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The Intangible Assets, the Hidden Wealth of the Romanian Companies

Florentina MOISESCU^{1*}, Silvia-Aurora TITOR²

Abstract

Many of the Romanian companies are familiar with the intellectual capital notions but are hesitant to implement an assessment and measuring methodology of intangible resources. As in the case of the small and medium enterprises, such reticence is even higher, the study focused on measuring the performance of the intellectual capital in a micro-enterprise, by using the VAIC method. The structured methodology may be applied by such companies too only by means of internal resources, without involving additional costs, and the obtained results are easy to interpret and may be used in the value added indicators management reviews.

Keywords: *intellectual capital, intangible resources, Value Added Intellectual Coefficient (VAIC), value added, microenterprises.*

1. Introduction

The information from the financial statements is valid and reliable but it might become irrelevant in the current economic context. The growth of the share of embedded knowledge in products and services and the unprecedented dynamics of the intangible assets are the features of the new economy[1]. The physical substantiation of the merchandise is getting smaller, the true value being given by the knowledge of the people manufacturing such products and by the marketing power of the selling companies[2]. The source of long-term value creation has changed and there is more focus on the companies' capacity to innovate and capitalise

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knowledge, on the internal and external relations system they created and developed[3]. Thus, the competitive advantage and the reaching of sustainable performances are mainly subject to the intangible potential created and accumulated within the organisations[4]. However, not all companies investing in intangible assets are unconditionally more profitable. The connection between performance and the level of such resources has been highlighted only when, by an effective management, they have a strategic role in achieving the organisation's objectives.

The purpose of the paper is to structure an instrument for the identification and measurement of the intellectual capital's performance, applicable in the organisational reality of the Romanian companies. The intellectual capital measuring methods and models existing in the speciality literature are generally related more to the theoretical sphere and less tested and applied in practice, and the identification and testing of a methodology for measuring the intellectual capital impact on the performance of a small organisation represent a novelty.

2. Theoretical Background

The theoretical concepts referring to the intangible assets have been stated from both the accounting and managerial perspective. Accounting researchers focused on the notions of value and cost of intangible assets and the commercial fund, whereas the other research direction dedicated its studies to the knowledge and information management processes. On the basis of an evolutive interpretation of the phenomenon, it may be asserted that the research on the measuring and representing the intellectual capital is the result of the joint efforts of professional accountants and those embracing the managerial vision [5]. Conceptually, the intellectual capital represents, under many aspects, the meeting point of the visions of the researchers of such disciplines, interested in the subject of the intangible assets held by an organisation [6]. The issue of the IAS 38[7] and IFRS 3[8] standards marked an evolution in the accounting approach of the intangible assets and greatly contributed to the harmonisation of the two visions. Even under such circumstances, the accounting rigour cannot grasp the essential elements related to the competitive dynamics of a business such as: the complex interaction networks between the company and the suppliers, customers, competitors but also the rapidity and amplitude of the response to the new opportunities offered by the market. Moreover, as the intellectual capital is mainly non-monetary, one cannot use only financial indicators for its assessment: "if we measure the new with the instruments of the old, we will not "see" the new"[9]. For the companies thus arises the need to

structure a methodology for the identification and measurement of the intellectual capital, but also for the communication and broadcasting of the information pertaining to the same.

The most important studies that set out to structure the intellectual capital assessment and measurement methodology were conducted within certain companies. Even in the case of the most structured models tested in practice, a certain difficulty in enforcing them has been highlighted. They require access to a large quantity of information, some not formalised within the company. This aspect renders difficult the enforcement of the operational models to the small and medium enterprises [10]. Nevertheless, there are numerous examples of small businesses that not only they maintained on the profile market, but they developed and became important companies, only due to their unique intangible potential. The small and medium enterprises managers became more interested in the possibility to use in their analyses new indicators that would quantify the contribution of the intellectual capital to the general performance of the business. A possible answer to such expectations might be obtained by calculating new indicators, based on the value added, that would provide information on the effectiveness of using all the organisational resources.

3. Methodology

In the scientific approach, various information sources have been studied as to the conceptualization of the intellectual capital terminology: the speciality literature, case studies, mass-media articles, reports of profile organisations etc., whose objective was to measure the intellectual capital performance, unfolded within entire activity sectors. Departing from the remarks of certain researchers [11], who recommend the calibration of the intellectual capital performance calculation methodology to the organisational reality of a specific company, a small-size Romanian company has been selected as research study element.

For the measuring of the intellectual capital performance within the studied organisation, the VAIC™ model was applied. The selection of the model was subject to the requirements imposed by the study's objective and the characteristics of the studied organisation. The ease of implementation and consultation have also been envisaged, along with the fact that the Value-Added Intellectual Coefficient (VAIC) uses information extracted from the entity's financial statements and manages to synthesise an expressive and easy to understand indicator.

At the methodological level, the research involved deductive moments related to the critical assessment of the selected model for

structuring the measuring instrument of the intellectual capital. The practical examination of the model's functionality confers the research an inductive nature. The obtained results were analysed and interpreted for each implementation stage, but overall as well, in order to assess the utility of the intellectual capital measuring instrument.

Implementation of the VAIC model

The company selected for the study development is a micro-enterprise established in 2000, which activates in the field of engineering and technical consultancy services.

