

THE IMPORTANCE OF INTANGIBLE ASSETS FOR MAKING THE COMPANY'S VALUE

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Abstract

In the current global economy based on knowledge this represents the intangible assets and often make up to 80 percent of the company value. The transformation of the intangible assets into tangible results is a new way of thinking for most of the companies then. The companies which can deal with this process, which the human resources department is a bearer of, are able to create an important competitive advantage. The article based on the information from the business sector and on the performed research activities and surveys intends to point out the interconnection of making the company's value and intangible assets emphasizing the intellectual and social capital when using the outputs of the Balance Scorecard methodology.

Management of the current companies is performed in a complicated competitive environment therefore the managers need a lot of information and a suitable set of supporting tools for management and making decisions. They need such means to be able to evaluate different aspects resulting from the company activities and its economic environment and to be able to monitor the progress of the company at achieving of the stated goals. It is not enough to know that the company is successful today, it is necessary to know if it will be or if it has a chance (and what chance) to be successful also in the future. Nobody can provide this, only clear and pragmatic focus on intellectual capital and its most efficient utilisation across all its elements. This has proven as the weakest point in the companies which we performed the survey in our regions. The information age requires new abilities from production companies as well as from the companies providing services. One of the possibilities is in innovations in its widest meaning which also our project dealt with. The important output was the realization of the fact that the innovations in perception of the importance of the intellectual capital and its development and cultivation in the company are the most important for companies.

Key words: market value, intellectual capital, social capital, strategy, intangible assets, Balanced Scorecard.

Classification JEL: M12 – Personnel Management

1 Introduction

The submitted text has arisen, besides other research activities, also from the knowledge obtained in the research of the situation in the regions Žilina and Morava-Sliezsko regarding to the innovation needs and expectations of the companies which ran this year. The needs of the companies were examined by the survey in both regions. The author of the text was one of the main coordinators of the survey made by the University of Žilina (Faculty of Operation and Economics of Transport and Communications) and Silesian University in Opava (School of Business Administration in Karvina) within the project Innovations – the Way to Increase Competition Ability and Development of the Regions. The goal of the text is to offer the ideas related to intangible assets and company's market value upon certain findings of the survey which relate to the needs and opinions of businessmen from both regions regarding to the human factor, subsequently to develop the theoretical and practical knowledge in form of the recommendations.

2 Utilisation of intangible assets

The global economy is based on knowledge which represents *intangible assets* and form an essential part of the company's value. The transformation of the intangible assets into tangible results is a new way of thinking and view to the company management and human capital

development for most of the companies then. The companies which can deal with this process, which the human resources department is a bearer of, are able to create an important competitive advantage. Good management and culture of mutual support facilitate the execution of the company strategy on the level of organizational units significantly. The primary goal of the development of such assets is to provide their system alignment with the whole company strategy. Chief employees should know the strategy which they will activate their unit to, their organizational unit and they should create the values supporting the strategy.

The companies are able to make a value the source of which is the company as a unit only through the improvement of their human capital development in all its business units. The whole company system BSC of the company which manages the internal labour force market actively should contain the goal related to the rotation of key employees between particular departments and to such a way of their promotion where they move from one organizational unit to another at the same time.

The increased focus on *strategic skills* is the source of the biggest benefit. A lot of companies form a specialized function for development and education to achieve this goal. Strategic skills are the abilities and knowledge which must be acquired by employees to support the strategy in their day-to-day activity. The investment in education and development of employees is a real initial point to get a long-term and sustainable change. The ability to improve the business processes which support the value offer for customers depends on the ability and willingness of the employees to change their attitudes and to apply their knowledge on the strategy in case of the organization working with knowledge. Therefore the organizations which want to ensure success of their strategies have to know which abilities of the people are needed. They have to evaluate the current level of the strategic skills and to elaborate the programs which can fill all the gaps and insufficiencies in the competence profile of the organization.

In the recent years the companies have started to specify the families of strategic functions or **clusters of competencies** related to the particular strategic processes. Due to the fact that the groups of the strategic functions are defined, the organizations can be sure that they develop the right competencies – those ones which strengthen the strategic results. Several approaches can be used to overcome the shortcomings in the strategic competencies: hiring new people, training, career development planning and cooperation with free lancers. The right mixture of these approaches will be a function of the schedule of the strategy and flexibility which is allowed by the available resources of anilities. The approaches of the *talent management* form an important help at work with human capital within the above mentioned ideas.

3 Making synergy and forming the company value

A company and its operation may be viewed through financial indicators and information provided by books of accounts. The attention is paid to making the company's market value and to defining the intangible forms of the capital which forms an important part of this value in the article.

3.1 Making the company's market value

Defining of the company's value is currently more focused on keeping the key employees, maximum utilisation of their knowledge, innovation abilities, growth of the value and brand and growth of the basic assets. The companies which will utilise the ability to find and to develop human capital necessary to achieve a competitive advantage to the maximum possible extent will be taken to the forefront in the future.

