Intellectual Capital. Knowledge and Competitive Advantage in the Organizational Management

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Abstract: *The turbulent business environment has inevitably led to an increase in competition, especially in saturated markets of products and services. The economic development of the organization will indisputably depend on the multidimensional concept of intellectual capital. Man continues to be the primary factor within the organization through his creative capacity and also by his receptiveness to self-development. Obtaining strategic advantage is based on innovation, intangible resources of the organization and the use of competitive intelligence. In this paper we present a few aspects regarding the reflection of knowledge and intellectual capital focused on organizational processes in relation to the creation and development of the competitive advantage.*

Keywords: knowledge, organizational management, competitive advantage, intellectual capital.

JEL Classification: M19, O34, L25.

1. Introduction

Increasing competitiveness and obtaining competitive advantage are major objectives in the organization management. Intangible resources represent a hidden component of the economy of an organization and that is why they are difficult to assess, but, at the same time, they are a priority due to the competitive advantage that they offer.

"Indeed, the competitive advantage of companies in today's economy lies not in their position on the market, but in the development of knowledge as intangible resources hard to replicate and the modality in which it is used. Its allocation and use extent – involving both strategic and entrepreneurial elements – is actually the extent to which the

company's dynamic capabilities become very important". [10] The existence of a capital does not offer any guarantee for the proper development of the organization unless the company's dynamic capabilities become very important". [10] The existence of a capital does not offer any guarantee for the proper development of the organization unless the intellectual capital is capable to pivot within a knowledge society, by reference to other forms of physical capital.

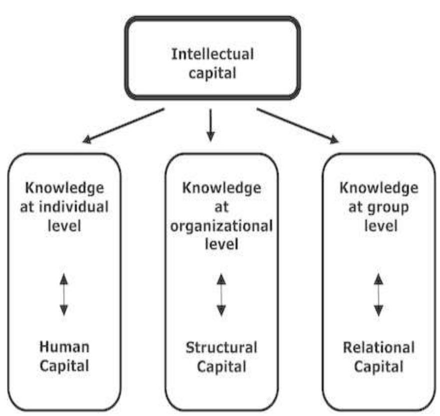
The value of intellectual capital makes the difference between the organizations that have invested in this capital and have a much higher welfare as compared to organizations which are similar, but which do not invest in this type of resource.

"Intellectual capital can leverage other resources in the economy and company, as the knowledge that it incorporates can replace, in the products that they carry out, to a greater or lesser extent, a part of the expenses related to physical assets and/or the difficulty of manipulating and transporting them, and/or can increase the income generated by the use of such assets."[7].

2. The intellectual capital concept within the organization

In specialized literature [4, 5] there is a variety of definitions of intellectual capital. In a brief description, human capital is the knowledge, skills, components and abilities held by the employees of an organization; organizational capital consists of structured knowledge held by the organization and shareable (database, procedures, etc.); relational capital is defined by the totality of the relationships between the organization and all its stakeholders. [9]

Figure 1. Intellectual capital components [12]



The intellectual capital components are: human capital, structural capital (infrastructure) and relational capital.

The model proposed by Hubert Saint-Onge and Leif Edvinsson is known in specialized literature as the Skandia model and was taken and described in detail by Thomas A. Stewart in his works [11].

Leif Edvinsson, further to the Skandia experience, concluded that both the financial and the intellectual capital form an integral part of a company's market value, while the intellectual capital is made up of structural capital and human capital

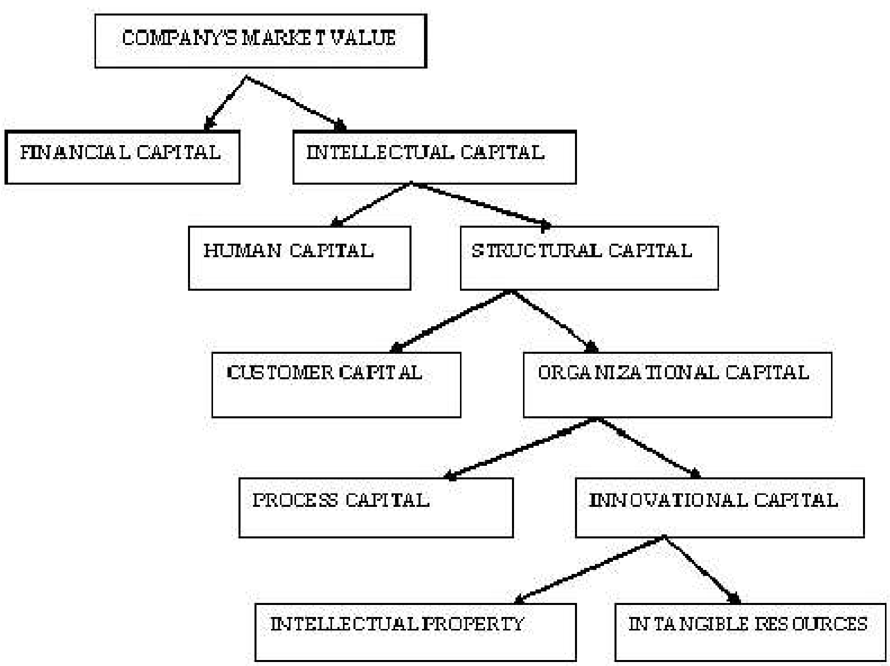
Thomas A. Stewart, editor of the American magazine Fortune, in his article "Brainpower", argued the concept of intellectual capital as follows: "Intellectual capital is the intellectual material – knowledge, information, intellectual property, experience – that can be put to use to create wealth." [11] This definition is based on two main directions:

