

The role of intellectual capital in a non-profit welfare service organization



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Intellectual capital

Relational capital

- Brands
- Contracts and arrangements
- Image
- Relationships with customers and other stakeholders

Structural capital

- Culture and values
- Documented information
- Immaterial properties
- Processes and systems
- Working atmosphere

Human capital

- Attitude
- Competencies
- Education
- Knowledge
- Personal properties (e.g. creativity, entrepreneurship)

Introducing the research theme

- *Intellectual capital* (IC) is important for the success of companies
- In *service organizations* IC is especially important since the organizations' products are to a large extent intangible in nature
- In *non-profit organizations* intangible issues are further emphasized:
 - adding the wellbeing of customers or other stakeholder groups is more important than financial success

Starting points for the study

- ❑ IC research in companies: the significance is recognized and many frameworks for IC management have been introduced
- ❑ The issue is relatively new to non-profit organizations
- ❑ Our paper questions whether IC should be taken into account also in non-profit organizations and, if so, how it should be managed, reported and measured?

The research project

- A new 3-year research project has been launched aiming at developing IC measures for non-profit elderly care organizations
- Partners
 - Three case organisations:
 - Jyllin Kodit – old people’s home
 - Apila – rehabilitation institute
 - Helsinki Missio – charity organisation
 - RAY – Finland’s Slot Machine Association, sponsor of the project
 - Supports the work of voluntary health and welfare organisations, focus on elderly welfare, child protection, youth work, and work to prevent violence
 - In 2008 assistance to voluntary organisations was 312 M€
 - Tampere University of Technology
 - Pirkanmaa University of Applied Sciences
 - Nordic Healthcare Auditing

Relevance of the research – an example

(GIANNAKOURIS, Eurostat, Statistics in focus 72/2008)

- The EU27 population median age
 - 40.4 years in 2008
 - 47.9 years in 2060
- The share of people aged 65 years or over
 - 17.1% (84.6 million) in 2008
 - 30.0% (151.5 million) in 2060
- The number of people aged 80 years or over
 - 21.8 million in 2008
 - 61.4 million in 2060 (triple)
- Persons of working age (15-64 years old) for every person aged 65 years or over in the EU27
 - In 2008: 4 persons of working age for every senior
 - In 2060 the ratio is expected to be 2 to 1

Managerial motivation for the project: challenges at Jyllin Kodit

- ❑ **Jyllin Kodit** is an old people's home maintained by the Jalmari Jylli's foundation
- ❑ **Services and ways of acting:** Living, caring, nursing, nutrition, research and rehabilitation of the elderly
- ❑ **5 special care units** functioning as group homes with 80 persons living in supportive or highly supportive care
- ❑ **Challenges:**
 - To examine the possibilities of identifying and estimating intellectual capital in the care of the elderly.
 - To show the significance of intellectual capital in the wellbeing and health of the patients and customers.
 - To show the significance of intellectual capital in reaching the goals of the Jyllin Kodit organisation.
 - To show the significance of intellectual capital in organisation's performance/productivity.

Research questions

1. What are the needs for measuring and managing IC?
2. What are the specific characteristics of non-profit service organizations?
3. How can the measurement of IC be applied in a non-profit service organization?

Research structure (implementation in progress)

- In order to identify managerial needs (RQ1) and to understand the context (RQ2)
 - we will interview managers of three case organizations
 - we will study more in-depth the operations and management systems of Jyllin Kodit
- Based on the empirical understanding of the context and managerial needs we will assess the suitability of IC frameworks and methods presented in the literature

Preliminary results

1. Needs for measurement information
 - Internal management and development
 - Municipality-customer: choosing best service providers
 - Relative-customer: to control the quality of services
2. Specific characteristics
 - Non-financial orientation / targets
 - Output/outcome measurement challenging
3. Suitability of current IC measurement frameworks
 - Monetary IC measures mainly designed for for-profit organisations – not applicable
 - Multidimensional models seem flexible and useful

Concluding thoughts

- Contribution of this paper
 - Application of the IC research in a new organizational context
 - From the point of view of the research on non-profit organization, the IC approach can be considered an innovative point of view to management and development
- Next steps in the project
 - Design and implement case specific measures
 - Try to identify common elements to be used in other welfare organisations