Improvement of the market position of the organization means a demanding process from the time and intellectual point of view. Figure 1 shows the interconnection between the company's market value following the model of the company Skandia and particular kinds of the

capital (Vodák, Kucharčíková, 2011). The total value of the company is made by financial and intellectual capital. The financial capital is represented by the financial assets in form of money or securities. We will introduce two of the approaches to understanding of the intellectual capital and its elements in the following lines.

Intellectual capital means organized knowledge which is used to form the wealth of the company. It contains e.g. patents and protected technology. It is the ability to transform knowledge and intangible assets into the resources of wealth. M. A. Armstrong defines the intellectual capital as the reserves and flows of knowledge available to the company. Such knowledge may be considered as intangible assets which, together with tangible assets (money, tangible assets) make a market or total value of the company. The term intellectual capital means a mixture of human and structural capital.

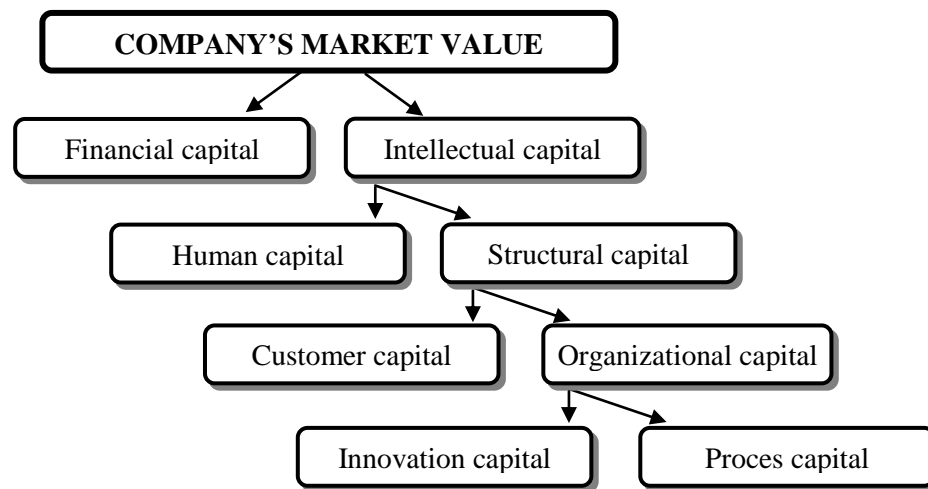


Figure 1. Process of making the company's value

Source:adjusted according Vodák, Kucharčíková: Efektivní vzdělávání pracovníků. Praha. Grada. 2011

Human capital means the reserve of the individual's congenital and during the life achieved knowledge, abilities, skills, talent and invention. Human capital may be considered as a rather static quantity. Besides the human capital the intellectual capital is made of the **structural capital** which (sometimes called organizational capital) represents the institutionalized knowledge owned by the organization. They are the work procedures, workloads, organizational structure, databases of business partners, manuals and technologies and trademarks. The intellectual capital is developed by selection and development of the right employees or, said in a different way, by increasing of human capital. However, this resource is instable and to increase such stability it must be linked with competencies and abilities of the company in a proper way. The development of the structural capital is connected with the external aspects such as making the image and brand by making the company known to many customers and by presenting it to them as a trustful and stable organization. This effort will be meaningful if the assets are successfully transformed into e.g. well designed customer databases at the meetings with customers. The organization will thus get the information about the customers which may be utilized by its business representatives which, in fact, means the transformation to the structural capital. The structural capital is closely related to the internal processes, knowledge and abilities. The investment of the organizations into information technologies are in general dedicated to improvement just in such areas. A big portion of the costs on the software and on the preparation of the employees will not be reflected in financial statements despite the fact that they increase the market value of organizations. **Customer capital** includes all aspects of

the relationship of a company and customers. As a part of the structural capital it represents the value of trademarks, goodwill of the organization in the minds of the customers and public. One of the components of the organization capital is made by *innovation capital* which expresses the ability of a company to innovate products, services, and procedures, and also to produce, implement, and document the improving designs, inventions, and patents. *Process capital* which forms the other part of the organizational capital shows how the company is able to improve and document the internal processes intended to increase the effectiveness of production and flexibility of providing of the services.

The human capital as an element of the intellectual capital, i.e. the ability of the employees to do the things which are responsible for the success of the company seems to be the most important part of the company's market value. The theory of the human capital emphasizes the added value by which people contribute to the development of the organization. Therefore the idea to consider people as the assets, not as the costs (Vodák, Kucharčíková, 2004), has been taken into forefront recently. There are often ambiguities in understanding of the terms human capital, potential and human resources.

