

Managing Intellectual Capital in Organizations

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Abstract

Today, by considering the growth of knowledge and technology development of the economic world, the organizations are experiencing a new environment in which they are required to develop the skills and internal abilities and strengthen their knowledge and intellectual capitals from which they benefit for better performance in the world of business. Knowledge and intellectual capital have been recognized as a constant strategy for obtaining and keeping competitive benefits of an organization. Managers should understand that what kind of abilities is necessary for keeping competitive beneficial. Knowledge and intellectual capital are being changed into strategy tools for managing business organizations. In this article, we have tried to study stages of managing intellectual capitals.

Key words: intellectual capital, human capitals, relationship capital.

Introduction

According to results of the current studies, the societies are moving toward knowledge – based economic. Knowledge, as an important capital, have been substituted with financial and physical element for creating valuable knowledge as the major and definite resource for enhancing organization operation.

Regarding the knowledge within an organization, benefit is defined as the result of creating ideas and initiative which is the result of cooperation between structural and human capital and the relationship between physical results and value, ;consequently its share have been changed . In knowledge –oriented economic, today, the success of the organizations and creating values for them all depend on the ability of managing this asset.

Today, intellectual capital is seen as an effective criterion in enhancing the competitions among organizations. During the two last decades, studying the role and importance of knowledge in organization activities and creating values have changed into a major subject in business management. In other words, knowledge and intellectual capitals are considered as indicators of organizations' entity at the current time.

Today, the intellectual capital has lots of benefits for organizations which include creating standards, commercial brands, enhancing the organization's popularity, decreasing costs and boosting the customers' loyalty and efficiency.

Managers should recognize intellectual capital factors and consider them as a successful major resource of growth and finally as a basic element.

In this article, the attempt is to clarify the concept of intellectual capital and its factors and to review the stages of its management.

Aspect about intellectual capital

Many people give their hypotheses about intellectual capital and have pointed to several elements.

Advinson has been the first manager for the intellectual capital in Scania which is an international company in Sweden. Advinson has considered the intellectual capital as the source of differences between market value and office value of companies and organization; so he has offered the below formula for intellectual capital:

Value market = office value + intellectual capital

When Scandia company started to attribute values and listing its invisible capitals and properties, it provided an inventory of brand, exclusive right,

Customer data base and etc. since the said inventory was very long and its management was very difficult, the components were categorized in two aspects of human resources and organization (structure). According to Edwinson, all those elements which remain after the staff leave for home are organizational or structural capitals. He believes that the human capitals cannot be regarded as possessions of the organization; they can be only employed or hired. However, the structural capitals can be in the possession of the organization and business. Thus, the structure determined a red tape for intellectual organizations. He considered the intellectual capitals as properties such as knowledge, functional experiences, organizational technologies, customer ties and professional skills which in turn create competitions in the market (Tabriz and et al, 2009, p.79-81)

The major scholars who have studied and defined the concept of intellectual capital are Hersoon, Visiloon, Bentoss and Ross et al.

Intellectual capital can be defined as a knowledge which can be changed into benefits (Harrison and Salivan, 2000)

Intellectual capital means gathering all the organization members' intellect and their usage. Stewart believes that intellectual capital is a collection of intellectual, experience, competition and learning for organizations which are used for wealth production; intellectual capital of all staff within an organization actually lead to competition benefits.

Intellectual capital factors:

- Human capital
- Structural capital
- Relationship capital (Customer)

Human capital: Ross et al believe the staff intellectual capitals can be boosted through

efficiency, attitude and intellectual agility. Human capital is considered as the fundamental element in intellectual capitals and their tasks. This kind of capital is actually the human resource's abilities and competence in solving the organization's problems. The human capital is the inseparable part of staff and it can not be owned by the organization. Thus when the staff leave their workplace, it would be picked up.

The human capital is an important source of innovation and renovation of strategy in every organization based on which the organization can produce and recognize the values in knowledge-based economics.

Structural capital (organization)

Ross et al defines structural capital as whatever that remains after the staff go home at night. In fact, structural capital includes organization capitals such as thought assets, initiative, process and cultural asset. It also covers developing like rights for registering products and training activities.

As Chen et al (2004) says, the structural capitals refers to systems, structures, and the current approaches of business in an organization. From their perspective, the structural capitals can be clearly categorized into organizational culture, learning, operational process and information system.

The structural capitals not only can give hands to the staff in order to realize their optimization thought but also it enhances the business performance within the organization. The structural capital is dependent on human capitals; as soon as this capital is influenced by the human capital, it would be flourished clearly and independently from the capitals.

