

CONTRIBUTIONS REGARDING EMPHASISING OF MAJOR SIGNIFICANCE OF INTELLECTUAL CAPITAL IN A KNOWLEDGE-BASED ORGANISATION

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Abstract: *The organization's knowledge strategy should be driven from the business' strategy to ensure the development of the knowledge culture. A conceptual model is developed to study the moderating role of intellectual capital competencies in knowledge strategy –organizational performance relationship. The contributions of the research study emphasise the major significance of the intellectual capital in a knowledge-based organization moderating the knowledge strategy - organizational performance relationship. Intellectual capital offers a potential source of sustainable competitive advantage and it is believed to be the source from which economic growth may sprout. This paper seeks to highlight the key role knowledge will help devise ways and means of transformation for effective and efficient performance. It will guide in devising better strategies, processes and methods to manage intellectual capital. This will help create value through innovations and improved performance.*

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JEL Classification: organisation, intellectual capital, human capital, development, knowledge

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1. Introduction

Intellectual capital is defined in many ways, a default one being – a dynamic system of intangible resources, but also of activities which, on long term, are the base for competitive advantage of an organisation. The interest in this concept developed into a major research domain for practitioners and researchers as early as the '90.

Intellectual capital concept was defined and argued solidly for the first time by *Thomas A. Stewart (1997)*, one of the editors of the renowned American magazine “Fortune”. *Intellectual capital* comprises three interconnected elements, Figure 1:

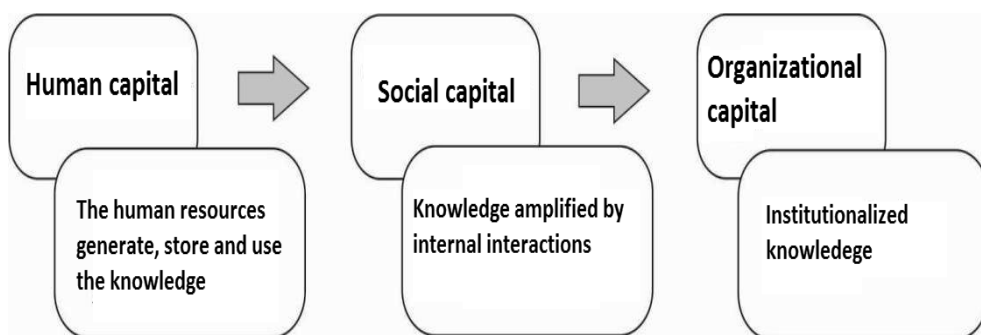


Figure 1. Intellectual Capital Components

It represents the sum of all the knowledge that each employee in a company owns and that can be used in enhancing its competitive capacity.

The importance of intellectual capital in nowadays economy and in the organisation's knowledge society, of intangible assets as well as knowledge, but also information and knowledge management become the new core of economic development.

Intellectual capital can be evaluated by various methods, the most significant and usual method being given by the difference between the market value of an organization and the total value of its assets. Nevertheless, there are enough evaluation methods, but the one presented above is one of the few methods that effectively quantifies the intellectual capital value.

From the perspective of approaches, Edvinsson and Malone, referring to intellectual capital, state: "Perhaps the role of intellectual capital is much easier to explain by using the metaphor. If we imagine the company as a

living organism, for example a tree, it can be said that the organization's plans, annual and quarterly reports, company brochures and other documents are the trunk, the branches and the leaves.

The wise entrepreneur will examine the tree if it can produce fruits. It is a serious error if this tree is judged only by the visible side. At least half of the tree is out of sight.

Even if the taste and colour of the fruits are good and show the health of the tree, it is important to analyse the roots if it is intended to know the evolution of the tree in the years to come.

This is what the intellectual capital represents± the investigation of the roots and the measurement of the value of the company through the dynamics of the factors, which lie beneath the visible surface represented by the products and buildings of the company. (Edvinsson, L., Malone, M.S. 1998, p.21).

The study of intellectual capital is a topical one. because we cannot deny the value it gives to the organization by excluding it altogether.

Intellectual capital is seen as a hidden wealth. not shown directly. although, as we shall see, it greatly helps in the development and performance of the organization, especially in the current economy conditions.