Human capital of the company consists of the company employees, their congenital and achieved knowledge, skills, attitudes and competencies. Such capital means an important factor of the company prosperity. Man's knowledge, habits and abilities have started to be considered as a special form of the capital because their development is very time consuming and requires relatively big material resources. At the same time, similarly to the physical capital, it provides the one who disposes of it with certain income. The expenses on health care and education are considered as the basic factors affecting the quality and extent of the human capital. From the point of view of the future success, perspective and development of the company the quality and development of such aspects of the human capital is important which is utilized and developed efficiently, which helps the company to go ahead. In such a case we talk about human potential which should be well mapped within the company and should be developed successfully. Human resources mean the people in the working process. The difference between the human resources and human capital is in the fact that the human capital is owned also by such individuals who are not included in a working process and who are not in a labour relationship with any organization. Human resources mean people able to get self-actualization in the activity which they perform upon their own decision. It is a reserve of the human potential in the company, able to perform such a systematic activity which leads to the production of an output.

Human potential is defined as a set of dispositions and prerequisites of a man focused on the performance of such activities which enable the company to go ahead from the quantitative and qualitative point of view and which help increase its competitiveness. It is thus a competence of a man to produce the products and services and also to transform themselves. The term human potential contains the element of dynamic and relates to the future since the term human capital relates mostly to the present.

Receiving, development and transferring of the knowledge as well as modification of behaviour in relation to the new knowledge is typical for a learning organization. Such an organization develops its abilities to react, to adopt and to get profit from changes in both the internal and external environment. The word learning means to emphasize the knowledge and competencies and is closely connected with intellectual capital and intangible assets. Efficient learning of the individuals is an important starting point and base for collective learning of the company. The learning organization has its example in the nature and living organisms which are permanently forced to develop and adjust to the changing conditions of the surrounding environment (Darwin's evolution theory). Those ones which do it the best, survive for long periods, survive and form new species and those ones, which fail, become extinct.

The intention of the management and owners is to increase the company's market value which has been and which will be made of bigger and bigger share of its *intangible assets*. According to the above mentioned structure of increase of the value the strategic aspects of building the company's market value should be taken into consideration. The initial point given by a vision, mission, pre-communicated and successfully implemented strategy of the company using the suitable attitudes and methods must be clear. Otherwise the alignment of the individual elements of forming the company's value will not occur, energy and time will get lost, which means non-efficient spending of valuable resources and decrease of the competitive ability and value of the company.

3.2 Intellectual capital

The traditional approaches to evaluation of the business results are based on the financial approach of historical costs. In such a case there is only a small amount of intangible assets included in the financial statements. The records on what happened with the costs in the past may represent a useful starting point when assessing the business performance, however, with no information which looks more ahead the offered image of business performance is incomplete.

In the new economic conditions characterized by designations such as knowledge economy, information economy or digital one, the importance of intangible assets has been growing. There are the companies which have achieved a higher market value with significantly lower assets than some giants of the industry. The decrease in the importance of tangible assets in favour of intangible ones has occurred. Some companies operating in the area of services have become the important players, and not only regionally. The investment into intangible assets such as research and development, software, Internet, education and development of necessary competencies of employees has started to prevail (*Dvořáková, 2007*).

We offer a different view to the intellectual capital below following the project Meritum which dealt with this topic. *Intellectual capital* can be seen only after having been connected with the tangible assets in form of the added value which increases a competitive ability of the products and whole companies. It is usually divided into a human and structural one. However, there is no uniformity in the approaches to the division of intellectual capital. In some cases it is a division into human capital, organizational capital and relation capital, in other cases the concept and division is more extensive. The company Skandia has defined the intellectual capital as the proprietorship of knowledge, applied experience, organizational technology, relationships with customers and professional skills which increase its market value and provide a competitive advantage.

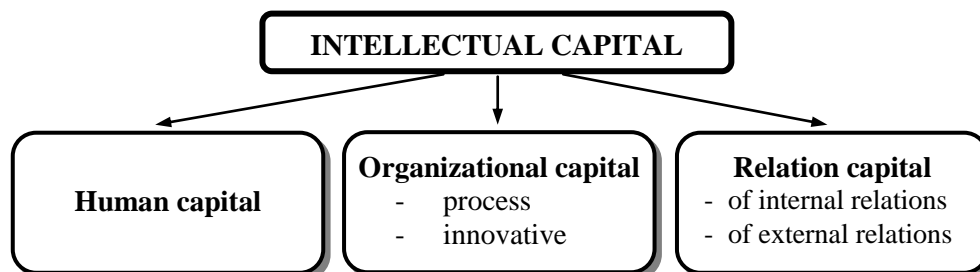


Figure 2. Intellectual capital of a company

Source: modified according Pitra: Podnikový management. Praha. Wolters Kluwer. 2008

A more general definition of the intellectual capital which has come from the project Meritum¹ says that „The intellectual capital represents a combination of human capital, structural capital and relation capital“, (www.uam.es/meritum). The project Meritum, which represented a very interesting and valuable contribution to the issues related to intangible assets, had the following goals:

- to set forth a uniform classification scheme for intangible assets,
- to record the systems of management and control of companies to identify the practise of measurement of intangible assets,
- to assess the importance of intangible assets for the work of the capital markets,
- to make a directive for measurement and declaration of intangible assets.

