transformed from being an art to becoming a science. Once it transitions into a science, it becomes testable, measurable, more predictable, and, most importantly, repeatable. Though organizations that apply intangible capital management advance this goal, there is still a long road of experimentation and applied research ahead for the emerging field of intangible capital to become more of a "science." (ICM, 2009)



Social capital has too often been treated as a timeless, almost mysterious societal characteristic in the recent academic literature—and perhaps this is what has made it so seductive to researchers across the social sciences (Miguel, 2003).

### **Conclusions:**

Information and knowledge are the thermonuclear competitive weapons of any time. In today's time, acquiring the knowledge is not a big deal but implementation of acquired is a big deal. Only intelligent people can take the decision that where & when the acquired knowledge implementation can produce the best results.

Knowledge, competence, and related intangibles have emerged as the key drivers of competitive advantage in developed nations. This is not just because of the importance of knowledge itself, but because of the rapid expansion of goods and factor markets, leaving intangible assets as the main basis of competitive differentiation in many sectors. There is implicit recognition of this in both management theory and practice with the growing emphasis being placed on the importance of intangible assets, reputation, customer loyalty, and technological know-how. By using a good structure like learning organization we will have organizational structure that have the ability to support the Intellectual capital in today's market. So today's organizations should try to use this paradigm (learning organizations) to be competitive. Also because our contemporary organizations may differ from the traditional organizations and so we should implement new skills to be learning organization so that our staff can adjust themselves with new technologies. Also can sense the weak signals in the environment and can reply the prosper answer to them. In this situation our managers and executives and CEOs can effectively manage the Intellectual Capital in the organization (Teece 1981; Noruzi& Vargas Hernandez, 2010).

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