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Intellectual Capital: A Strategic Pattern Of Improving Organizational Performance

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Abstract

Industrial Era 4.0 forces every company to have a strategic pattern in improving organizational performance. The industrial revolution has changed the way humans work manually towards automation or digitization by machines. Thus, innovation and human knowledge are the key to the birth of an increasingly sophisticated industry to meet human needs themselves. This study discusses the intellectual capital variables owned by human resources in an organization. The type of research used is descriptive qualitative research because it is sourced from relevant journals. The research objects in this study are journals and other scientific articles that discuss intellectual capital and its impact on improving organizational performance. This research is expected to reveal more clearly how intellectual capital can significantly enhance organizational performance.

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I. Introduction

In this era, science and technology have developed very rapidly. It directly or indirectly results in dynamic changes in all aspects, be it social, educational, legal, and even business aspects. Initially, labor-based companies have gradually shifted to implementing science and technology-based performance (Soetedjo and Mursida, 2014). Advances in science and technology have driven industrial changes in the world. This new industrial era is an era of digitalization which is widely known as the fourth industrial change or better known as the industrial revolution 4.0.

In the industrial revolution 4.0, changes occur rapidly, and the dominance of machines over human resources (employees) will, of course, be more outstanding. The things that underlie this include the human desire so that existing work can be completed quickly and with quality to compete and achieve competitive advantage (Suwardana, 2017). The industrial revolution changed the way humans work manually towards a pattern of automation or digitization by machines. Thus, innovation and human knowledge are the key to the birth of an increasingly sophisticated industry to meet human needs themselves. In an industry that continues to grow, especially in industry 4.0, human resources in organizations are a central topic in all strategic management literature. However, while it is recognized that there has been much progress in identifying the qualifications and human resource capacities required by business organizations in recent years, an excellent analytical framework for studying intellectual capital is still lacking.

II. Literature Review

Ulrich (1998) states that intellectual capital is a multiplication function of competence and commitment. Along with the arguments of Ulrich (1998) and Quinn et al. (1996), an examination of the characteristics and features of intellectual capital reveals that it represents a particular case insofar as the different components complement each other. This brings a new dimension to human resource analysis. Without revolution, this methodology can be used for capital goods that show a high degree of complementarity. Several studies have shown that unique or scarce resources impact firm performance (Barney, 1991; Castrogiovanni, 1991; Grant, 1991; Mahoney, 1995; Nahapiet and Ghoshal, 1998; Pfeffer and Salancik, 1978; Tsai and Ghoshal, 1998).

Some economists have always focused on the productive effect rather than the quality of a job. William Petty (seventeenth century) was the first economist known to emphasize differences in labor quality and identified what came to be termed human resources when he argued for the inclusion of "human capital" in the accounting of wealth for actuarial purposes. In Wealth of Nations, Adam Smith (1776) wrote at length about the knowledge and skills of workers and employees on the production process and quality. He also argues that wages should be determined (among other things) by the effort, time, energy, and money spent by workers to acquire the necessary skills for their work tasks. When analyzing wage determination, he explicitly states that education and learning should be considered 'investments' in people. He saw that the productivity of skilled workers was higher than that of unskilled workers and, as a result, emerged the justifying argument that higher incomes arise from qualified workers.

The theory emphasizing the importance of human capital also emerged from Alfred Marshall (1890, p. 469), who more than a century after Adam Smith (1776) stated: "The most valuable of all capital is that which is invested in people," at the time the theory was issued. Alfred uses the term human capital (human capital). Then came Irving Fisher's idea of capital came as the founding basis of modern human capital theory as it emerged in the second half of the twentieth century. ''The stock of wealth that exists in a short time is called capital. The flow of services over some time is called revenue' (Fisher, 1906, p. 52, italics). His definition of income and capital was 'all-inclusive,' and Fisher thus cut down much of the controversy among capital theorists at the time regarding the nature of capital goods such as materiality, monetary aspects, durability, or repetition of use. He emphasized that all types of stock will be capital when generating services and even explicitly include humans.

Theodore W. Schultz and Jacob Mincer, who independently and for different purposes (macroeconomics for the former and micro-economics for the latter), elaborated on human capital theory towards the end of the 1950s, relying on Fisher's theory of capital. They consider human capital an independent capital category analogous to conventional capital concerning economic and productive characteristics. The capital theory has, over the years, developed somewhat within a consistent theoretical framework containing a complete set of tools and concepts applied to human resources. This leads to solid and convincing results and provides reasonably good explanatory power for micro and macro-economic phenomena.