This directive for measurement and declaration of intangible assets also defines the meaning of particular components of the intellectual capital.

Human capital is defined as the knowledge which the employees take with them when they leave the company. It contains people's knowledge, skills, experience and abilities. Some of the knowledge can relate only to an individual, others may be general ones. The example of the human capital is the ability to innovate, creativity, know-how, previous experience, the ability to work in a team, the flexibility, the working ability, the loyalty, the ability to learn, the formal training, and the education. The structural capital means the knowledge which remains in the company at the end of a working day. It contains the organizational processes, procedures, systems, culture, databases etc. E.g. a knowledge centre, documentation background, organizational flexibility, ability to utilise information and communication technologies and company ability to adjust and learn is concerned. Some elements may be protected by intellectual property rights.

The term **relation capital** means internal and external links which spread the intentions, strengthen the internal connections, and look for the possibilities to increase the effectiveness of the company operation in the environment. These are the relationships with customers, suppliers or partners in cooperation and development. It is a part of the capital interconnected with the stakeholders of the company. The contribution is in the fact that using the built-up links the intentions to perform the company mission, relation to key values, business strategy and social mission are spread. The relation capital means the value of the relations made by the company employees between each other and their external partners (*Pitra, 2008*).

The intellectual capital may consist of intangible resources and intangible assets whereas the first of them have a **static** nature and represent some reserve of the current values of intangible assets. The **intangible activities** have the nature of allocation of the resources which is focused on the internal development or getting new intangible resources, increasing the value of the current intangible resources and on the evaluation and monitoring of the previous activities. The intangible activities (dynamic) are represented e.g. by the activities to increase the quality of the human capital through education, research activities, specific marketing activities focused on improvement of the relations with the public or building the brand and, of course, the activities intended to evaluate the satisfaction of the internal and external customers.

3.3 Declaration of the intellectual capital

The main reason which appears in connection with the declaration of the intellectual capital is the fact that the financial information is focused on the past performance of business, although they do not say anything about the fact what is the performance potential for the future like. That is not in the financial capital but in its intellectual capital. If the company succeeds to **clarify what its intellectual capital consists in**, there is a prerequisite for better management of

¹ Meritum – research project supported by European Commission (www.uam.es/meritum)

such capital which can contribute to the increase of trust, motivation of employees and the increase of the surety of the investors and other members of stakeholders regarding to the company future. The elements of the intellectual capital should be selected carefully to be suitable and meaningful for management and assessment in the future. That can mean the requirement of the wider spectrum of the intangible assets indicators.

Regarding to the measurement and evaluation of the intellectual capital and intangible assets there is an opinion divergence. There are the companies which still have not realized the need of the activity in this area yet. The problems consist in the fact that:

- the intellectual capital is very specific (what is important for one company is not necessarily important for another one),
- it is hard to measure some activities (e.g. the processes of generation of knowledge),
- accounting monitoring and statements were made for the industrial society (when the tangible assets represented an important resource of making the value) and not for the knowledge economy,
- the dynamic character of the intellectual capital causes that its particular components are important only when they are connected to the system (only then the synergy effect arises and makes value for the company).

With the effort to **declare the value** of the intellectual capital it can be said in the simplified way that the difference between the market and the book value of the company is concerned. There is a disadvantage that the intellectual capital is considered as a whole and its particular items are not distinguished. On the other hand we can say that the sooner the company is able to generate the added value and thus the gaining, the higher the contribution of the intangible assets of the intellectual capital to the total performance of the company. On the other hand, the contribution of the intangible assets is particularly in the fact that using them the company can adapt to changes which happen in the ambient environment, innovate the products, processes, and change their behaviour in a flexible way.