The selected model investigates and documents all the processes generating value added within the company. To this effect, the first step is to calculate the value added generated by the normal unfolding of the company's activity:

Va=Outputs-Inputs

where Outputs include all the company's revenues obtained from the market sale of its services, and the Inputs refer to all the external expenses of the company (raw matters, materials, energy and water, services provided by third parties) for the development of its operational activity.

In order to facilitate the medium-term highlighting of the coefficients used by the model, the analysis was based on the data collected from the company's financial statements in the period 2008-2016. To this effect, for the entire analysed period, all the information required to configure the coefficients composing the VAIC model was identified and summarised.

VaCU indicator measures the overall personnel's contribution to the generation of value added, without identifying the individual value contribution. For the small companies whose business specifics imposes teamwork for the completion of a project, this apparent shortage is not an impediment, the value added generated by the entire team being of interest.

Even if the VaCU (the human capital value added indicator) indicator is not explicitly considering the accumulation of experience and knowledge, for the company where the study was performed, the indicator might be considered to grasp the adaptability and competence of the human resources.

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configure the coefficients composing the VAIC model was identified and summarised. The following have been calculated:

- tangible capital efficiency (physical and financial);
- staff's labour productivity;
- value added share afferent to the structural capital participation.

VaCI indicator expresses the intellectual capital efficiency and is obtained by summing the two indicators calculated above:

After analysing the specific trend of each item of the VAIC coefficient, we may proceed to the quantification and measuring of how the assembly of intellectual resources available to the company contribute to the generation of value added.

In figure 1 the trend of the aggregate VAIC coefficient may be observed and in figure 2 the contribution of each indicator to the creation of the assembly may be identified.

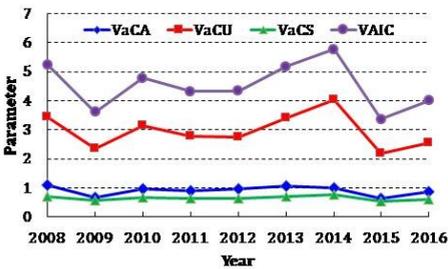


Fig. 1. VAIC analysis

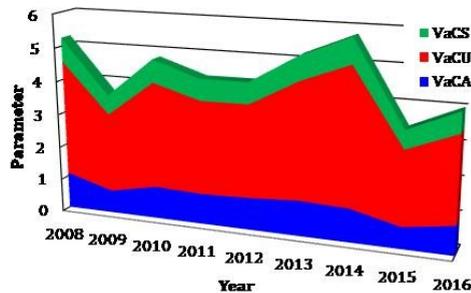


Fig. 2. VAIC composition

Further to the analysis of the VAIC coefficient composition, it may be noticed that the largest share of the aggregate value is represented by the VaCU indicator (fig. 2). The most important component of the intellectual capital, as value added generating structure within the company, is represented by the human factor, the professional competences rendering a higher labour productivity.

Such as noticed in figure 2, the trend of the Structural Capital Value added indicator (VaCS) has no regular or continuous increases or decreases, therefore no trend can be identified. For the analysed period, the indicator displays the same annual variation as VaCU and VAIC, but with a much lower amplitude of this variation. The indicator's variation is also correlated with the variation of the value created within the company. The only exception is the year 2012 when the VaCS has a constant value, VaCU and VAIC record a slight drop against 2011 and the Va has growth, but the growing rhythm is ~8% slower than the revenues growth rate. The indicator's lowest values are recorded in 2009 and 2015, in correlation with

the negative impact of the relational capital. The year 2009 is also the first year when the company feels the effect of the economic-financial crisis, with extremely important consequences on the customer structure and developed engineering type. In 2015, the indicator has the minimum value of 0.54. This decrease is due to the loss of the company's main customer, and the impact was felt down to the employment level and utilisation level of the production capacities.

5. Conclusions

Further to the implementation of the model in the studied organisation, based on the data collected from the financial statements, a new monitoring tool of the company's activity has been structured. It is capable of noticing both aspects related to the performance of the tangible capital (VaCA indicator trend) and the intellectual capital (VaCI indicator trend), as well as those circumstances when the increase of the operational revenues is not correlated with the accumulation of value added. The analysis of the VaCU indicator may also indicate to the management the periods when the Va decrease/increase rhythm is higher/lower than the decrease/increase rhythm of the operational revenues.

Performance analysis from several perspectives is very useful in the substantiation of the managerial decisions. The utilisation of the VAIC coefficient does not exclude the utilisation of the traditional indicators. A multi-criterion analysis of the organisation's performance can be based on both types of indicators, but the VAIC coefficient is the only one to establish the connection between the intellectual capital and the monetary sphere, by quantifying the participation of this resource to the generation of value added within the company.

The generation of value added may be monitored within each project and, by reporting to the company's efficiency average value, the sub-average activities can be identified, which consume the most resources to create a value added monetary unit or which destroy the value added. Thus, the VAIC model can be transformed from an analysis tool based on historical data into a tool offering information on the company's current activity.

In order to enhance the utility of the new measuring tool, the average efficiency of the intellectual capital within the company's activity field should also be calculated. For comparisons within the same field, the model may be used to determine the efficiency of the intellectual capital of potential competitors.

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