

# Managing the Intellectual Capital of an Organization

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## **Abstract:**

The article - based on the research - emphasizes the importance of employees in a modern organization that functions in an extremely volatile and at the same time demanding environment. Variability, combined with the processes of internationalization of a number of phenomena and requirements resulting from the Industrial Revolution 4.0, directly forces the need for continuous improvement of competences by the company's staff. On the other hand, managers should rationally use their intellectual potential in order to strengthen their position on the market and dominate the competition. It is essential to take actions aimed at encouraging employees to invest in themselves. Then there will be a mutual benefit: for a specific person and company for which he works. Creating a climate for acquiring knowledge will make an organization a learning and successful business organization. In such a company, intellectual capital management will become a process where any employee will be treated subjectively, and will be a co-creator of the success of his/her organization.

**Keywords:** management, changes, organization, knowledge, investing in personnel.

## 1. INTRODUCTION

The operating conditions of modern organizations are described in a number of publications. The analysis of the information contained therein, together with the results of the research carried out, allows us to conclude that currently many factors influence what is taking place in the enterprise; the determinants and their meanings are different. It is justified to emphasize that we are observing an increasing dynamics of transformations, combined with the internationalization of economic processes. These facts make many phenomena difficult to define unequivocally.

Moreover, in many cases they have a relatively short life, which does not mean their influence on what is happening in a given company is not noticeable. You cannot ignore the current economic crisis, which has an impact on what is happening in individual organizations, and even industries or regions. Entrepreneurs unequivocally state: they have to function in more and more complex conditions, and moreover, the competitive struggle is becoming more acute. All processes and events take place in constantly different, changing conditions. The conditions for the functioning and implementation of tasks by organizations, including logistic tasks, are also changing. They become more and more complex, which is not indifferent to the perception of staff (people), their role in striving to achieve high performance (task execution) and to build a competitive advantage. The aim of the article is to present the importance of the intellectual capital of an organization and to indicate several paradigms of proceeding in this matter. The analysis of a number of theoretical studies, including the published results of research conducted by various research and teaching centres, were the basis for drawing specific conclusions.

## 2. SELECTED CONDITIONS FOR THE FUNCTIONING OF CONTEMPORARY ORGANIZATIONS

Every organization, regardless of the nature of its activities, scope and scale of operation, has different goals, tasks, troubles, difficulties, etc. It is significantly influenced by the conditions in which today's companies operate. They are not very kind. For managers and executives, the bar of requirements and expectations, focused primarily on high operational efficiency, is raised quite high. Probably in the future the situation will change towards even greater professionalization, as evidenced by the requirements of the Industrial Revolution 4.0 (IR 4.0). The approximate facts make it necessary to adopt a specific (transnational) approach to examining a number of phenomena related to a specific organization in relation to international corporations. It should be remembered that there is no one universal style of management that „works” in all countries.

Currently, the changeability of people's living conditions and the functioning of the organization is something natural. Among the number of possible implications of the transformations signalled, we will emphasize the fact that nowadays changes are more frequent and deeper, they concern many spheres of companies' operation and do not bypass their staff.

Globalization processes affecting many events that we deal with every day are also important. They practically apply to everything that surrounds us. Globalization has a very significant impact on the functioning of all organizations, as well as the attitudes and behaviour of customers and consumers. It has an impact on the issues related to knowledge and the need for its permanent supplementation. That is why knowledge is mentioned more and more often as a specific resource of an organization, which in the conditions of the global economy is treated as a strategic factor of the company's success. However, it will not have this knowledge without investing in personnel - permanent development of qualifications and skills of employees.

The modern economy is characterized by intensive technological, economic and socio-cultural changes, which entail the need to constantly update the knowledge and skills of employees. Such a need, even a necessity, is emphasized by the changeability of the conditions and goals of the organization, the natural consequence of which is the modification of the team's and one's own goals. Consequently, all development activities, treated in terms of investments in human capital, take on particular importance. If you want to be successful in business, gain and have a competitive advantage, you need to skilfully use all the resources of the organization with the intellectual capital of the staff, in particular, which relates to the ability to obtain and use knowledge, understand thoughts and cognition<sup>1</sup>. Intellectual capital, although it is an intangible resource of the company, has no physical or financial importance, but its value in modern enterprises exceeds the accounting value many times.