Understanding the complexity of intellectual capital is conditioned by the understanding of the links between intellectual property, intellectual assets and intellectual capital, see Figure 2.

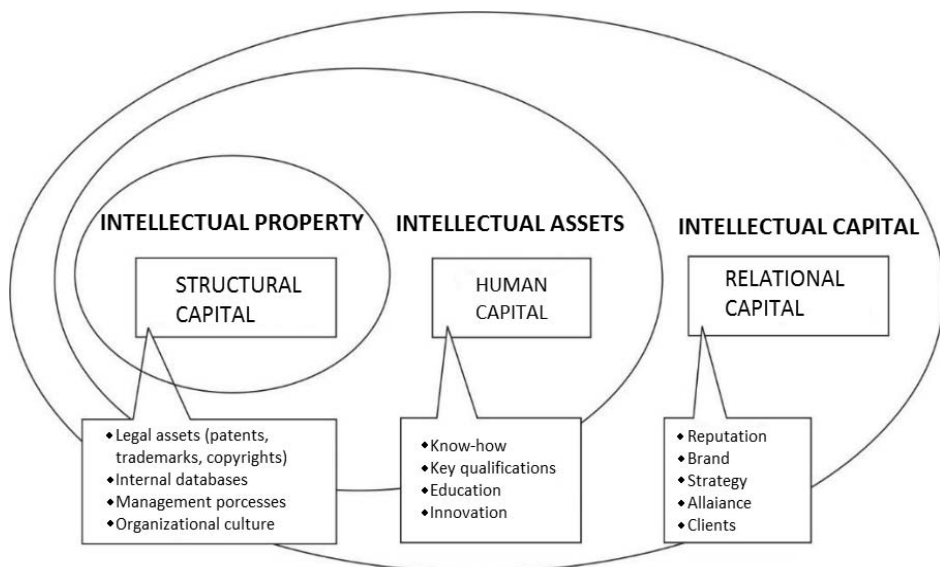


Figure 2. Understanding the structure of intellectual capital

In today's society, knowledge becomes more and more important because it represents the essential content of the buying, selling and production processes. Organizations are becoming more and more interested in this knowledge, as they are seen as mandatory resources to ensure the existence and development in an environment where the criterion of differentiation is economic efficiency.

2. Theoretical considerations

At present, human resources are invaluable, but, most importantly, irreplaceable. Their particular role is explained by the fact that people – the most essential resource in an organization, develops the technology, generates new ideas, is the promoter of improvements and progress. In the idea that every organization aspires to progress, knowing the importance of the human resource and its role is of great importance.

The concept of a knowledge-based organization originates from 1984-1988 and since then has recorded successive phases of crystallization.

Thus, Huber (Glick, W.H., Huber, G.P., 1995) explicitly raised questions about the nature and design of "post-industrial" organizations, pointing to the need for a new kind of organizational model specific for the new type of society that follows the industrial one.

A few years later, the idea of a knowledge-based organization can be found in two approaches that explain its significance, either starting from technological factors or from organizational factors, each of them proposing specific solutions for operationalization.

From a managerial point of view, Drucker (Drucker, P.F., 1988) treats the information-based organization as the organizational model of the 21st century and defines its main features: the professionals-dominated membership, the low number of hierarchical leadership levels, the coordination through non-authoritarian means (standards, norms, rules for cooperation, etc.).

Thus, the diversity of approaches regarding this issue has led to a terminological pluralism consisting of the parallel use of notions like: "memory-centered organization" (Le Moigne, J.L. 1993), "intellectual-intensive company" or "intelligent organization."

The last decade of the twentieth century marked the convergence between the technological and managerial perspectives, by linking the needs of the organizations with the IT assistance solutions (Scott, C.R., Corman,

S.R., Cheney, G., 1998). After 1995, the first significant results have emerged in the development and sustainability of knowledge-based organizations.

Being a reality of the contemporary world, the knowledge-based organization, as an environment of professional and managerial activity, represents the convergent direction between two defining phenomena: the knowledge and the organization phenomena. It creates a social structure characteristic of the following ideas: collective competence, intelligent action and sustainable performance.

