

ASPECTS OF INCORPORATED AND OBJECTIFIED CAPITAL FORMATION

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Abstract. The article deals with hierarchic levels of casual factors of enterprise fundamental capitalization. It is proved that organizational competency and sustainability of an enterprise are the criteria of the incorporated level of capitalization which is determined by the set of mental and cognitive factors. The article substantiates that these characteristics are informative for determining the level of organizational abilities that, in their turn, ensure productivity of capital formation processes at an enterprise, and formalization and assessment of which are performed at the financial and accounting hierarchic levels of their formation.

Keywords: economic mentality, capitalization of knowledge, cognitive corporate culture, organizational competency, stability.

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Introduction

Unlike traditional methodology of studying capitalization which is presented by processes of formation, distribution and use of material and financial resources leading to an enterprise's obtaining profits, transition to the strategy-oriented theoretical basis provides change of the research vector. This is conditioned by appearance and the priority impact of new non-financial differentiated capital forms fixing differences in processes of efficient use and accumulation of capital, formation of economic results of capitalization in value-cost categories and means essential changes in understanding the mechanism of their growth. Such focus in studying capitalization goes beyond traditional approaches to its understanding and expands the scientific context by modern approaches, thus enabling explanation of the economic nature and disclosure of the mechanism of obtaining economic results of capital formation in categories of modern theories of strategic management considering modern trends of business-structure development.

Mental and cognitive substantive space of capital formation

Modern economic literature considers study and scientific reasoning of hierarchic levels of casual factors of an enterprise's capitalization (Fig. 1) to be one of the topical research trends.

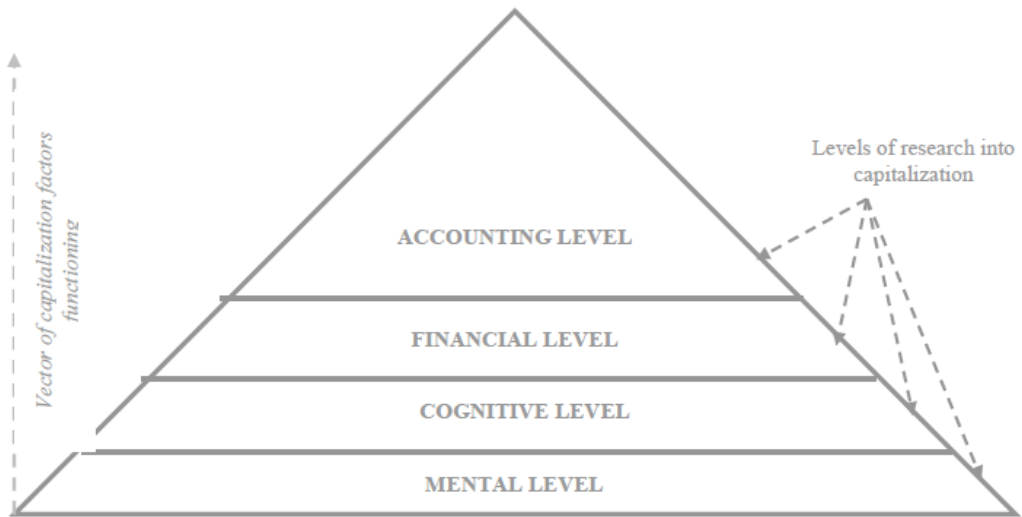


Fig. 1. Hierarchic levels of casual factors of forming fundamental capitalization of an enterprise

The mental level is one of the levels of research into capitalization and, therefore, the focus should be placed on aspects of the mental substantive of capital formation.

Motivation and behavior models that appear during economic activities and determine obtaining targeted results are defined by economic mentality as historically formed individual and public consciousness, specificity of which is determined by the type of the economic epoch, cultural, social, ethnic background and other features of mentality carriers.

Research into the mental component in economics is present, either implicitly or explicitly, in many economic theory trends. However, this agenda is best highlighted in the institutional theory where people's behavior and underlying factors are directly included into the subject of research. The institution meant as a set of rules, habits, means and stereotypes of thinking and behavior of individuals as members of social groups and society as a whole.

T. Veblen notes that if it is necessary for a behavior feature to keep its power and be repeated, it should be based on a habit or inclination (*Veblen, 1984*). While studying the institutions themselves, researchers focus mostly on formal rules of economic structures' functioning. However, they admit a significant influence of non-formal institutions on business entities' behavior. D. North states that formal rules in even the most developed economies make just a small (though very important) part of the set of limitations that create a situation of choice; it is easy to see that non-formal rules permeate all our life (*North, 1997*). Unlike formal institutions, non-formal ones cannot emerge instantly; they are a product of the spontaneous evolution and man's freedom to choose and based on emotional, religious, ethnic factors (*Libman, 2006*).