• within an organization there is intellectual material consisting of knowledge, information, intellectual property and experience that does not appear in the annual financial statement, but which may contribute to the performance of its products and services and that is the intellectual potential.

• the capacity of such intellectual potential to be transformed within technological and managerial processes in a series of value-creating elements included in the final product of the company.

Regardless of its nature and usefulness, each product contains material substance, energy and knowledge, while intangible services or products only contain energy and knowledge.

Figure 2. Skandia Model [8]



According to Edvinsson, the market value of the company is given by its social capital and intellectual capital, which, in terms of the model created by him, consists of:

- human capital, represented by the tacit or explicit knowledge that people possess, as well as the ability to generate it, knowledge that is useful to the organization's mission and includes values and attitudes, skills and know-how, philosophy and culture;
- structural capital, defined as a set of powers and support elements of the human capital infrastructure;
- organizational capital, representing the combination of explicit and tacit, formal and informal knowledge which, in an efficient and effective manner, structures and develops the organizational activity of the company, which includes culture (tacit and informal knowledge), structure (explicit and formal knowledge) and organizational learning (renewal of processes regarding tacit and explicit, formal and informal knowledge). [6]

Up to the 80s, the literature specialized in the field of strategic management considered the external environment of an organization as highly important for the understanding of the competitive advantage.

It was considered that the resources were distributed homogeneously and that they were quite easily accessible to companies from the same industry. Thus, the role of management was to find the best possible ways to combine products and markets, depending on the negotiation power of the suppliers and buyers, entry barriers and the strength of substitute products. [8]

3. The intellectual capital for the development of the organization

The intellectual capital, through its forms, is conditional upon the performance of the organization and the relationship existing between the intellectual capital and the performance of the organization leads to the establishment of a new career development trajectory based on the acquisition of a portfolio of skills as complete as possible.

The performances of an organization may be approached in terms of effectiveness and efficiency. They acquire new content in the case of the knowledge-based organization, under the influence of several factors which, preponderantly, are based on the quality and valences of the human capital of the organization, because it is the human resource, the people that are the carriers of knowledge. Such factors are:

- high weight of knowledge in the company;
- increase of the weight and importance of non-quantifiable inputs, represented by tacit knowledge;
- conversion of a part of the external stakeholders into components and/or participant in the intellectual capital of the company;
- the ecological environment of the company is an essential element of inputs and outputs of the knowledge-based company.

According to a survey carried out by Professor Michael Porter of Harvard University, 19% of the profitability variation of a company is due to the effects of the industry to which that company belongs [2], as belonging to a particular industry also produces effects on the profitability of the company.

The new economy is characterized by the increase of the amount of knowledge incorporated in material goods and by the unprecedented dynamics of immaterial goods [6]. In this regard, the domestic factors are much more important. This new internal perspective (resource-based view) suggests that the competitive advantage is due primarily to the differences between the resources specific for each organization.

Barney [1] has developed four criteria to decide which resources can lead to a sustainable competitive advantage:

- the criterion of value creation for the customer – in Barney's conception, to be valuable means to be able to exploit opportunities and neutralize threats;
- the criterion of rarity – a resource has to be rare among competitors in order to contribute to achieving a competitive advantage;
- the criterion of uniqueness – if a resource is easily replaceable, then its power to contribute to obtaining a competitive advantage decreases;
- the criterion of the cost of copying – perfect imitation leads to the loss of the capacity of that resource to achieve a competitive advantage

