

DEPLOYMENT APPROACHES OF THE INTANGIBLE ASSETS UNDER THE FORM OF INTELLECTUAL CAPITAL WITHIN THE ACCOUNTANCY PROCEDURES OF A COMMERCIAL COMPANY

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Abstract

In the actual Romanian context under the aspect of the examined theme can be attributed to the cumulated effects of the transition period. The knowledge baggage and the advance practice, especially through learning from the external partners, took place, simultaneous, on professional plan and managerial plan; in the entrepreneurial action plan, the investments in intangible assets and in intellectual –intensive activities were perceived as risky and prohibitive under the aspect of costs, while, in advanced countries, the competitive notions based on knowledge were first.

This research starts from defining the purpose and objectives as the first part of the research will make a brief description of the area that interests us, namely intangible assets and will establish strategy is finally reaching the perception of intangible assets in entity. The paper captures the key elements of intangible assets in order to highlight and reflect their importance. The fact that intangible assets can be and they are important for an entity to be recognized as valuable and accounting procedures of a company. As a work hypostasis in our evolution we will start by identifying the existent models regarding the evaluation of intellectual capital, their implementation in the total of entities and a rigorous analysis of their influential grade on entity value.

Keywords: intangible assests, intellectual capital, industry research, equity capital market, own capital

JEL Classification: B41, G31, G32, L25, M41, O16

I. INTRODUCTION

PURPOSE AND OBJECTIVES IN THIS RESEARCH

The purpose of this research is the implementation of intangible assets as intellectual capital in accounting procedures.

Among the objectives pursued by this research include -identification of components, group models of intangibleassets;

- analysis of the internal business environment regarding the possibility of implementing the models of intangible assets;

- analysis of effectiveness of each model that characterizes intangible assets as intellectual capital, in particular;

- achieving comparison regarding different models with its specific indicators to identify the most optimal.

II. SHORT DESCRIPTION OF RESEARCH DOMAIN

According to Skyrme (1997), the knowledge and the intellectual capital are the “hidden” assets of a company, which backs up Stewart’s (1997) idea regarding the creation of competitive advantages through an effective management of this kind of assets. Two trends of thinking led to the development of the concept of intellectual capital, one centered on strategy and the other on measurement. The strategic trend started from the “organization that teaches” and from the relationship between knowledge and the success of value creation. There were taken into account the conceptual evolutions regarding innovation, management of knowledge transfer and key-

abilities for the success of the strategic intercession. The measurement trend started from the management of human resources and from the techniques of financial measurement of the capital, solving problems regarding measurement of the employee's and company's knowledge (Bahra, 2001). At the level of a general vision upon a company, the two trends had intertwined thus leading to the development of the concept of intellectual capital.

The next statements are specific to clearly define the concept of intellectual capital:

- intellectual capital is the sum of all that the people in an organization know, thus conferring it competitive advantages on the market;
- intellectual capital is recognized as being a value in most organizations, but this is not measured and evaluated in no other financial statement of the organization, except for the market value reached at stock exchange;
- intellectual capital represents the intellectual material which was formalized, captured and underlined in order to produce even more valuable assets.

The intangible character of the new type of capital creates more problems.

The intangibility appears due to the fact that it does not appear in any financial document of the company and it cannot be identified through a traditional physical form.

A requirement for the systematic development of intangible assets is for these to be identified, classified and reported. Most of the classifications of the intangible assets describe them as difference between the market value and the accounting value of the company.

Sveiby (1997) defines the intellectual capital as the sum of three components: human capital, structural capital and the client's capital.

The human capital is formed of the knowledge, abilities and proficiencies of the people from an organization. It is rather in the propriety of people than of the company, being a renewable part of the intellectual capital.

The structural capital includes strategy and organizational culture, structures and systems, organizational routines and procedures, as well as assets of intellectual propriety as technologies, inventions, data, publications and the processes that can be patented and protected. Structural capital includes processes, structures, informational systems patents and other knowledge which remain with the company when the employees leave.

The client's capital is given by the value of its relationships with the clients, including the client's loyalty with the company's products, based on the company's reputation, the buying behaviors or the clients' availability to pay.