The basis of economic mentality is formed by fundamental mental sets and values of individuals and communities, their stable psychological aptitudes and reactions, ways of perceiving, feeling and thinking. The process of observing non-formal rules is based on the logic of social capital functioning that results in creating trust and reputation of market participants, confidence in the fact that they all are aware of these (non-formal) rules and

ready to follow them. Non-formal rules do not claim to be universal, they are mostly attached to particular market segments and individual groups of economic entities. Non-formal norms rest upon cultural traditions and values that are fixed in a certain social space and connected with the reproduction of stable behavior practices that have become habits and are fixed in corresponding customs. That is, along with other non-formal institutions, economic mentality determines the institutional environment and is the basis for the formal institution subsystem in the historic continuum. That is why, within the framework of current researches into relations and mechanisms determining a person's or society's choice, the need for addressing the phenomenon of economic mentality as the basis for defining both formal and non-formal institutions and ensuring the vector of interaction and economic entities' development is gaining topicality (Fig. 2).

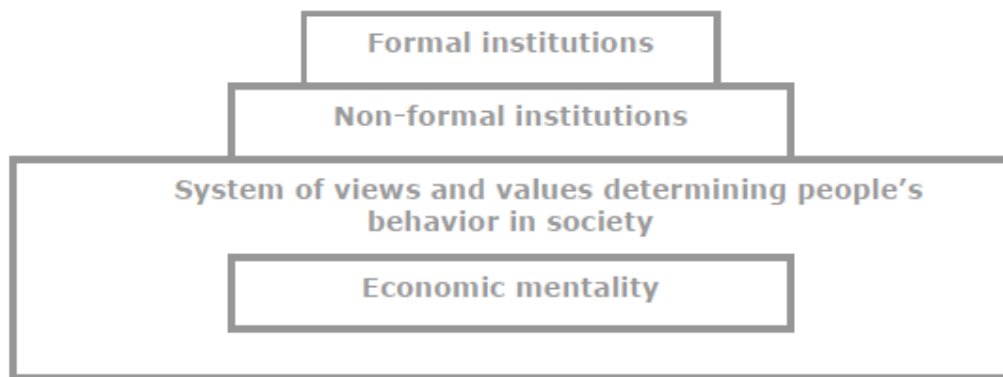


Fig. 2. Economic mentality as an element of the society's institutional structure

Disclosure of the logic of capital formation in the context of knowledge capitalization is one of the trends of studying economic organizational mentality. From this perspective, the research is focused on implicit-explicit organizational cultural knowledge. According to I. Kuznetsov, culture is nothing else but "knowledge transferred on the communication basis" (*Kuznetsov, 2006:9*) (hereinafter translation is ours). A. Haponenko and T. Orlova state that "in a way, organizational culture belongs to group-related implicit knowledge that to the maximum degree forms consciousness of an organization, manages people's behavior and forms itself under their behavior influence" (*Haponenko et al., 2008: 337*). Considering generalized approaches to determining corporate organizational culture, we shall stand for the viewpoint substantiated by B. Salikhov who states that "... corporate culture is "a bundle" of values, principles, motives that can integrally be described as a certain value-substantive knowledge ... made into a model ... and determining socio-economic quality of a corporation" (*Salikhov, 2015*).

Scientists and practitioners are unanimous in accepting the phenomenon of corporate culture and its priority role in ensuring efficiency of business structures. As for assessing the level of corporate culture development and measuring its impact on formation of cost results, in this case the issue is characterized by a high level of uncertainty and absence of a single methodological approach.

Making no pretense to completeness and systemic of covering the existing theory and practice in the present scientific agenda, it is necessary to dwell on the corporate culture assessment.

Research into the mental component in capital formation processes has gained actuality due to substantiation of the economic content of incorporated capitalization the result which is, on the one hand, new knowledge which is the resource for ensuring sustainable growth of economic results and, on the other hand, - formation and development of an enterprise's capabilities intended for increasing efficiency of tangible and intangible assets (objectified capital) on the basis of their unique combinations. That is, assessment of the mental component in the form of corporate culture is directed to achieving the determined results of incorporated capitalization.

B. Salikhov describes "formation of "the cult" of new knowledge" as one of the basic functions of "innovative corporate culture" with the following main principles of its implementation (*Salikhov, 2015*):

- respectful attitudes to creativity and individual creators (individuals and groups) of new ideas and knowledge in particular;
- importance of corporate communication;
- the ability to "get the job done";
- trust.