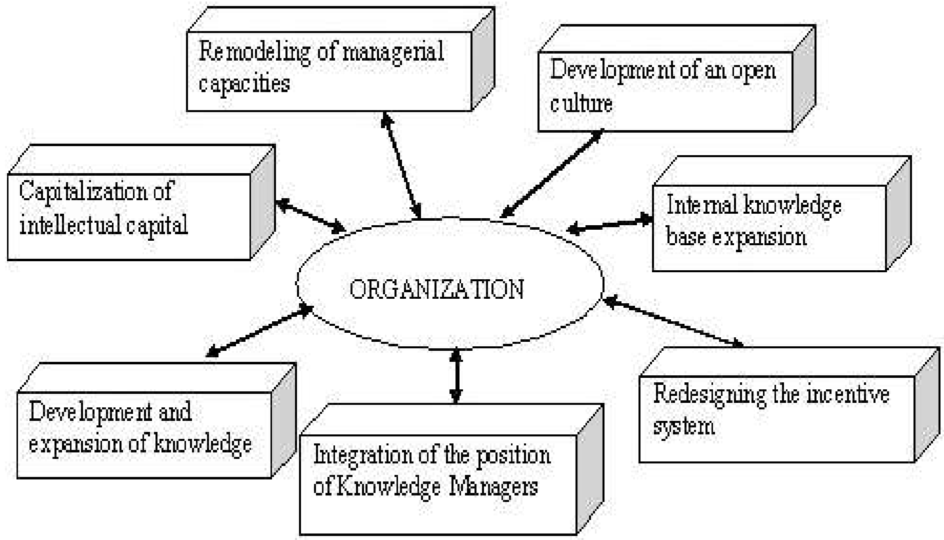
The market value of an organization and its economic performance are determined by the financial advantages obtained by the organizations that have invested in people, in their education and training. This investment has a high rate of recovery, i.e. benefits in the form of increased productivity of labor, development of professional skills, innovation capacity. [11]

The orientation, in the knowledge-based economy, is given by the fact that the employees are considered assets of the organization, the human capital being considered an intangible asset along with the other components of the intellectual capital. According to the latest trend, the employees are seen as potential investors in their own human capital. The organization needs human capital for the business to succeed. The knowledge-based economy suggests this vision, to look at people as major contributors to the success of the organization.

The main features of the knowledge-based organization are [7]:

- Giving major attention to the obtainment, use, protection and capitalization of intellectual capital;
- The strategic development of the organization will be based on the in-depth and/or in-width increase of the organization's knowledge, it having the capacity to develop its own knowledge and recognize opportunities for a type of synergetic cooperation in the field of knowledge;
- Remodeling the organization's managerial and economic capacities to benefit from knowledge through the options, decisions and actions that it practices;
- Redesigning the incentive system by amplifying reward depending on performance and merit for all staff;
- Developing the internal knowledge base and expanding the connections with clients, suppliers and external human resources;
- Integrating within the organization the position of "knowledge managers" who often begin their activity as consultants for change within the organization and decrease in the number of medium and lower level managers;
- Developing an open culture, with the organization inviting at its premises its customers and suppliers, who can watch how the decisions that concern them are operationalized, as well as other categories of stakeholders.

Figure 3. Features of the knowledge-based organization



The current economy is based on these modalities of company development because they are safe methods not only to keep the company afloat, but also to develop it.

The companies realize that, in order to remain competitive, they have to properly manage their intellectual resources and capacities.

The sustainability of the competitive advantage is given by knowledge, which is provided by the intellectual capital, trained through the opportunities to increase the knowledge resources. At the same time, the sustainability of the competitive advantage is also given by the fact that an organization has unique knowledge, which is complementary to the types of new knowledge assimilated by it, thus helping to create a synergy from which the competitors may not benefit. That is why we can say that the risk of the competition's benefiting from the intellectual capital created within the company is minimal most of the times. [12]

The organizations should get more involved in the use of their own knowledge experiences to create a market position for themselves from which they would be able to create strategies so as to develop a competitive advantage.

In the current context, the economy is defined and renamed, gradually turning itself into the New Economy, which gives up on many of the old approaches, seeking to explain the much more complex reality that takes place. Therefore, the information that gives birth to intellectual capital is considered the currency of the new millennium.

The value of knowledge management is directly linked to the efficiency with which the managed knowledge enables the members to treat the organization to date and to shape the future. Without access to the knowledge management application, each situation is handled individually. Only through on-demand access to managed knowledge, every situation is dealt with in the possession of knowledge about the organization of a similar situation. Knowledge is not discontinuous, separate in individuals or groups of individuals working more or less, but becomes a continuum, at hand to everyone. [3]

4. Conclusions

Consequently, knowledge is often the advantage that an organization may have over competitors, and such knowledge is derived from intellectual capital. This intellectual capital is used to create a competitive advantage within the organization, a strongpoint that solely the organization that created it can use constructively, but not only. In the context in which physical things no longer have the same amount of importance, the emphasis is laid on knowledge. It is important that every organization invest in the creation of intellectual capital, both through the agency of the human capital, by means of formation and development methods for managers, and for the implementation of the structural capital. The large companies prefer to recruit people above average and to form them within the company.

It is to be noted that in 1996, when he proposed the Skandia model, Hubert Saint-Onge was vice president of organizational learning and leadership development at the Canadian Imperial Bank of Commerce, and Leif Edvinsson was director of intellectual capital at the Swedish insurance company Skandia. The creation of such totally new managerial positions shows that the practical life of business has gone way ahead of the theoretical concerns.

An expansion is attempted at the level of each organization through the agency of the intellectual capital, which shows a great endeavor on their behalf to ensure their competitive advantage, to increase their market value, but also to become market leader.

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