In the international context, according to one of the most used taxonomies (Joia, 2001), the intellectual capital of an organization includes:

Relational capital which includes relationships or alliances with the clients, strategic partners, investors and local communities, as well as the image of brand and trust given to the respective organization by the actors in the business world;

Human capital which includes knowledge, abilities, experience and creative potential of the organization's members;

Organizational (structural) capital, the systems and the processes that make possible the functioning of the company and obtaining the expected performances: informatics and communications technologies, organization's memory (data bases, documents), the own portfolio of intellectual rights (registered marks, author rights and invention patents), other forms of coded knowledge (procedures, manuals of good practice standards).

Taking into account the complexity implied by the problems of the intangible assets and the multiple angles of their appreciation, there can be determined four areas which are evidently interested in defining the intangible assets:

- ✓ accountancy;
- ✓ legal interpretation of intangible assets;
- ✓ taxations' point of view;
- ✓ evaluation's point of view.

Being oriented towards the processes of internal accumulation and transaction of intangible assets, the patrimony approach concentrates on the value aspect of their existence and usage (Joia, 2001); from here results the primordial role given to measurement in the success of any systematic intervention of managing the intellectual capital, which in practice faces two mainly categories of difficulties:

- ✓ the tendency of avoiding the quantification in value terms of intangible assets;
- ✓ the tendency of avoiding the official reporting of the results of this quantification.

The reticence of calculating the valor dimension of the intellectual capital is explained through the difficulty and the application costs of the existing measurement procedures, but also of selecting the indicators relevant for management. In turn, the reticence of reporting the results of measuring the existing intellectual capital derives from the accentuated relativism in interpreting the obtained values, from the risk of unveiling aspects of strictly internal interest of companies and from the lack of a consecrated format of such reports (Kennedy, 1998).

The value dimension of the human capital can be calculated not just using the system of the indicators of durable development, but also taking into view three other reasons (Dumitrana, M., Jianu, I., Dumitru, M., Jinga, G., apud Stroomborgen, Rose and Nana, 2002):

- ✓ evaluation of politics in the education area;
- ✓ evaluation of what determines the occupation of working force;
- ✓ understanding the economical growths.

III. RESEARCH STRATEGY OF THE INTANGIBLE ASSETS

In this research strategy adopted will be of the type incomplete inductive in which we start with the identification of entities nationally, the specifics of each, having as a pattern an already existing property in which we apply models of intellectual capital evaluation and attempt to implement these models for all the entities examined. We will identify whether the premise from which we start, namely the implementation of intellectual capital in accounting structures of an entity from the evaluation of their models with data arguments, help us to implement practically the intellectual capital in accounting.

Such a strategy can achieve, for this research several conditions, namely: independence, because each model theories of identification of intellectual capital are specific enough; completeness, is to solve the identified problem. As a work procedure we will chose using schemes, and existing models to determine results. Through the analysis of measuring intellectual capital modes takes place the establishment of a number correspondence, more, a comparison of results of the models applied to analyzed entities to determine the most optimal and to implement intellectual capital in the annual financial statements. As an approach will be the quality, which follows the deep analysis of the situation there and finds a solution to the identified problem regarding intellectual capital.

As research techniques we will use the identification of entities of analysis, entities that will be chosen on the basis of predetermined criteria such as the activity profile, the number of employees, age, and others who help us in the implementation issues of intellectual capital in accounting procedures and such research will determine the sample, which will be a systematic type.

The information to obtain the necessary data will be taken from various documents presenting entities, the existing accounts in entities, reports, studies whether occasional or regular or archives. These will form the basis of that technical equipment data collection.

Observation is one of the techniques present in our research, as a direct technical collection of data that allows us direct contact with the reality of the national average. We can use and apply the interview technique where existing data in the entity are not sufficient, and we need additional data, even one assessment model of Navigator intellectual capital which involves interviewing employees.

Measurement technique will help us greatly in exploiting information from

previous analysis in order to bring it to the state in which we can make comparisons, analysis and correlations, to explain the importance of intellectual capital for the entity and thus the identification of research results.

Another step in the strategy for this research will be processing, preceded by analysis. The analysis will be one of the comparative type, biographic but also of the content of the communication. The study of documents is absolutely necessary in this research because there are sources of data that prove a fact. Collate data in various tabular forms or in graphical representations will be part of the logical approach of this research to digest information easily and so we can draw different conclusions. The analysis of indicators of measuring intellectual capital are absolutely necessary as their numerical size helps us determinate the level, volume, value and structure of the community.

