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BOOK REVIEW

F. SGRÒ, "INTELLECTUAL CAPITAL AND ORGANIZATIONAL PERFORMANCE. AN EMPIRICAL FOCUS ON SOCIAL COOPERATIVE ENTERPRISES", SIDREA SERIES IN ACCOUNTING AND BUSINESS ADMINISTRATION, SPRINGER, CHAM: SWITZERLAND, 2021.

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Abstract

What is the relationship between intellectual capital and organisational performance in social cooperative enterprises? Francesca Sgrò's book answers this question by providing a comprehensive analysis of the principal components of intellectual capital sub-dimensions (human, relational and structural capital) and their effect on the social and financial performance of social cooperative enterprises. After a thorough literature review on social enterprises, intellectual capital within non-profit organisations and the relationship between intellectual capital and firm performance, the author presents the main results from an empirical analysis of 151 Italian social cooperative enterprises. By adopting quantitative methods and combining data gathered from a survey and the AIDA database, six principal components of intellectual capital involved in the value creation processes were identified: education, employee productivity, employee satisfaction, relationship quality, collaborative and communicative capacity, satisfaction of social needs and service innovation. Moreover, human capital emerged as one of the most important assets in driving both financial and social performance. Managerial and theoretical implications, as well as limitations and further research, are discussed.

Review

Intellectual Capital (IC) is recognised as a crucial resource for business success and viability, and it is seen as the primary source of sustainable competitive advantage for both for-profit and non-profit organisations. However, research has focused more on for-profit firms, paying little attention to the non-profit sector, with a few exceptions. This volume contributes to filling this gap in the literature. Specifically, it advances the work of Bontis et al. (2018), published in the Journal of Intellectual Capital, titled "Intellectual capital and financial performance in social cooperative enterprises" by focusing on the relationship between IC sub-components and the financial and social performance of social cooperative enterprises (SCEs). These enterprises are known as an example of hybrid organisations since they adopt economic and social practices and simultaneously pursue both social and economic goals. They are considered the most entrepreneurial, articulated and advanced examples of social enterprises. In this context, IC is considered crucial for achieving the SCEs' mission, implementing their corporate strategy, acquiring and maintaining a long-lasting competitive advantage and improving their corporate performance.

Francesca Sgrò's book offers a further contribution by providing a comprehensive analysis of the principal components of intellectual capital subdimensions (human, relational and structural capital) within non-profit organisations and delving into their effect on the social and financial performance of SCEs. Notably, the research presented in the book aims to answer the following three research questions: (RQ1) What are the principal components of IC sub-dimensions for SCEs? (RQ2) What elements of IC influence the financial performance of SCEs? (RQ3) What components of IC affect the social performance of SCEs?

After a short introductory chapter, the author devotes the second chapter to a broad overview of the role and main features of social enterprises among non-profit organisations. The author begins by presenting the legal evolution of social enterprises and their diffusion in Italy and Europe, highlighting the essential characteristics of a social enterprise, in terms of entrepreneurial, social and inclusive ownership-governance dimensions, and describing social enterprises and hybrid organisations. Then the focus moves to SCEs, which are identified as an ideal type of social enterprise. SCEs are considered the most adopted legal form for SEs, and their diffusion in Italy and Europe was described together with an overview of the phenomenon in the literature on economics and management studies.

Chapter three introduces the reader to the topic of the book: the concept of IC and how it has been analysed within the economic and management literature. The author starts by describing the pivotal role of IC in the knowledge-based economy. Then she illustrates the evolution of IC stud-