III. Methodology

The method used in this study is a method with a qualitative approach. Qualitative methods help provide detailed descriptions of phenomena. Qualitative encourages understanding of the substance of an event. Thus, qualitative research is not only to fulfill the researcher's desire to get an overview/explanation but also to help to get a more profound explanation (Sofaer, 1999). Thus, researchers need to equip themselves with adequate knowledge regarding the problems to be studied in qualitative research.

IV. Results and Discussion

Intellectual capital is a critical success factor in an organization, and because of this, it will increasingly become a concern in the study of organizational strategy. This conclusion is not without reason. It is based on findings on the performance of organizations, particularly knowledge-intensive organizations (e.g., see Bounfour and Edvinsson 2005; Lonnqvist and Mettanen). However, experiences in these micro-organizations are now also beginning to be transferred to the context of society or development in general. Bounfour and Edvinsson raised this theme in Intellectual Capital for Communities (2005).

Answering why intellectual capital has become a strategic pattern in the context of organizational or community performance or progress, we can first refer to the phenomenon of the shift in the type of society from an industrial and service society to a knowledge society. Drucker (1997, 2001), for example, predicts the arrival and, at the same time, describes the shift towards the era of the knowledge society. In this type of

society, knowledge, learning capability, and investing in building intellectual bases are drivers of rapid change. Therefore, humans as knowledge workers are the main actors.

Alfred Marshall has voiced the vital position of knowledge in this new economic and social order since 1891. According to him, knowledge is the most potent production engine (in Bontis 2005; King and McGrath 2004). Schumpeter also conveyed the same emphasis in 1934, Hayek in 1945, and Machlup in 1962. This is also in line with the context of the 'knowledge revolution' (Auber 2005) as there was also a shift in the economic model towards a knowledge economy (knowledge economy) (Bounfour and Edvinsson 2005, Aubert 2005) or the learning economy (Lundvall 1996). An economy characterized by knowledge has three plus one key characteristics, namely 1) research and education, 2) relations to growth, and 3) learning and capability, and 4) the importance of change, the dominance of a (more) flat structure, and capital. Social.

Global donor agencies such as the World Bank have also developed a program known as Knowledge for Development to encourage the development of countries towards a knowledge economy (King and McGrath 2004). Second, at the micro-enterprise level, it seems rather difficult to exclude or link these developments in the context of competition and the search for the basis of competitive advantage. The discourse on competition and competitive advantage has experienced a significant shift in business strategy studies and economic development. Initially, the theory of absolute advantage and comparative advantage was known in inter-regional or international trade or economic interactions. Then came the brilliant thought of Michael Porter about competitive advantage in the 1980s. However, Porter's view is then considered unable to comprehensively explain the superiority of an organization or country over others.

Recently, a new stream in competitive advantage analysis has emerged, known as the resource-based view of the firm (RBV). This last view is considered relevant in the context of a strong economy characterized by a knowledge/learning economy or an economy that relies on intangible assets. This second phenomenon (competition context and competitive advantage) can be understood when every organization seeks to find the right competitive strategy and competitiveness base to excel. Barney (2007) defines the concept of the strategy itself as related to an organization's theory of how it performs and excels in its business field.

In the discourse of finding ways to excel, there is a shift in view in understanding strategy. In the model developed by Porter or called the industrial organization/OI approach, strategy is simply a matter of positioning in the market. Then the RBV group considers that the economic value and competitive advantage of a financial organization lie in the ownership and effective use of organizational resources that can add value (valuable), are rarely owned (rare/scarce/unique), difficult to imitate (imperfectly imitable/hard). To copy), and are not replaced by other (non-substitutable) resources (Barney 1991, 2001, 2007; Lewin and Phelan 1999; Wright, McMahan, and McWilliams 1992). Therefore, the competitive strategy must be placed on finding, obtaining, developing, and maintaining strategic resources. The two strategic resources in question are human (human capital) and organizational (organizational capital).