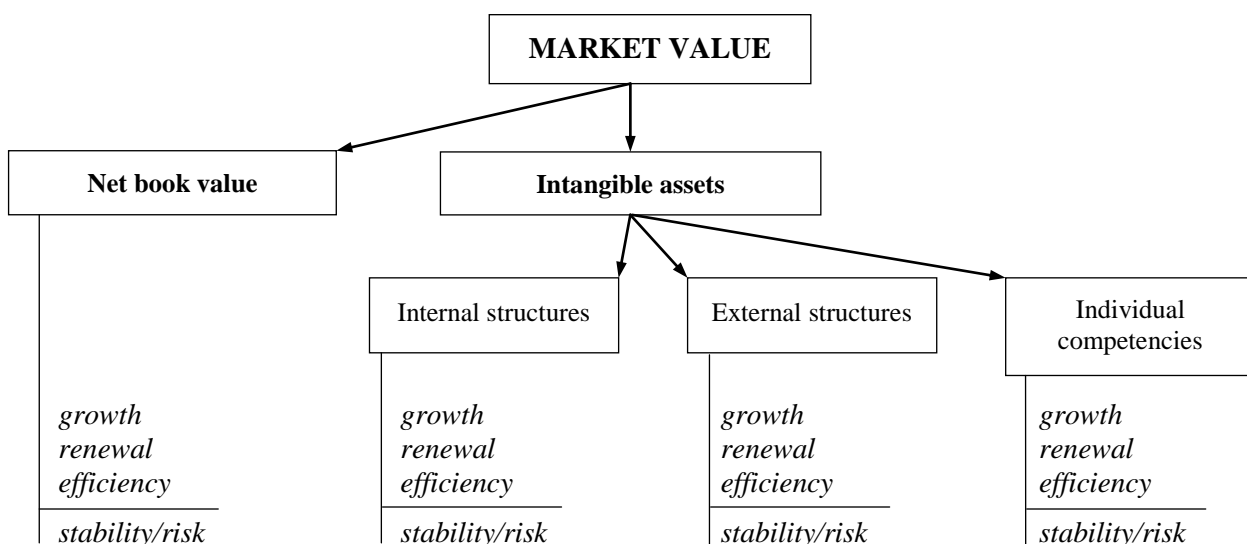


Figure 3. *Intangible Assets Monitor* – K. E. Sveiby

Source: adjusted according www.celemi.com

K. E. Sveiby has developed **Intangible Assets Monitor** as a tool to monitor and assess the company intangible assets (www.celemi.com). This tool is intended to monitor three kinds of the intangible assets: external structures (relations with the external environment, image, and trade

marks), internal structures (patents, models, conceptions, information systems) and individual competencies (education, experience, skills, abilities). The growth, renewal, efficiency and stability of risk are observed at such assets then. Some companies have started to use the model, however, it is very hard to say, how many companies really use it, etc.

Already mention company Skandia has developed its own tool which is derived from the structure of the intellectual capital designed by the company (www.skandia.se/hem/hem.jsp). The intention was to provide the management with a picture of the financial and intellectual capital. The indicators are divided into the following spheres: financial capital, human capital, customer capital, process capital and capital of renewal and development. Although the model is well-known, we can say that it contains also some elements of the Balanced Scorecard methodology and it seems to be utilised only by the company Skandia in practise.

Intellectual Capital Rating represents a standardized method which enables comparison between the companies (www.intellectualcapital.se). It is intended to measure the business performance and potential using of the information about its business activities in the area of the human, structural and relation potential. The method is based on monitoring in three areas: efficiency (current value of efficiency in making future value), risk (threats of current efficiency, probability of their occurrence) and renewal and development (effort focused on renewal and development of the current efficiency).

Balanced Scorecard is a method which is able to interconnect strategy and operative activities and measurement of the company performance efficiently; it is a strategic system of management (www.balancedscorecards.com). It contains cause and effects relationships between input indicators and performance drivers in four perspectives (financial, customer, internal processes, learning and growth). The element of visualisation of the mutual relationships using the strategy maps is also important. At the beginning at the origin of the method there was a **need to measure** performance **emphasizing the intangible assets**. Later on the focus and utilisation of the method moved further to the position of the strategic system of the company management. However, that does not mean negation of the importance of the intellectual capital, on the contrary, the importance of this approach has been proven by its spreading in private and public sector, especially abroad.

The technological advance has pointed out the advantages of the knowledge economy and the interconnected society enables performance of such things where the successful companies excel in conduct which encourages creativity and permanent creation of new knowledge. The companies are more and more dependent on their ability to identify, **measure**, manage, and **develop** their intellectual capital. Intangible assets and the way how they contribute to forming the value should be appreciated and the measures should be proposed intended to their protection and spreading. Similarly to the information inwards it is necessary to inform about their intangible assets and their level also towards the investors.

A prerequisite to spread the information in the area of the intellectual capital within the company both inwards and outwards is the following:

- Successful discussion at the managerial level on the nature of the tacit and explicit knowledge, on how they are built, expressed, shared and spread.
- Wide understanding of the importance and value of the intellectual capital and each of its components (human capital, structural capital and relation capital in the more detailed classification) and the managerial practice related to it.
- The ability to overcome a barrier of effort, costs and necessary knowledge which is necessary to develop the system of measurement and informing on the intellectual capital of the company.

The intellectual capital means *a key element* of the ability to *ensure future incomes of the company*. The theoretical approaches together with the examples from the business practice prove that the unique combination of different elements of the intellectual capital and tangible inputs condition the competitive advantage of the company. Talking and especially acting in the area of intellectual capital development makes sense not only for a business sphere but it has big importance for the future of the whole country.

3.4 Relation capital – social capital

The social capital represents a sociological concept used in business, economy, organization behaviour, political science and sociology in general as a link within and between social groups. We can find the northern countries among the best ones at the level of the social capital which is designated as the most important aspect of fulfilment of the quality of life by sociologists and economists. The social capital, the same as other capital, may be gathered but also wasted. There are a lot of definitions which can be sometimes characterized as a panacea for the problems of the modern society. However, they all share the idea that the social networks bring value. As physical capital or human capital can increase productivity, each one separately or together, also the social capital affects the productivity of the individuals and groups.