ies, provides several definitions and taxonomies that have emerged over time and describes the three main components of IC: human capital (HC), relational capital (RC) and structural capital (SC). In the second part of the chapter, the author provides a descriptive literature review by investigating the concepts of IC in the non-profit sector to highlight the strategic role of IC for SCEs. Finally, she also provides an innovative multidimensional measuring system of IC for SCEs by developing a set of key performance indicators (KPIs) able to capture the value generated by human, relational and structural capital.
In chapter four the author addresses the relationship between IC and firms' performance, with a focus on hybrid organisations. She underlines that, for these enterprises, the concept of performance overcomes the traditional one as "profit maximisation". Then, the author describes the organisational performance as multidimensional considering that these hybrid organisations have adopted a social mission while generating profit to sustainably accomplish this mission. Therefore, performance is divided into social (or mission-based) and economic-financial. Hence, drawing on the literature, the author offers an overview of the studies regarding the relationship between IC and the performance of hybrid organisations. Finally, she proposes two hypotheses closely linked to the second and third research questions and devoted to testing the influence of human, relational and structural capital on SCEs' performance: Hp1—The IC sub-dimensions (human capital, relational capital, structural capital) affect the economic-financial performance of social cooperative enterprises; Hp2—The IC sub-dimensions (human capital, relational capital, structural capital) influence the social performance of social cooperative enterprises.
Chapter five involves an extensive overview of the various methodological aspects of the study. It provides insights into the adopted mixed-method by illustrating the questionnaire design, as the most common tool used in social sciences, especially when it is used, in an exploratory way, to measure the attitudes and/or behaviour of a population or a sample, and the statistical analysis tools (principal component analysis and ordinary least squares model) utilised to identify the main components of IC for SCEs (RQ1) and to investigate the influence of human, relational and structural capital on SCEs performance (RQ2 evaluated by testing Hp1 and RQ3 evaluated by testing Hp2). Thereby, a detailed and empirical elaboration of data has been provided.
A population of 151 Italian social cooperative enterprises was investigated. The firm's financial data were collected from the AIDA database and combined with data collected from a survey that was conducted from March 2018-June 2018. A total of 125 completed questionnaires were returned for a response rate of 82.78%.
To answer the first research question (RQ1), a principal component analy-

sis (PCA) was performed to identify the main factors for each IC sub-dimension, and six principal components of IC in SCE have been identified. Specifically, concerning human capital, two main factors have been identified: the first component is called education and includes training and the number of employees with university degrees, which represent the most important investments in human capital by SCEs; the second component is called employee productivity and satisfaction and refers to the value added relative to employee cost and the degree of employee satisfaction. Two main components were found for relational capital: the first component is called relationship quality and concerns the quality of the SCE's relationships with customers and the reference territorial community; the second component is called collaborative and communicative capacity and refers to the corporate capacity to effectively collaborate with external partners and communicate with external actors via the SCE's website. Moreover, concerning structural capital, two main components have emerged: the first is called social needs satisfaction and is related to the ability to satisfy social needs by providing services and serving users, while the second is called service innovation and concerns the ability to provide new services.
To answer the second and third research questions by testing Hypothesis 1 and Hypothesis 2, two models were proposed and tested. Model 1 investigates the effects of IC sub-components on the economic performance of SCEs and uses ROA (an operating profitability measure commonly used in financial analysis and calculated as the ratio between operating profit and total assets) as the dependent variable. Model 2 investigates the effects of IC sub-components on the social performance of cooperative enterprises and uses the number of users served (i.e., the social output, calculated as the ratio between the number of users and the number of employees) as the dependent variable.
Concerning Model 1, results show that human capital positively influences economic performance. Specifically, the presence of employees with university degrees, the value added per employee, employee satisfaction and training activities positively and significantly affect the return on asset. However, with regard to relational capital, only the relationship established with the community positively and significantly affects performance. Conversely, an online web presence negatively and significantly affects economic performance.
Regarding Model 2, findings show that human capital positively influences social performance. Specifically, the presence of employees with university degrees, the yearly training per employee, the value added per employee and employee satisfaction positively and significantly affect social performance. With regard to relational capital, the quality of relationships with partners has a positive and significant effect on social performance as well as the quality of the relationship with the reference community. The quality

of relationships with customers and those belonging to a network also has a positive and significant effect on social performance.

To sum up, six principal components of IC in SCEs have been identified: "education, employee productivity, employee satisfaction, relationship quality, collaborative and communicative capacity, the satisfaction of social needs, and service innovation. These factors represent effective levers for use in fostering IC, which guarantees the long-term survival of corporate companies" (p. 71). Furthermore, human capital is one of the most important assets in driving both SCEs' economic and social performance. Additionally, relational capital has also a positive influence, while structural capital does not affect organisational performance.

This book makes an essential contribution to the debate on the role of IC in non-profit organisations, especially SCEs. The volume has the merit of providing a wide-ranging overview of the impact of sub-components of IC on SCEs' ability to pursue social outcomes while preserving economic and financial sustainability. The empirical research has identified the main KPIs that may be used to measure the IC and represent firms' value creation mechanisms in SCEs. In conclusion, Sgrò's work has confirmed how IC, and especially human and relational capital, can be crucial in the non-profit sector and provides useful implications for research and practice.

References

F. Sgrò (2021), *Intellectual capital and organizational Performance. An empirical focus on social Cooperative enterprises*, SIDREA Series in Accounting and Business Administration, Springer, Cham, Switzerland.