IV. ASSUMPTIONS AND POSSIBLE SOLUTIONS CONCERNING THE IMPLEMENTATION OF INTANGIBLE ASSETS IN THE ACCOUNTING PROCEDURES OF A COMPANY

Regarding the fact that organizations nowadays must explore all the resources which they have to ensure success. With the tangible assets, physical, the intangible assets, non-physical, play an important role in the overwhelming majority activity of the organizations.

As a work hypostasis in our evolution we will start by identifying the existent models regarding the evaluation of intellectual capital, their implementation in the total of entities and a rigorous analysis of their influential grade on entity value.

Existent and studied models nowadays regarding intellectual capital are found under the following form : Navigator through which market value takes the form of

Market value = Financial Capital + Further intellectual capital, it is divided into four different areas: human capital, customer capital, process capital and innovation capital. If to these four we add financial capital to obtain the financial capital market of the organizations concerned. Moore (1996) attributed the above models a limited use. In his view, the assessment of a company must prevail measurements made at the end of the process and have the actually recorded earnings in mind. Moore is a value chain model called Enterprise Value Chain (EVC) in which the four processes (subsystems) - Leadership, Customer, People, Operations- are related values of the three determinants Basic Skills ,Consumer Preferences and Shareholder transferred value.

The model was later developed and extended by Karl-Erik Sveiby, one of the authors, resulting in the final model known as the Intangible Asset Monitor (IAM). After Sveiby, there are two main purposes and two target groups: **goal 1** the transparent presentation of the company in front of the external target group consisting of clients, credit institutions or shareholders. **goal 2**-internal evaluation purpose of the company used by internal target group made from its management to exercise the function of monitoring and taking correct measures required before any unintended negative effects become significant. In a first argument, it could be argued that both goals can be achieved by using accounting in dual match. There is however a serious objection: the balance sheets, income statements, etc., are made in a monetary expression so that it is impossible to discern those flows to the organization whose associated assets are largely of non-monetary nature and intangible.

This research will try to claim that the two goals can be achieved by calculation of intellectual capital in a cash expression through patterns and through indicators that determinate its value.

IV.1. PERCEPTION OF INTANGIBLE ASSETS WITHIN AN ENTITY

The intellectual capital that evolved (in the past) around an organizational architecture based on a given technology, which must be permanently adapted to organizational changes in order to cope (nowadays) with the aggressions of the external factors, preventing the leak of information

and knowledge between the new levels of the organization (in the future). In this conditions, the intellectual capital becomes a instrument meant to clearly define the priorities from the past from the ones in the present and from the ones in the future of the organization.

The coping of the intellectual capital with the continuous changes made in the organization implies:

- The understanding and the taking in consideration of the reactions caused by the change;
- The creating of the main objectives for a certain period;
- The clear stating of the roles and responsibilities of the workers.

The identification of a intellectual capital model, mode made by Leif Edvinsson with Michael Malone, in which the intellectual capital is composed by two major elements, meaning human capital and structural capital, model which was followed by a series of other models regarding intellectual capital and which had at the base two sources : **egocentric** in which the intellectual capital is considered as being the value given by the interaction between the individual capitals of the workers; **socio centric** given by the same individual value , but this value interacts at a structural level needing the social and global implication of individuals in the new organizational dimension.

In Romania, the controlling of intangible assets is continuously considered a theme with a high level o new and complexity, which explains the still limited attention given on conceptual level and applicative level. The relative quick opening towards concerns regarding intangible actives appears as a consequence of the connection to the economic circuit and the international scientific one and the implication of the country in the European integration process . Although, in the internal business environment, the economical evolution based on knowledge is perceived as a priority, waited more from some macro-economical politics and governmental projects of great dimensions than as a result of promotion, in organizations, of intellectual-intensive activities.

The difficulties of perception and managing determined by the nature of the intangible actives are generally- viable under type aspect, but they manifest with precision in the actual Romanian context, making important gaps in ratio with the reference practice on an international aspect. The analysis of such gaps can be made starting from the distinction between the enterprises "old economies" and "new economies" (Hand and Lev, 2003), which allows the comparisons between cultures and practices associated to each of them.