The concept of the social capital consists of two parts, the resources, made by the social relations (more than individuals) and then the approach to such resources hidden in the relationships and their utilisation which is on its actors.

Social capital describes the circumstances, under which the individuals can utilise membership in a group and network to achieve benefit. Social capital generates the positive externalities for the members of the group. Such externalities are achieved through shared trust, standards and values and their relating effects of expectations and behaviour. The shared standards and values arise from informal forms of organizations based on social networks and interconnections. Putnam uses the term social capital especially to describe the macro-sociological aspects as a character feature of a community. The basic idea of the social capital is that a family, friends and acquaintances are the assets since a man can turn to them with a request for membership and obligations of an individual towards the community which he can turn to with any request mean the assets for an individual and a community. Such private networks affect the public, too. In such a case positive aspects are concerned.

Social capital represents the standards and networks which facilitate collective activities (*World Bank, 2005*). James S. Coleman uses this term in combination with the considerations on the theory of games. For instance in business mutual trust as a prerequisite for well-operating economic transactions is its essential meaning and this emphasizing of the word capital provides the term with the economic dimension. Its concept refers to the companies and other hierarchical organizations in market economy which utilise the social capital to minimize their transaction costs. From this point of view the social capital represents an element in a chain adding the value (some of the above mentioned ideas and shortened definitions come from the material of Herrmann and Tillmann)².

World Bank³ has a similar approach regarding to the economic development of particular regions or countries. In many studies in selected countries the experiments to measure the social capital and its importance for the region development have been performed. This research was made especially in developing countries. One of the goals of this initiation of the World Bank on the field of the social capital is to support further works in this area (either utilising the case

² Herrmann, V., Tillmann, R.: An Overview of Attempts to Define, Operationalise and Measure Social Capital. Swiss Federal Statistical Office

³ www.worldbank.org

studies or using the comparative studies in many countries) and to strengthen the empirical and methodological base to measure the social capital.

In connection with these empiric researches especially in developing countries we can say that social capital affects the efforts to avoid violence, to improve health, quality of life and economic development as well as good management of the community or the region in a positive way. More studies have also pointed out the negative aspects of the social capital since the networks and standards of e.g. criminal or violent organizations exist and bring the advantages for the people who are in such networks but at the same time they harm the others out of the network. This may be seen e.g. at a mafia or other similar networks which have their standards of conduct, however, which are contrary to the rules of democracy and threatening is a common practice at them.

We can say in a simplified way that the social capital is owned by that one who disposes of a network of relationships which he can utilise when performing his own needs and also the social capital is that which may be used to build a social network through which we achieve our goals more easily. The social capital may be **characterized** and identified e.g. using some of the following items:

- family, level of a family life, traditions,
- education and education level of the region,
- general social networks – classmates, friends, peers, natives,
- social connections at the local community level,
- ability of collective behaviour, collective responsibility, solidarity,
- trust in other people, solidarity, reliability of neighbourhood relationships,
- participation in informal groups, associations and organizations,
- participation in community management,
- political engagement,
- regional identity, relation to a place, migration tendencies,
- national and ethnic origin and related connections.

Similarly to human capital the social capital relates to human welfare, however, at the social level. It relates to social trust, standards and networks which support efficient consistent community, facilitates social interactions (sects, criminal groups etc.). The social capital can cover also a political system, legal framework, and also culture which is a condition of political stability, democracy, efficient public sector and social justice. At the level of a **company** and business units both the internal and external links and their level and connection into communities, creation and utilisation of the networks in the structure of the interest groups is concerned.

To compare with the financial capital the social capital is built in a harder way and longer. Since a set of non-written standards of conduct and recognized values which should be experienced and shared is concerned. On one hand the today's society is based on the rationally thinking individual, on the other hand if such an individual had followed strictly only his benefit, he would probably have not live long and our society wouldn't have even appeared. Just the ability of a man to live and to **build a society** got him there where he is today.

It seems that one of the problems of our current period is, besides others, in the fact that the social capital gathered in the 19th and partially in the 20th century thanks to the optimism from big progress of a mankind is getting drawn down or has been drawn down, as some say, due to many mistakes in politics, bribery at the top positions in public life or in management of big multinational companies and due to the effects of globalisation.

Social capital is being destroyed also by showy disinterest of some groups of people in other groups. It is important to understand why there are big differences between the particular

countries and between the regions in the area of social capital. The question is how the quantity and quality of the social capital will develop. It is probably not by chance that the World Bank has engaged into this for a longer time (www.worldbank.org).

Creation of the social capital of the country or region is a long-term matter of several generations. It concerns the sets of the whole-society accepted patterns of behaviour and values (particularly morals). Social capital is a **non-tangible link**. If we characterized the company with a very low or no social capital, then it is the company where everything is possible and nobody wonders about anything.