According to Khan, "Intellectual capital can be defined in different ways," said Lonnqvist and Mettanen (tt). In the context of measuring knowledge investment, a topic under the theme of intellectual capital, Khan (2005) states that there is not yet a

commonly accepted definition of knowledge investment. However, there is beginning to be harmonized understanding of it. Therefore, the reports used in this paper are open to being supplemented by other definitions that may contain different meanings that are not the same.

The concept of intellectual capital is now starting to emerge as an essential concept in the life and development of organizations and wider economic life. It is now used in the center of rivaling or complementing other ideas of capital. The familiar concepts of capital include (financial) capital, physical capital, and human capital. As a concept, intellectual capital refers to capital that is non-physical or intangible (intangible assets) or invisible (invisible). It is related to human knowledge and experience and the technology used. Intellectual capital has the potential to advance organizations and society (Lonnqvist and Mettanen tt).

In summary, Smedlund and Poyhonen (2005) discuss intellectual capital as an organizational capability to create, transfer, and implement knowledge. Appearing comparable to that, Nahapiet and Ghoshal (1998) refer to it as knowledge and knowing abilities possessed by a social collectivity (e.g., organizations, intellectual communities, professional communities). They use this definition to consider its proximity to the concept of human capital, one of the elements of intellectual capital that Fitz-enz (2000) calls a catalyst capable of activating intangibles, another inactive component.

Explicitly, this definition seems inadequate to explain empirically the extent to which the scope of the meaning of intellectual capital, in the two components, is knowledge and knowing capability. However, in their explanation, they distinguish two types of knowledge, namely personal learning, both explicit (called conscious knowledge by Spender) and tacit knowledge (intuitive understanding), and social expertise, which also consists of detailed (objectified knowledge) and implied (collective wisdom). The explanation clarifies the limitations of their concept, which can be compared with definitions by other authors (e.g., Fitz-enz 2000; Pyke, Rylander, and Roos 2001; Lonnqvist and Mettanen tt), which describe the key components of intellectual capital, which will be discussed separately in the following sections. Lower.

The discussion of the components of intellectual capital is part of the definition or scope of the concept. As found in Lonnqvist and Mettanen (tt) and problems in terms of concept definition, there appear to be some inconsistencies in the identification of components of intellectual capital between authors. However, they can be broadly said to be the same or similar. Lonnqvist and Mettanen, for example, refer to the framework used by Edvinsson and Malone (1997), Sveiby (1997), Brooking (1996), and Marr et al. (2002).

Edvinsson and Malone (1997) divide intellectual capital into human, structural, and customer capital. Sveiby (see also in Guthrie and Petty 2000) mentions that the components of intellectual capital are worker competence, internal structure, and external structure. The meaning or scope of each element from the two sources is almost in harmony. Edvinsson and Malone included the sub-components of organizational culture and management philosophy as part of human capital, while Sveiby placed it as part of the internal structure.

According to Brooking (1996), intellectual capital is divided into four components: human-centered assets, infrastructure assets, intellectual property assets, and

intellectual property assets. -market assets (market assets). If observed, this distinction is not very different from the components of Edvinsson and Malone and Sveiby, except that Brooking further breaks down the structural capital or internal structure component into two separate parts, namely infrastructure and intellectual property. Infrastructure assets include the processes, methods, and technologies used by an organization/community to work. Meanwhile, the intellectual property contains copyrights and patents. Marr et al.'s (2002) model is no different, even though it is called differently and is grouped into two major components, namely stakeholder resources (consisting of (external) stakeholder relationships and human resources and structural resources (physical/tangible and virtual/intangible).

An additional framework that can be proposed that is entirely consistent is Pyke et al. (2001) and Fitz-enz (2000). This framework may be used as the leading guide, given the confirmation of Pyke et al. that after going through various reviews in the last two years (referring to the year of their publication), there has been a convergence in the categorization and language used in the intellectual capital model. According to these two sources, intellectual capital is composed of 3 components, namely 1) all attributes of human capital (such as intellectual, skills, creativity, work methods), 2) organizational capital (organizational capital, such as intellectual property, process data, culture), and 3) relational capital (relational capital, seven all external relations with consumers, suppliers, partners, networks, regulators, etc.).

V. Conclusion and Recommendation

All of these components form a unified entity called intellectual capital. These components are also comparable to the details in the taxonomy of intangible resources developed by Bounfour (2005), namely autonomous intangibles and dependent intangibles, which contain all the elements discussed above.

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