Implementation of the first principle provides not just a respectful but even responsive attitude of owners and managers to knowledge creators, support by not only company management but also all the company employees. This is a kind of insurance from failures for an innovator. The ethical principle of "respectful attitude to innovators" can become apparent through assigning merit wage rates to innovators, creating special working conditions for them, introducing flexible working hours, etc. In this context, it is appropriate to mention practices of the PJSC *Ilyich Iron and Steel Works* of Mariupol (Metinvest) as an example of significance of the mental component for stimulating innovations in business. Bonus payments from Director's fund to the innovators who suggested energy saving and rational fuel-energy use projects which saved 5 million UAH during 6 months have totaled 24 thousand UAH. The average reward of a Metinvest Board member has made nearly 800 thousand USD. This is a rather typical example of attitudes to innovations in the national business sphere and not connected with traditional excuses for absence of finances for innovation development.

As far as corporate communication is concerned, it is "... the interconnection and interaction process of exchanging activities, information and experience. What differs corporate communication from communication in a wider sense is that in its process there are set goals and particular tasks to be solved" (*Kuznetsov, 2006:185*). Personnel motivation should be aimed at proving that the true value of knowledge is not in personification but in its socialization. Therefore, the enterprise should focus not on the statement "knowledge is power and it should not be shared" but on "free exchange of knowledge is a source of an organization's and an individual's success" (*Haponenko, 2008:344*). Socialization of new personalized knowledge ensures creating synergic efficiency within exchange-communication development that increases greatly the knowledge level of an enterprise. There are many ways of exchange-communication and the problem consists in ensuring sustainability of motivating the personnel to efficient use of existent discourse forms.

The “get the job done” principle is connected with objectification of new knowledge. The ability to provide such objectification underlies formation of an enterprise’s business reputation, its image and brand.

Scientists consider the level of trust to be the generalizing and most significant principle of forming and developing the “cult” of expanded reproduction of new knowledge. Thus, Professor Salikhov determines socio-economic functions of trust in the modern economic system and focuses on the statement that “... trust increases greatly cognitive efficiency of a company employees’ activities and is the basis for the “cult” of new corporate knowledge and one of the key intangible assets of a modern company”. External forms of confidence may take the form of a positive business reputation, a firm’s and its top management’s image, but it is the systemic institution of trust that is a deeper basis of these “surface” assets” (*Salikhov, 2015*). Actualization and priority of reproduction of new organizational knowledge condition the increased role and meaning of trust relations when performing all kinds of inter- and intracompany relations of economic entities.

Generalizing the above argumentation on the priority level of mental factors impacts on both capital formation results and other areas of enterprises’ business activities, the following should be noted. If, in conditions of industrial development, the scientific and technological advance facilitated overcoming overproduction crises on the basis of qualitative renewal of worn-out tangible assets, in post-industrial conditions the problem of overproduction of worn-out and obsolete human capital is solved on the basis of the spiritual-moral progress. Understanding of this conclusion is to provide implementation of an enterprise’s new cultural knowledge system which is characterized by the following:

- a clear idea of new quality of the general directivity of development, a mission and an target function of executives’ and employees’ activities;
- a new quality level of human relationship and interactions that provides efficiency of creative use of human capital;
- new quality of the corporate management style that creates and ensures efficient performance of the value-substantive model of a certain corporate community.

As for aspects of the cognitive substantive space of capital formation, application of conceptual points of the “knowledge economy” theory and their implementation in the general logic of research into capitalization of an enterprise results in necessary use of more universal explanatory substance categories, “an enterprise’s cognitivity” being one of them.

In the management theory a system is recognized cognitive if it is capable of cognizing its surrounding and adapting to it at the expense of knowledge accumulated during performance and learned habits (*Bohdan, 2007*). Cognitive systems enable “... implementing man’s complex behavioral functions; therefore, their use may produce an additional effect when managing strategic works or in decision support systems when working in a complex uncertain environment” (*Bohdan, 2007:96*). As for the economic meaning of “cognitivity”, this scientific agenda still remains understudied and debatable. Its essence is revealed depending on the aspect chosen.