The added value of the social capital is hard to be found out and hard to be measured. Higher value of the social capital will prove e.g. by faster finding of a part-time job or employment, by faster building of the socially beneficial facilities for the community, attracting of new investments into the region, better evaluation of the company with the higher rate of its social capital, more stable relationships between individual interest groups, higher level of satisfaction of the people. The different operations of the social relationships and their consequences for the company are distinguished using the **types of the social capital**:

- a) Bonding social capital arises in close contacts between the people. They are the strong bonds between the family, family friends, members of the same ethnic group. It represents the social “glue” which maintains homogeneity, strengthens identity, creates reciprocity, internal loyalty of the group and mobilizes the mutual solidarity.
- b) Bridging social capital contains the more distant contacts in it which are typical by weaker bonds which are able to cross the borders of social groups. E.g. the relationships with acquaintances, friends and friends of our friends, business partners or friends who are from different ethnic groups. Such bonds connect people across different social groups, it helps spread information, creates human mutuality and wider identity.
- c) Linking social capital which helps improve availability of the services of formal institutions such as the organizations providing the services, relationships with the clients and representatives of the company.

The above mentioned and well-known Putnam’s typology indicates how social capital arises and how it works in different environment. It is about the fact that it either helps the whole-society consistency (connecting one) or it increases the consistency by the status of unequal groups (bonding one). When applying these ideas on the life of society it has been found out that both types of the bonding and connecting social capital are at the low level there, where the isolated individuals follow only their own interests (immoral individualism).

High connecting and low bonding capital is usually in the areas with the running modernisation and urban development (currently in the central Europe), to compare with the countries with both forms of the social capital developed, such as Sweden, where also life chances of the people achieve high levels.

The above mentioned typology takes the division of the weak (acquaintances, friends) and strong (family, close friends) into consideration. Social contacts expressed by stronger links help people receive information success in the life. The example of looking for a job is usually given as an example. The importance also in such weaker links is hidden in interconnection, making of imaginary bridges. Therefore it is important that there is the organized common social life, interest groups, informal activities etc. in the community.

What has been said and applies on a regional community *applies* also, with a small modification, on *the community in a company*. The principles are the same.

If we consider an individual benefit from the diversity in a social network, than the fact that the optimal position of a person in a social network is if within a few groups, their contacts

are non-redundant to compare with their partners in a different group and thus they do not go to similar people and to the same information or resources.

The connecting social capital arises e.g. from the experience with different cultures, from repeated interactions of different, socially distant people. The contacts with different cultures increase tolerance to difference, mutual understanding, reduces prejudice, and stereotypes. In their consequence they support social consistence in a modern multicultural society where the elements such as cohesion as national identity are drawn up to the big extent. The connecting social capital may or may not always connect people from different social layers since they do not have the same amount of it.

Table 1. Selected results of the survey – Social capital

Country	It is possible to trust people (%)	It is impossible to be trustful (%)
Denmark	66.5	33.5
Sweden	66.3	33.7
Finland	58.0	42.0
Austria	33.9	66.1
Germany	34.8	65.2
Great Britain	29.8	70.2
Italy	32.6	67.4
France	22.2	77.8
Czech Republic	23.9	76.1
Slovakia	15.7	84.3
Hungary	21.8	78.2
Poland	18.9	81.1
Ukraine	27.2	72.8
Latvia	17.1	82.9
Romania	10.1	89.9

Source: Ton van Schaik: Social Capital in the European. Tilburg University. Netherlands

The above Table 1 shows a selection from a wider research of the social capital in Europe. The respondents answered the question (*Ton van Schaik*): „Generally speaking, can you say that it is possible to trust most people or you cannot be so trustful in contact with people?“ The results of comparison of particular countries were very interesting. Since the social capital does not change so quickly, it does not matter that the research is of the older date.

Social capital is meant as the most important aspect at fulfilment of the people's quality of lives. As any other capital it can be gathered or wasted, however, there is a difference that building of it is a long-term matter. There is overlapping of the contents of the terms of intellectual and social capital especially at development of the network of relationships to certain extent. The social capital represents a sociological concept which is used in business, economy, organization behaviour, political sciences and sociology in general as a link within and between social groups. It is important that the social capital is able, besides others, to **increase efficiency of economic entities' operation** using social interactions and relationships of trust.

4 Discussion

The results of the performed research indicate that both the companies which we know and the companies included in the survey are able to define the shortcomings present in the environment and are also able to define their needs. The results also show that the term innovation does not understand the business environment in the right meaning, which applies also in connection with the key words company value, intellectual capital and intangible assets. We understood the innovations not only in a product meaning in the project which would be too big narrowing, but also as innovative and new views to company management. Regarding to the findings resulting from the survey the following recommendations for practise have been defined:

Spreading of information – the information with theoretical and practical importance for the companies and their approaches to forming value for particular stakeholders at its management are concerned.