### 3. THE IMPORTANCE OF THE INTELLECTUAL CAPITAL OF AN ORGANISATION

Currently, it is indispensable to notice and implement in practice two features, which are flexibility and comprehensiveness (looking at the entire organization in its variability). These features require a comprehensive look at the environment, i.e. the external conditions of the organization's functioning and everything that takes place inside it. Such an optics of the perception of the company will allow to determine the desired competences of the employee. They result not only from the specificity of a specific position, but also from the needs of personal development, the needs of the team, organization, and cooperation requirements. At the same time, which is especially important in the times of the Industrial Revolution (IR)

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<sup>1</sup> Quite often it is assumed that the intellect is the product of mental abilities, experience and knowledge of a person and the possibility of using them.

4.0, that employees themselves perceive the „aging” of knowledge and have an internal need for continuous learning, without the need for external motivation. This corresponds to the quite often quoted words of Erhard Schaschl: „*a company is as good as good its people are*”<sup>2</sup>. „*Good people*” means competent and motivated employees. It is indispensable because employees are the most valuable resource of any organization, and their effective management should be integrated with the goals and strategy of a company. It is a fixed asset (capital) which - under certain conditions - will allow the performance of tasks (products or services) at a high level and guarantee superiority over the competition<sup>3</sup>. This means, among other things, that you need to invest in employees, as well as in machines (devices) or technology.

As with any other endeavour, investment in personnel must precede the diagnosis of the existing condition. The diagnosis of the competences of both individual employees and organizational competences is a permanent element of company management. It is difficult to imagine professional management without being aware of the competences of the managed team, to what extent they are adequate to current and future tasks, and what competencies we need in the context of the organization’s development plans<sup>4</sup>. Such a look at the organization’s staff will allow to define the directions of improving their knowledge, and will answer the question: what directions should be taken in relation to investing in employees.

The actions of a number of managers clearly indicate that it is much easier to diagnose the competencies of employees who already work in a given organization. In this case, the assessment of competences means drawing conclusions from the observations made and giving them the character of certain generalizations<sup>5</sup>. It is quite different in the case of hiring employees. Then the time to make decisions aimed at investing in personnel is longer, which results from the fact of direct „recognition” of individual people in a specific situation, at a given position.

In addition to recognizing employees’ competences, it is also necessary to determine to what extent employees identify with the company, what they do and what they would like to do. It is equally important to determine what influences the level of

<sup>2</sup> Schaschl E. *As austriackiego managmentu*, „Zarządzanie na Świecie”, 10 (1995), p. 5.

<sup>3</sup> More in: Pawęska M., Ścibiorek Z. (eds.), *Personnel in terms of current and future challenges*, The International University of Logistics and Transport, Wrocław 2022.

<sup>4</sup> Cf. Ścibiorek Z., *Zarządzanie zasobami ludzkimi*, Wydawnictwo „Difin”, Warszawa 2010, pp. 253-255.

<sup>5</sup> Moczydłowska J. M., Serafin K., *Doskonalenie kompetencji zawodowych w profesjonalnie zarządzanej organizacji*, Wydawnictwo Naukowe Sophia, Warszawa 2016, p. 42.

motivation in relation to a given person, which should be treated as one of the key elements of building a competitive advantage on the market.

Managers should see one more aspect of the issue. All healthy adults are motivated to develop continuously, but this motivation is often blocked by barriers such as negative self-image as a learner, lack of access to opportunities or resources, time constraints, and programs violating adult learning<sup>6</sup>. On the other hand, there are views that employees are reluctant to use the forms of development offered to them, because development means the necessity to leave the safe comfort zone in which the employee has performed his work in the same way for years. He does not see the need to introduce any changes to the philosophy „*after all, we always did it this way and it was good*”. Getting used to a certain way of thinking and acting, which is a source of a sense of security, has a stronger effect than the need to look for new challenges and new solutions.

