Guest-editor's Preface

Organizational Capital and Productivity

Introduction

This special issue comprises papers that were originally presented at the Fifth APROS colloquium, held at the East-West Centre, Hawaii, December 1993. The theme 'organizational capital' remains familiar yet elusive. It is not, in fact, directly evocative of any single research stream, nor any unique body of literature; but it is located and rooted in the following observations:

1. Organizations differ enormously in productivity, these differences are largely related to environmental factors and the latter are, in turn, related to the accumulation of knowledge.
2. In most organizations, the growth in physical capital, at least as conventionally measured, explains a relatively small part of the growth of income.
3. Acquired abilities have come to be seen as a major source of unexplained gains in organizational productivity.
4. No small part of the low earnings of many organizations reflects failure to have invested in learning.

These are but slight paraphrasings of some 'basic truths' that were originally expressed over twenty years ago, by Nobel prize winning Economist Professor Gary S. Becker (writing in the early 1970s) and by a University of Chicago Professor, Theodore W. Schultz (writing in the late 1960s). In the first two quotes [1, pp. 237 and 239], the term 'organization' has been inserted, respectively, in place of *Peoples of the World* and *Countries*. In the remaining quotes [3, v and p. 44], the same term, organization, now stands in place of *Human-Agents* and *Depressed Groups*. Thus, 'organizational capital' has conceptual links to the Economics of *human capital*, itself rooted in Adam Smith's references to the acquired abilities of all the *inhabitants of a country*.

Yet the economic theory of human capital itself is (typically) all but silent on the problems of contemporary strategic management, organizational-learning, embedded knowledge and the new productivity. One break in silence has been the work of Tomer [5], in which organizational capital was described as:

> '... human capital in which the attribute is embodied in either the organizational relationship, particular organizational members, the organization's repositories of information, or some combination of the above ...'

Thus, during a period of two decades or so, in which just a few economic theoreticians have tried valiantly to keep pace with evolving managerial practices, considerations of knowledge production and its use [6] have become increasingly central to strategic management; that is, management on behalf of all types of productive *strategic-entity*, such as flex-firms, alliances, networks, teams, as well as productive individuals.

Therein lies a very considerable irony. Early resistance to the idea of knowledge as a form of capital originally came from those who championed human learning as *culture*, i.e., connected to the transcendent spirit of a person, a homogeneous people, a nation-state, or a political-entity. This learning and culture, the essence of humanity itself, cannot be bought and sold and therefore it should be neither thought of nor spoken about in the same terms as economic capital. It was argued, on balance, that to treat the acquired individual and collective abilities of human beings as a form of capital, for the purposes of 'practical economic analysis', would be out of touch with the marketplace [2].

But what of 'practical' strategic analysis at the

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level of a strategic-entity? Is it now 'out of touch' to focus upon acquired capabilities, knowledge and *cultures* when doing strategy? At the *managerial* level, one is not only addressing the concerns of a much larger audience of practitioners, but one must at the same time confront another, 'basic' truth:

5. Strategic-entities are being re-configured as the circuits of power re-form.

Thus, knowledge, capabilities and cultures are no longer the prerogatives of individuals, peoples, or nation-states. Instead, they have become the new priorities, a major focus of concern, for the new and more productive types of strategic entity, with their managerial aristocracy. Put differently, the *loci* of knowledge, culture and production, along with many other forms of rationality (e.g., [4]) have all changed. This special issue of *Human Systems Managenent* focuses on some of these priorities and changes.

References

[1] Becker, G.S. (1975): *Human Capital.* National Bureau of Economic Research, New York.

[2] Marshall, A. (1930): *Principles of Economics.* 8th ed. Macmillan, London.

[3] Schultz, T.W. (1971): *Investment in Human Capital.* Free Press, New York.

[4] Singer, A.E. (1992): Strategy as Rationality. *Human Systems Management* 11: 7–21.

[5] Tomer, J.F. (1987): *Organizational Capital: The Path to Higher Productivity and Well-being.* Praeger, New York.

[6] Zeleny, M. (1989): Knowledge as a new form of capital: part 1. Division and reintegration of knowledge. *Human Systems Management* 8: 45–58.

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