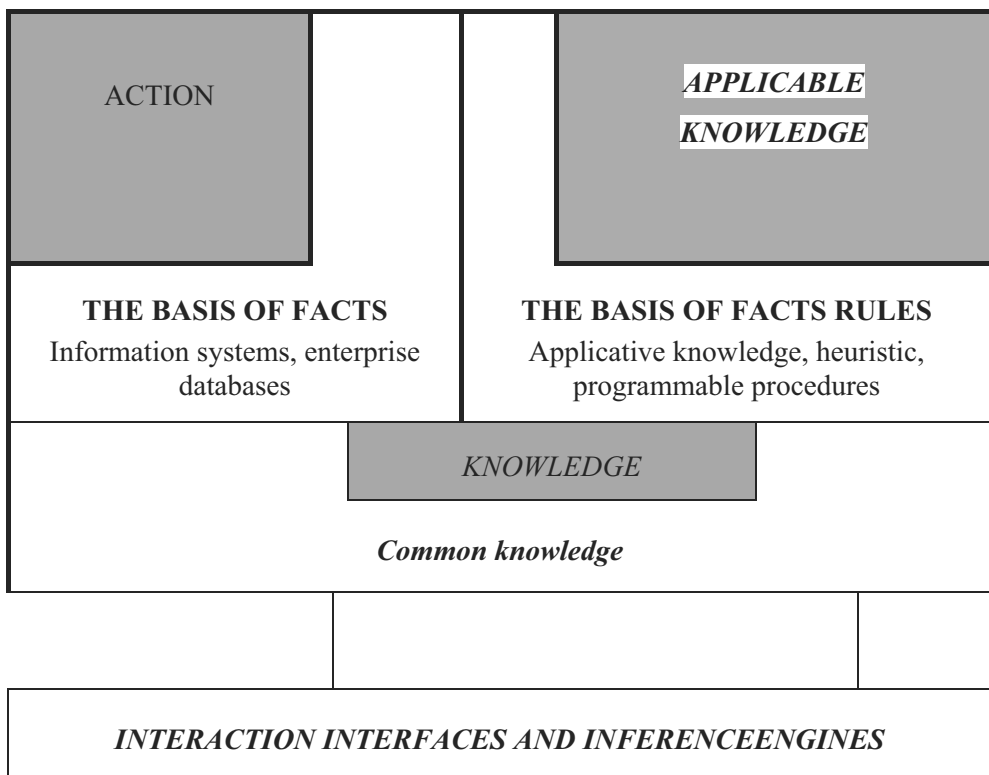


Figure 3. The conceptual model of the organization's knowledge base

Source: Le Moigne, J.L. (1993) - *Sur l'ingénierie de la connaissance organisationnelle, Note de Recherche 93-02*, GRASCE, Université d'Aix-Marseille III, Aix-en-Provence

3. Personal viewpoints on intellectual capital in a knowledge-based organization

The knowledge-based organization represents a group of people in a structure of their own, working together to achieve objectives (Oprean, C., Tițu, M., Bucur, V., 2011) and, as a system, the organization has several defining features.

The first feature is that of a *complex system*, because it encapsulates human resources, materials, financial and informational resources, which in turn consist of many elements.

The second feature is that of a *socio-economic system* in which employees carry out activities that generate added value.

The organization should also be understood as an *open system* in the sense that it is made up of input and output streams, but also from the point view of the internationalization of the organization's activity at present time.

Knowledge based organizations highlight not only a new perspective, but also a different vision of how to design and practice management.

Regarding the specificity of the non-hierarchical organizational structure, new types of actors and roles appear, and the typology of managerial practices changes radically.

By their nature, knowledge-based organizations require the management of collective competences as sources that generate systemic viability.

In more general terms, competences designate what an organization knows and is capable of doing, in relation to its own objectives and in predetermined environmental conditions, based on the individual abilities of its members, systemically articulated and strategically mobilized.

Today's organizations, those that are adapting their development strategies, take a novel vision on how to conceive and practice a different point of view, and the differences between the organizations perceived as classical, the one based on control and authority and the new organization model, knowledge-based model are big, and may create difficulties in the long-term success of the organization.