Knowledge of the strengths and weaknesses – every company should know their internal environment thoroughly. Especially top management which should have a complex view to the company as well as particular parts which it manages and the ability to combine new knowledge from management with the knowledge of the internal and external environment of the company are concerned.

Knowledge of the market and customers – every manager says that the knowledge from the market and about the customers are key ones, however, what we underestimate is dynamic of changes in the external and internal environment. Just the dynamic of changes and value strategies are very important.

Complex approach – the system approach to company management and organization as the opposite to the operative approach. The whole consists of small parts and business is such a complex whole. Management in the environment of changes in order to be able to satisfy the needs of particular stakeholders better than the competition is concerned.

Development of their human capital through education – companies consider education as important particularly in technical disciplines and they forget at so called soft skills without which we are not able to utilise the technical knowledge so efficiently. The development of human capital should be set into the framework of the intellectual capital as the element of the complex approach of making the company value.

System alignment of the company or a group of companies (clusters, alliances) means a process of alignment of how the parts of the organization (parts of the company or business units) coordinate their activities to achieve mutual integration and synergy effects. Strategy maps and suitable methodology provide management with a mechanism to describe the description of the strategy in all organization levels and their interconnection from one level to another. The extent in which the organizations deal with the tasks which require inter-section team cooperation is measured too.

This approach represents a higher level of using the Balanced Scorecard method for middle-sized and bigger organizations. The advantage is that the principles are used at all management levels, therefore they are known and the principles of the use are the same and the approach is a system approach.

Focus on the *intellectual capital*, its development and verified principles of BSC give good prerequisites for success. The approaches of the system alignment may be applied also to the companies which are smaller regarding to the size but which work on the base of strategic business units. Also very distinct organizational units within a cluster or alliance with different target groups of customers and different value offers do a lot of similar or identical processes. Thanks to the fact that they share the information on the common processes the company has

more opportunities to know the best procedures which may be quickly implemented in all units then. Utilisation and **sharing the knowledge**, the best practices will occur earlier and at significantly lower costs than if the independent companies had to conclude the agreements of performance of the repeated benchmarking studies. In case of sharing the knowledge the fact that the bigger and more varied company the higher probability of such innovation of a process which can bring benefit and advantages in all business units of the company, applies.

The portfolio of the strategic services of the human resources section should contain the following parts at our companies (with the necessary emphasize on the company strategy, market value and human capital development):

1. *The program of strategic skills development*: Such programs determine and develop personal skills which are important for the success of the organization. Such programs contain determination of the groups of the strategic work functions, forming the profile of competencies for such groups of functions, analysis of the differences between the requirements of such work functions and available competencies and preparation of the training programs for the employees intended to overcome the found differences.
2. *Organization development and development of the leadership potential*: The programs focus on development of chief employees, on the support of team work, on strengthening of synergy within the organization, on improvement of the climate in the organization and on strengthening of its values. This topic can include initiatives such as development of the competency model of the chief employees, organization of the development programs for chief employees, planning of succession at managing positions, forming the plan of rotation and development of the key employees, development of culture and values, sharing the best and verified practices and systematic informing of all employees about the strategy.
3. *Performance management process* (according to Armstrong): The programs which define, encourage, assess and remunerate the performance of individuals and teams are concerned. They contain mainly help to individuals and teams to define performance goals, assessment of the performance of individuals and teams and remuneration of the employees with strategic goals and help to manage changes.

Companies as we know them join partnership clusters more and more to get access to the abilities which they do not have and to ensure growth on new markets and new regions. It is hard because to share common indicators and sets with partners within an alliance is not always natural. It is simpler and more natural within a company, although we know that neither here it is with any difficulties.

5 Conclusion

The competitive environment has been changing significantly; the situation today is even harder due to the fact that we are living in the time of the world economic crisis. It is not true anymore that companies get a competitive advantage only due to the fastest implementation of new technologies in physical assets and by perfect management of financial assets and liabilities. The influence of the information society is more obvious in case of the companies providing the services that at production companies. Management of the current companies is performed in a complicated competitive environment therefore the managers need a lot of information and a suitable set of supporting tools for management and making decisions. They need such means to be able to evaluate different aspects resulting from the company activities and its economic environment and to be able to monitor the progress of the company at achieving of the stated goals. It is not enough to know that the company is successful today, it is necessary to know if it will be or if it has a chance (and what chance) to be successful also in the future.

Nobody can provide this, only clear and pragmatic *focus on intellectual capital* and its most efficient utilisation across all its elements. This has proven as the weakest point in the

companies which we performed the survey in our regions. The information age requires new abilities from production companies as well as from the companies providing services. One of the possibilities is in innovations in its widest meaning which also our project dealt with. The important output was the realization of the fact that the *innovations in perception of the importance of the intellectual capital* and its development and cultivation in the company are the most important for companies.

It was proven that the ability of a company to **mobilize** and utilise the tangible and **intangible assets** is much more determining for its performance than to invest in physical tangible assets and their management.

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