According to A. Nalyvaiko and N. Harashchenko (*Harashchenko, 2003; Nalyvaiko, 2012*), cognition of an organization is treated through the lens of targeted analytical tools and a special point of view on interaction between an enterprise or its components and the external environment. N. Harashchenko notes that “... the term “cognitivity of an organization” enables measuring the company’s ability to comprehend information and transform it into knowledge” (*Harashchenko, 2007:14*). With this thesis implemented into the suggested logic of studying an enterprise’s capitalization, the level of its cognition is characterized by the

ability to detect, identify, assess and transform possibilities of the external environment into formalized knowledge that, in its turn, is the source of development of organizational abilities to combine resources in a unique way and their efficient use in business processes. The substantive thesis of N. Harashchenko's research into "an organization's cognitivity" consists in understanding as "... meta-ability of a company which is a structurally-integrated aggregate of individual skills of cognitive activities and processing information of the organization members and coordination mechanisms for such skills with the help of which the company manages its own sustainability and competency" (*Harashchenko, 2014:19*). That is, "organizational competency" and "organizational stability", or rather the degree (level) of their achievement, may be considered criteria of determining the level of cognitivity of an enterprise.

Studying the economic nature of competency, V. Mashkin defines it as compliance of a person with certain systemic requirements that enables reaching general results. Also, he stresses that a person cannot be competent as such, competency should be treated in relation to a particular system with its requirements. Besides, in his research the author focuses on interaction of individual kinds of knowledge (*Mashkin, 2005*).

Scientific studies distinguish between organizational and individual competencies. But they have a very specific common feature – the ability to do work at the highest professional level, i.e. competently. The difference is in the fact that organizational competency is based on leading and competitive technologies, but the individual one is a set of qualitative features a person obtains as a result of training or labour activities.

Systematization of studies on the organizational competency (*Armstrong, 2010; Beliatskyi, 2011; Dokshanin, 2012; Lankina, 2015; Mashkin, 2005; Skurikhina, 2005*) enables singling out its components: intellectual (basic, is synthesis of knowledge); creative (provides a creative approach to solving business tasks under conditions of uncertainty); organizational (includes skills connecting knowledge with real activities and determining their fulfilment); motivational (contains motives that stimulate a subject to practically implement other components of the competency).

It should be noted that knowledge and abilities are invariant components in the structure of the organizational competency regardless its generic systematization. An enterprise as it is cannot create knowledge. The source and the carrier of knowledge is a person that can disseminate his/her knowledge within a group or an organization as a whole. Interaction of knowledge carriers provides transformation of individual knowledge into organizational one that can be then formalized. After the transformation it becomes part of a product (service). That is why, the ability to ensure efficiency of interaction processes, transfer and exchange of knowledge are separate aspects of organizational competency level assessment. In this context, competency of an enterprise can be defined as the organizational ability showing up in coordination of organizational activities and as a possibility to generate and develop innovative ideas, combine factors of different levels and functional areas of management in combination with individual abilities, knowledge and management systems.

In modern economic literature organizational ability is studied in its direct interconnection with sustainability of an enterprise as the ability to restore balance of the enterprise (*Hrosul, 2007; Suleimanova, 2012*); maintain activities and develop; ensure dynamic consistency (integrity) of elements of the enterprise's internal environment (*Melnyk, 2009*); resist unfavorable external impacts (*Kryvorotov, 2006; Kucherova, 2011; Polishchuk, 2007*); maintain the given state (*Ivanov, 2007*); achieve set goals (*Dubrova, 2010*); be able to adapt (*Aliexsieienko, 2008; Eremeichuk, 2002; Matsova, 2012*).

Conclusions and suggestions

Thus, implementation of the most important function of corporate culture which is connected with increase of the level of organization's cognitivity consists in fulfillment of a complex of permanent measures aimed at development of such economic opinions of the personnel that will raise them above utilitarian needs, interests and goals. Organizational/managerial competency and sustainability are criteria of the incorporated level of capitalization determined by the set of mental and cognitive factors. Generalizing the given approaches, the ability to maintain oneself, to exist may be considered an immanent attribute of an object's sustainability. Definitions of sustainability suggested in economic literature provide specification of the object and time horizon, i.e. sustainability should be prolonged in time and ensure the qualitative state of the object not lower than the initial one.

A modern resource concept that is developing within the strategic management theory forms the basis of the scientific argumentation of the methods of research into an enterprise's capitalization. So, it is sound to treat the strategic nature of sustainability as an indicator of the organizational cognitivity level that, in its turn, conditions its further research in order to provide sustainability of competitive strengths.

The mentioned characteristics are informative for determining the level of development of organizational abilities that, in their turn, ensure productivity of capital formation processes at an enterprise, formalization and assessment of which occur on the financial and accounting hierarchic levels of its formation.

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