For example, the organization chart and the organizational culture both can independently have fundamental effects. Thus, the structural capitals and the human capitals can interactively assist the organization to formulate and develop the customers' capitals and benefit from them. Chen et al (2004), divides the structural capitals into two parts:

Process Capital and Relationship Capital

Relationship capital:

Which is defined as a suitable relationship with customers, which can be beneficiary to the investors and shareholders.

Process Capital:

It consists of techniques, approaches and programs for implementation and developing the distribution service systems (Khavandkar et al. 2009, p.50)

Customer Capital

The customer capital is considered as one of the obvious methods of enhancing and measuring intellectual capital because the income which has been obtained from the customer is very easy to be measured. As Staward states, customer capital consists of using market information in order to attract and keep customers. The most important points relating to customer capital are that of intellectuals in marketing channels and the

relationships between customers.

Customer capital is shown as potential abilities because of external elements. This expression have been presented but new definition has been developed that a relationship capital consist of the existence intellectual in all kinds of relation that organization has with customers rivals , providers, experience committee or the government.

Generally speaking, customer capital can be seen as a bridge for defining and changing intellectual capital into market value.

This capital consists of loyalty stability that is suitable for customer relationships.

Intellectual Capital Estimation

For having a successful management for intellectual capital, five stages have been defined that has been described in what follows:

Process of intellectual capital management

In the first stage the intellectual capital must be defined through which we can determine its real value for the organization. The intellectual capital can be defined through conducting interviews, academic workshops or by internet estimating.

In the second stage, the intellectual capital would be evaluated with respect to value triggers. By value triggers, it means those factors which may affect the value of intellectual capital. These triggers are required to be determined on the basis of a strategic and purposeful program.

In the third stage, the exact and meaningful information are required to be gathered. .:

In the fourth stage, after the management information which are gathered in the previous stage, they need to be analyzed for the action plans and decision making process in the academic fields. .

In the fifth stage, foreign reports should be provided in capital intellectual during the general financial period. These reports will be useful for internal or external stakeholders and other people that have benefit in the company.

Measuring Intellectual Capital

The purpose for measuring organization: the reasons why we should pay attention to the intellectual capital are listed below:

Mar et al

- 1-Helping the organization to arrange strategies
- 2-Estimating performance strategy
- 3- Enhancing organization activities
- 4-Using the measurement results as a basis for service compensation
- 5- to officially convey these properties to the external stakeholders of the organization (creating motivation for stakeholders outside the organization

The reasons why the intellectual capital assessment has been insufficient:

- a. Evaluating intellectual capitals and giving reports increases some operational expenses which in turn demands new rules and bureaucracy.

- b. Evaluating intellectual capitals and giving reports may disclosure some of the important information of the organization which can be disadvantageous to the organization.
- c. Unlike visible properties, attributing values to the intellectual capitals is very abstract, for example evaluating the technical skills of organizations with the high and developed-tech.
- d. As the intellectual capital categorizations become more complicated, the problem which may raise is that the traditional accounting system can not be used for recognizing and evaluating invisible properties in organizations especially knowledge-based organizations.
- e. Most of the studies conducted in this regard are based on survey method or they have been case studies. In order to elaborate the evaluation methods of intellectual capitals, other research methodologies need to be used, too.
- f. Having control over the subject of intellectual capital and its evaluation demands experts in the fields of strategy, knowledge management, human resources, sociology and other human sciences, which of course, is in contrast with the world which focuses on specialists only in one field.

Discussion and Result

Regarding the fact that intellectual capitals are the main core and the greatest property of organizations especially within universities and higher education institutions, all knowledge-based organizations are required to recognize and manage their intellectual capitals systematically and deliberately in order to benefit from sustainable competitions. Thus, applying an appropriate approach in order to recognize, evaluate and manage the intellectual capitals is very crucial.

Intellectual capital has three elements:

Human, Structural and Relationship Capital

The human capitals depicts the staffs' knowledge in one organization which include the human capitals' skills and competence, talents, creativity and knowledge in those fields which are necessary for the organization's success. It can be said that, the more the staffs' knowledge and learning abilities will be, the more efficiency they have in their job skills, the more effective training courses they take in line with organization activities, and the more they take part in decision making process, the more the organization will be developed.

Those organizations which have a better relationships with capitals and they are well informed about the needs and demands and try to adapt themselves to new demands are highly motivated to give better services.

Finally, it can be said that for an organization to be successful, it is required to recognize, measure and manage the intellectual capitals through which their factors would be improved and a kind of balance would be created between them which consequently has a significant influence on creating values and competitive benefits for the organization.

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