Table 1. Comparison between classical and knowledge based organizations

Comparison criteria	Organization based on control and authority	Organization based on knowledge
Objects of the action	Tangible resources, scheduled activities	Systems and processes mainly based on intangible assets
Dominant logic	Workstation and formal organization	Organizational competences as a source of performance
Orientation over time	Retrospection	Prospective
Nature of the action	Preponderantly ameliorative, based on the continuity of the existing systems	Predominantly constructive, with a focus on change
Way of the action	Routine	Creative
Way of concretization	Reactive behaviours	Proactive behaviours

Source: Dragomirescu, H., *Economia, organizațiile, societatea în era informației*, vol I., Economia informației, Editura ASE, București 2009

In the new present and future context, understanding the meaning of resources is fundamental. Their knowledge is beneficial and can lead to the avoidance of dangers resulting from their defective forecasting or from their approach leads to improvements and efficiency.

The operationalization of the functioning system of a knowledge-based organization involves going through all the changes in the new context.

These changes represent adaptive challenges for organizations that want to be truly modern and involve a complex perception in which the most important aspect is the link between work processes, information technologies and human resources.

4. Conclusions and further directions of study

Human resources are one of the most important investments of an organization, whose results are becoming more and more obvious over time, because they are unique in terms of their growth and development potential, as well as their ability to know and overcome their own limits, to face new challenges or current and prospective requirements (Manolescu, A., 2001).

As we can see, intellectual capital, through its forms, conditions the performance of the organization and the relationship between intellectual capital and the performance of the organization leads to the establishment of a new trajectory in the evolution of "career", based on the acquisition of a complete portfolio of competencies.

Evolution of the professional career must be part of a knowledge map within the organization. This map (Figure 4) is very valuable to the organization because it includes the networks of knowledge that are created between the employees and the way they are organized around the production.

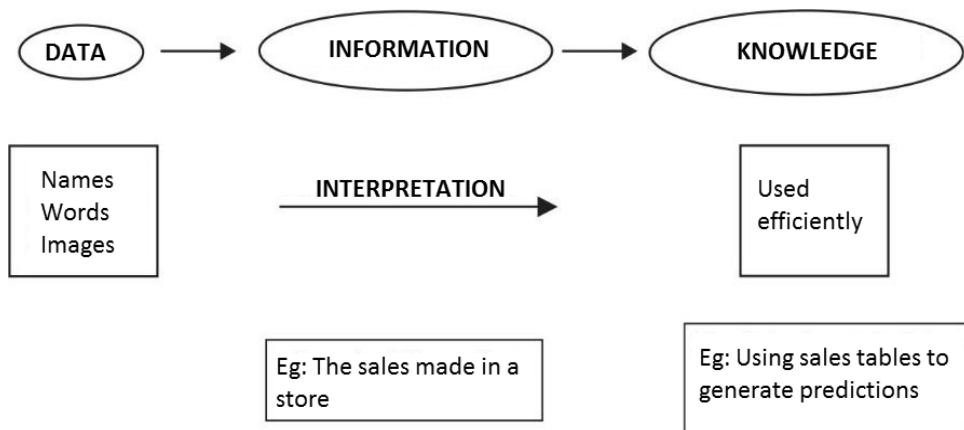


Figure 4. Knowledge map - basic schema

Source: Abell A., Oxbrow N., 2002, *Competing with knowledge*, Library Association Publishing, London, p. 97-98

As a conclusion, the foundation based on the knowledge of contemporary organizations is inevitable. It derives from a level of systemic complexity that goes beyond the rigid limits of traditional hierarchies and leads to the emergence of non-hierarchical organizational configurations and

practices; from strictly inertial developments, of self-organization nature, may at most result solitary solutions, possibly ad hoc articulated. Instead, obtaining viable, integrated systems requires significant intervention on existing organizations or the creation of new ones dedicated to the intended purpose.

Knowledge based organizations are likely, by their specific culture, to promote in society the conceptual value as a source of influence and competitiveness.

As presented in the paper, many researchers have tried to find the best way to evaluate intellectual capital, thus developing different models that represent the composition of intellectual capital. We can say that we have discovered how important intellectual capital is in a competitive business environment and how organizations can use this advantage to become market leaders.

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