#### 4. CHANGES AND INTELLECTUAL CAPITAL

Each organization, if it wants to function efficiently and effectively, must adapt to the requirements of the environment and make appropriate changes. They are necessary for the development of the organization; they require adaptation of its elements and adaptation to the environment. Those enterprises that keep up with or ahead of changes in the environment have a chance to survive, gain and maintain a competitive advantage<sup>7</sup>. Companies with complete staff, those perceived as learning organizations, can count on obtaining or maintaining it.

Change is a natural process that accompanies people and organizations on a daily basis. Professor J. Kurnal has the view that the present day is one great series of changes. The economic, political and social transformations that took place in the second and early third decade of the 21<sup>st</sup> century intensified the occurrence of this phenomenon, especially in the environment and inside the organization. Companies and institutions now have to reduce their costs, increase efficiency and, above all, act much faster. Finding oneself in today's realities and meeting them requires from the organization increased activity, flexibility and taking up new challenges.

<sup>6</sup> Knowles M. S., Halton E. F., Swanson R.A., *Edukacja dorosłych*, Wydawnictwo Naukowe PWN, Warszawa 2009, p. 14.

<sup>7</sup> Cf. Zarębska A., *Zmiany organizacyjne w przedsiębiorstwie. Teoria i praktyka*, Wydawnictwo "Difin", Warszawa 2002, p. 9.

This, in turn, is associated with risk and uncertainty, and raises many concerns and doubts both among employees and management. In the process of change, the staff as the most valuable asset of each organization cannot be ignored. The thing, however, is what is contained in the question: where and how to use this capital?

We identify with the above question for several reasons. First of all, as people who have been dealing with human issues (employees, personnel) for years. In addition, the above thought is that intellectual capital management is understood as all processes enabling the creation, dissemination and use of knowledge to achieve the goals of the organization. It is also, and perhaps above all, creating favourable conditions inside the organization, enabling effective influence on the intellectual capital of the company, in order to achieve further business successes and dominate the competition.

The subjective treatment of an employee of a modern organization can be perceived in various ways. Among other things, it raises the need for a rational approach to issues related to the professionalism of the staff, but not only from the employee's point of view. Since people are valuable capital, it is reasonable for the employer to take appropriate actions to meet the expectations of its staff<sup>8</sup>. All employees have the right to learn, and a good employer should make it possible for this privilege to be consumed by as large a percentage of his staff as possible. It is therefore understandable that at present the main challenge for company management is to motivate their subordinates to be more entrepreneurial in acquiring, using and sharing knowledge.

In recent years, especially in Poland, the approach of entrepreneurs to personnel has changed significantly. People working for a given company are no longer treated as a source of costs, but are perceived as a specific resource that has great value for the organization. The competences of people who work for the organization have become the factor of the company's competitiveness. Employee knowledge, abilities and skills, as well as motivation to perform work, have become one of the main factors determining the strengths and weaknesses of the company. In the practice of management, the focus has shifted to the search for new sources of competitive advantage by building personnel strategies. Therefore, the functioning and development of a company depends on people, their skills, diligence, goodwill and responsibility. This can be confirmed by the words of one of the contemporary French specialists in human resources management - C. H. Besseyre des Horts, who wrote: *Human resource management is a contemporary vision of a function in which women and*

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<sup>8</sup> <https://leanpassion.pl/blog/zaangazowanie-jako-najwazniejsze-wyzwanie-wspolczesnych-organizacji/> [Access on 30.10.2022].

*men in an enterprise are potential (resources) that must be mobilized, developed, you have to invest. These are the basic strategic resources of the enterprise, and the same function has become extremely important and acquired the status of a strategic function*<sup>9</sup>.