Table 1. Levels of perceptions on intangible assets in organizations

Levels of perceptions	Main points	Way of regarding the sphere of organization practice
Ignoring	Intangible assets are not shown as distinctive entities on cognitive maps of organizational actors	- the knowledge is not perceived as active; - the internal communication from organizations is limited at control purposes and scoring of execution actions; - the knowledge works especially in its own form, independent from the organizational formal frame.
Unarticulated perception	The existence of intangible actives is seen only empirically and framed, and the performance potential is just guessed .	-the distinction between tangible actives and intangible ones is obvious, without becoming operational ; - the intangible assets problem is not perceived clearly on the decision agenda; - the control of knowledge is based on improvisation and informal interaction; - some punctual solutions intervene ad-hoc as an effect of some external limits (legal obligations, contractual).

Perceiving perception	The importance of intangible assets is seen on the basis of some external reference (success or failure cases, business environment tendencies etc)	<ul style="list-style-type: none"> -the solutions to the intangible assets utilization problem are of informational nature of some activities and demand only explicit knowledge (coded) from organizations; - the context induces the inclining of the alignment at the domain's tendencies, but the capacity of assumption, on long term, of some arrangements in this sense is reduced; - the eventual advantages of knowledge are used, usually, in an opportunist-speculative way.
Systemized perception	Intangible assets are used as strategic assets, in an integrating vision, for obtaining performances, lasting and "top".	<ul style="list-style-type: none"> -organizations perform and function in a way based on knowledge, on the "three I" principle (innovation, learning, partnership interactivity); - are operational the communities of professionals, cooperation networks between experts, "tanks" or "construction sites" of new ideas, integrated systems of controlling knowledge and competences; - organization members assume the title "knowledge workers" (workers of conception work).

A series of features that characterize the actual Romanian context under the aspect of the examined theme can be attributed to the cumulated effects of the transition period. The knowledge baggage and the advance practice, especially through learning from the external partners, took place, simultaneous, on professional plan and managerial plan; in the entrepreneurial action plan, the investments in intangible assets and in intellectual – intensive activities were perceived as risky and prohibitive under the aspect of costs, while, in advanced countries, the competitive notions based on knowledge were first.

The domain of intellectual propriety advanced relatively slow towards defining and applying a juridical articulate regime, being needed a lot of limiting elements than the motifs given to those interested in protecting and valuing their own intangible assets.

In the conditions of sticking to the world market and to the economic integration at an European scale, remaining behind registered in Romania concerning use practice of intangible assets go with risks in external competition, quality and costs of the integration system, in the dynamic of the professional team and in the international cooperation capacity; these risks are manifested at a national scale, intervening with the rhythm and quality of the economic, scientific and technologic evolution of the country, but also of its position on an external plan.

The risk analysis of the current situation regarding the use of intangible actives is structured on risk categories: the risk of improper use at concurrence pressure on the European internal market ; the risk of substantial growth of the costs of European integration of the country; the risk of crossing delay to economic evolution based on knowledge; the risk of persistence "brain exodus" ; the risk of participation capacity limitations at European programs and international research-evolution programs.

V. RESEARCH CONCLUSIONS

The various models of measuring intellectual capital with focus on innovation, but not innovation as the innovation process but as part of production and the role of human factor is not one determinant of organizational performance. In every organization there was knowledge in constant change.

The way in which they manage crises occurring in this period depends on the success of the organization. One crucial factor in managing these crises is the intellectual capital. During the process of assimilation of intellectual capital a conversion is done to the individual identity.

Identity transformation is an important social process which employs dissonant, tasks and shares role expectations. The intellectual capital for the XXI century organization must lie on first plan, along with capital market (it is widely agreed that unless an organization sells its products and services can not survive), intellectual capital (which if not made up of a competent human capital and organization devoted to the organization may lead to bankruptcy, despite the market both for goods and services and financial resources)(Wall, A., Kirk, R., Martin, G, 2004).

Human capital theory - creates the premises, moving from the concept of "use" to the concept of recovery of human capital. Simplistic vision focused on the use of human resources and remuneration depending on the work issues the fragment role of the human factor in small segments connected together. In the concept given, the use process of the work resources is torn from the necessity of making important the human factor.

Through this research, treatment of the human factor in terms of human capital allows shift from the simplistic vision of use to the concept of capitalizing human factor. Last put into a coordinate system capacity to be good human factor and the recognition the necessity of extending the validity area of choice which a practical man has to do in following directions: the creation and development of human resources through education, training; extension of work by health care, the rational location inside the economy, etc.

The concept of capitalizing the human factor is essentially a systemic vision, which focuses on actions of all parts of society towards development of measures, provision of investments that would ensure quality to the human factor, the materialization of which is made through managing this process at micro and macroeconomic level.

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