

KNOWLEDGE AND INTELLECTUAL CAPITAL IN MODERN ORGANISATIONS

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Key words: Knowledge, intellectual capital, data, information, employees

Abstract: Every country, company and individual depends, to an increasing degree, on knowledge. This is materialized in: patents, skills, technologies, information about the customers and suppliers. From the origins of the human civilization till now, knowledge has always acted as a controlling instrument of the human intellect. Under the current economic conditions, intellectual capital is a critical factor of success, not only for organizations that proceed to intensive use of knowledge, but also for any kind of organization.

INTRODUCTION

Since old times, wealth and power have been associated to the possession of physical resources. Traditional production factors – land, technology/equipment, buildings etc. – have been of a predominantly physical nature. Therefore, the necessity of possessing extensive and comprehensive knowledge was limited. The industrial revolution of the past centuries was based mainly on steam power, man's physical power, and financial capital.

In the years to come, a significant change of the business environment will be detectable, more precisely wealth and power/influence will be based on intangible intellectual resources from the knowledge capital. Hence, knowledge tends to become the major characteristic of the numerous activities performed by organizations founded on modern management.

The necessity of getting informed (the informational need), shown by most organizations in an increasingly competitive society, has as an effect the current primordial interest in analysing markets and consumers' wishes. Powerful firms try to find out everything they can about the consumer: what they want, what they do not want, how they consume, when they consume, what makes them loyal to a certain product, or when they prefer to switch brands. The need to know, which is determined by the need to take the correct decisions at the proper time, has led to the explosion of using informatics systems at the level of firms, as well as the compulsory implementation of the "management of knowledge" concept within organisations.

An important characteristic of the third millennium refers to the fact that labour ceases to be cheap. The assets at the disposal of most modern firms are centred on the human resource an organisation operates with.

The growing importance of intellectual capital reflects the growing dependence of an organization on intangible assets. Every day, new types of companies with intangible assets are formed, and their products are also intangible, and they can be distributed on the market via electronic commerce, using the Internet.

KNOWING/COGNITION AND KNOWLEDGE

In specialized literature there are more possible and equally viable definitions which can be given to the process of knowing/acquiring knowledge.

Cognition can be recorded in the brain of an individual, or stored in organizational processes, products, facilities, systems, or documents.

Alan Burton-Jones defines cognition as “the cumulative stock of information and craftsmanship, which derives from the usage of information by its recipient/receiver”. While trying to identify the notion of cognition, Burton-Jones separates *cognition* from *data* (signals which can be transmitted by a sender to a recipient) and *information* (data which are intelligible for their recipient).

Burton-Jones’s definition is similar to that given by the well-known Webster Dictionary: “the fact of knowing something with familiarity gained through experience or association”.

A new aspect of knowing/cognition is that of an economic factor. Over the last 500 years, Laurence Prusak observes, the production factors have been the land, work and capital, neglecting the role of cognition/knowledge as a distinct production factor. For Prusak, knowing represents an intellectual capital, namely what an organization learns: “there is no other sustainable advantage except from what an organization knows, the ways in which it can employ what it knows, and how quickly it can learn something new”.

Knowing is usually defined as *the power to understand and capture the essence of facts, recover certainties and information* obtained the form of experience and lessons) experiences and lessons. The operations of such organizations are crucial processes designated by the generic term the “3 Is”, *innovation* (creating new knowledge), *instructing* (*learning*) (assimilation of new knowledge), and *interactive partnership* for knowledge.[7]

To know means to be able to. Therefore, knowing represents a lived and felt experience, and its employment can lead to repeated results.

Numerous authors for example Nonaka and Takeuchi identify at least two **types of cognition**: *codified cognition (explicit)* and *implicit/ tacit cognition* .

Stevens describes explicit cognition as one which can be reduced to information (*know-what*), while implicit cognition includes abilities such as intellectual depth (analytical spirit), creativity and judgment/synthesis ability (*know-how*).

Explicit cognition is formal, systematic and, hence, easy to communicate and share/disseminate; it represents that category of knowing which is transmissible by way of formal language and can be stored in databases, libraries etc.

Tacit cognition, on the other hand, refers to personal knowing, which is regularly transmitted with difficulty; it consists of mental models and representations, beliefs and perspectives which cannot be easily articulated and shared.

Knowledge represents adapted/processed information, which can have a long existence, transmitting ideas, while it occurs in a certain context that determines its actual usage. Just as a storehouse does not represent a system for resource management, a stock of items of information does not represent a system of knowledge management. On a regular basis, knowledge represents packages of information resulting from individual experience, and maybe this is the reason why knowledge is the most wanted product in a society in which data and informational exchanges take place at an amazing speed.

In a modern organization, the processing of data in information and of information in knowledge is performed both at the individual level of employees, and at that of work teams.

Knowledge is the result of a cognition process, at certain point in time. Knowledge can be generated, structured, and transformed from one form into another by means of processes in continuous evolution.

INTELLECTUAL CAPITAL

The society of the third millennium enjoys the benefit of employees who are valuable due to their knowledge. In many companies, worthiness does not consist in tangible assets, but in intangible ones. *Intellectual capital is the term attributed to combined intangible assets that allow a company to operate efficiently.*

The difficulty of expressing something that “intangible” has as a result the existence of numerous interpretations and few clear and operational definitions in specialized literature, concerning intellectual capital [4].

The **conceptual framework** for intellectual capital contains **three directions** (economic, management, accounting), which lead to a complex image regarding the concept and, as a result, they contribute to a better understanding of the term. Its representation is offered in table no. 1.

Table no. 1. Approach directions for intellectual capital

Financial and accounting domain	Economic domain	Management domain
The term intangible assets is used	The term knowledge assets is used	The term intellectual capital/human capital is commonly used

The organizational knowledge has been a "hot" topic in specialized literature in the last two decades. *"The function of the organization is to make knowledge productive Individual acknowledge, as they are, there are sterile. It is the organizational task, its reason to be, to gather them in a single knowledge and transform them into a productive factor "[6].* In this context, the cognitive model (the current trend in the organizational theory) is based on the central idea that a good strategy for managing the staff's expertise and experience will lead to general prosperity by continuous renewal and improvement of goods and services supplies. Although there is a statement on intellectual capital in an organization, often using the term „knowledge resources”, the concepts of intellectual capital and intangible resources rarely occur throughout the document. [10]

Intellectual capital is a term used in order to signal the presence of such capital, one which is different from the physical and financial capital.

However, a careful analysis will reveal the necessity to include in the definition given above any type or transformation of intangible resources which are somehow controlled by an organisation and which contribute to the general process of creating added value at the level of that organisation. Such resources include, for instance, employees' competitions, commercial trademarks, intellectual property (invention patents, licenses, royalties etc.), or relationships with clients and suppliers.

Because of various research directions, some confusion can arise concerning the use of some terms: intellectual capital, intangible assets, and knowledge assets. Most of the times, these terms are used interchangeably if the author gives no clear clarification regarding them.

Intangible resources, as defined by Bontis, represent those factors, other than financial and material assets, which contribute to the value-generating processes of a firm, and are controlled by it. Edvison and Malone, specialists in this domain, argue that intellectual capital comprises the value of all relationships within and outside an organisation, including relations with clients and suppliers. Moreover, intellectual capital is also represented by values corresponding to some intangible assets, such as clients' favourable attitude, corporate image, and trademarks.

Considering the definitions given by different authors so far [1], we can infer some characteristics of intellectual capital, as follows:

- it is intangible, even if a material form can be attributed to some elements of the intellectual capital (for instance patents, registered trademarks);
- there is a close connection between the intellectual capital and knowledge under various forms;
- the human capital of a modern organisation, which is a part of the intellectual capital, is represented by professional knowledge, skills, abilities and health status that could contribute to an enhancement of the creative capacity of any person and, implicitly, to an increase in the prospective future revenues, or it represents humans' capacity to produce goods and services in an efficient mode;
- it offers opportunities to achieve superior performance in the future.

CONCLUSIONS

The evolution of society shapes an era of knowledge, which is equally aimed at by the entire humanity and by the business environment/world. Economy is gradually redefined and renamed, being gradually transformed into a New Economy that gives up its former approaches, seeking to clarify the increasingly complex reality which unfolds for/to us. A major role is attributed to information, which constructs the intellectual capital.

The central idea of all theories concerning intellectual capital and societies based on knowledge is that the hierarchy of values has changed. Hence, the impact of physical resources has gone one step lower, so as to allow intangible resources to go higher, while the latter become an increasingly important factor for, among others, the development and profitability of a firm.

In traditional organisations, information and knowledge are spread/ disseminated among employees with difficulty, especially from one organisational level to another. Employees share and communicate knowledge among themselves from the following reasons: mutuality/reciprocity, personal reputation and prestige and, sometimes, altruistic reasons. As a result, this transfer of knowledge does not represent a natural act in an organisation. Therefore, the attitude and behaviour of people must be altered, and we must create a trend for the distribution of knowledge, because items of knowledge represent assets that multiply themselves as they are used. Thus, traditional organisations will transform into modern ones.

Nowadays, modern organisations emphasize the encouragement of personnel involvement, stressing the importance of each individual's contribution within the organisation. There are many ways to try boosting the potential value of the knowledge capital. The knowledge capital is most often represented, at the level of modern organisations, by the staff's knowledge, informatics software, patents, licenses, and commercial, managerial, and financial know-how.

The representatives of modern organisations have realised that the major values are the knowledge and intellectual capital owned by each organisation. To the purpose of obtaining a competitive advantage, we must take into consideration the ability to use this knowledge in relation to organisational technologies and processes.

The potential value of the knowledge capital is expressed in a monetary form as, for instance, the stock exchange quotation of the organisation, or the firm's purchase of latest technology or buildings, lands, and equipment.

Briefly speaking, within modern organisations, knowledge could mean power only if there is the managerial ability to implement this knowledge in the process of developing a product, a service, a technological device, or an organisational method for the business, which will find materialization on the market. As a result, many organisations know very well that the facts and figures they present in periodical accounting and financial reports do not manage to reflect their entire real value.

The managerial teams of these organisations state that the major problem they are confronted with is the following: the absence of a safe system to measure what they consider to be their strongest assets, namely the intangible assets. Some of the intangible assets possessed by a modern organisation are enumerated below:

- the know-how accumulated by the firm;
- employees' experience;
- the results of RD activities performed by the organisation;
- consumers' satisfaction for the firm's products and services;
- socio-economic working environment.

In other words, these are some elements which cannot be highlighted considering the current reporting system in the financial documents of an organisation. Similarly, they are difficult to measure, and their aim is to determine some companies to differentiate themselves from others on the market, in a fast-evolving economic environment.

We can anticipate that, in the not too distant future, the majority of Romanian organisations will consider and approach knowledge, for the evaluation of their capital, as a distinct, and often essential, component.

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