## 5. CHALLENGES FOR MANAGERS

Nowadays, it must not be forgotten that no training can replace changes in company management or the necessary actions. It is a tool with which changes can be made in the knowledge base, skills and attitudes of employees. It is also a way to meet the requirements of high-quality and low-cost products or services of the company. In order to function in the modern world, in conditions of high competition, everyone must improve their qualifications. Currently, the issues of employee development and training in the company should be perceived as an important problem in the functioning of any organization - a response to the challenges of the present day. The factor of economic growth and competitiveness is human capital and the potential of people. Today, a company has little chance of surviving if it is not a learning organization, that is, an organization in which employees want to enrich their professional skills and learn from each other and make it easier for each other.

People stimulated to react to knowledge and to think systematically, will acquire creativity. On the other hand, people stimulated to react to market development and management strategy will have development capacity. Finally, people who are stimulated to respond to changes in organization and operation will acquire the ability to learn. Therefore, a feature of the modern approach to management, especially human resource management, is building a strategy based on the skills of human potential. At this point it is worth emphasizing that the full use of the knowledge and abilities of the company's staff, their shaping and creating conditions for disclosure cannot be spontaneous and occasional, but requires a systemic approach and treatment as an appropriate process that requires constant control and regulation. Knowledge of employees and the company is a dynamic resource, it is constantly updated, and its carriers - the company's employees - are constantly developing and improving.

Conclusions from the analysis of the attitudes and behaviours of the staff of various companies allow us to conclude that a person is shaped by reality, but at the same time is the creator of this reality. The reality in which he lives defines the limits of

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<sup>9</sup> More in: Besseyre des Horts Ch. H., *Vers une gestion stratégique des ressources humaines*, Les Éditions d'Organisation, Paris 1988.

his actions, but he often crosses these limits in various ways, seeking more favourable conditions and better solutions; he even tries to transcend time, space and the truths created and imposed on him. This is also noticed by H. Selye, who states: (...) *a characteristic feature of man is not his wisdom, but his constant willingness to work on improving his environment and himself*<sup>10</sup>.

There is a belief in business spheres that only those organizations that employ professionals and actively manage the change process will survive on the market. Competition in business will bite the escaping person and absorb the standing one. It is similar with intellectual capital. If you don't know at least what your competitor knows, you've already lost. It is understandable because the company's strategy and its goals are realized by people. They design and implement technologies, create products and sell them, constitute the company and participate in its life. The duration and position of the enterprise depends on who they are, what they do and how they operate. In the conditions of high volatility of the environment and intense competition, the human factor has gained particular importance and has become a source of competitive advantage in many enterprises. If you want to keep up with the changing environment (business conditions), you have to constantly adapt to new conditions. The present times require decisive reactions to what is happening around us, success requires open minds that can effectively solve the so-called interdisciplinary problems.

We fully identify with the thesis that intelligent, self-learning enterprises<sup>11</sup> should become the basis for the development of the world economy in the era of globalization. The basic challenge for modern, intelligent (learning) organizations is to motivate their subordinates to be more entrepreneurial in acquiring, using and sharing knowledge. Today's workers should be able to thrive. Respecting the individuality and needs of individual employees, conditions should be created for the members of the organization in which they will be able to learn. Although the knowledge of a specific person (employee) is individual, it should be strived to have a broader dimension and serve the organization well. It is important that replenishing the sum of individual knowledge with team knowledge goes smoothly. As a consequence, this should lead to the fact that team knowledge becomes knowledge generated as a result of synergy, resulting from the interaction of individual knowledge within the organization and as a result of internal and external mutual organizational relations. Therefore, no one should be surprised that the main goal of intellectual

<sup>10</sup> Selye H., *Stres okiełznany*, Państwowy Instytut Wydawniczy, Warszawa 1977, p. 64.

<sup>11</sup> Hejduk I. K. (ed.), *Przedsiębiorstwo przyszłości, fikcja i rzeczywistość*, Wydawnictwo ORGMASZ, Warszawa 2004, p. 25.

capital management is the transfer of knowledge accumulated by employees to the company's capital, which will become its property and will be available to all employees and the entire organization, regardless of what they do or what they do. is the purpose of its functioning<sup>12</sup>.

## 6. CONCLUSIONS

Contemporary and future challenges result from the constant changes in civilization taking place all over the world, which have an impact on the functioning of the organization. Challenges for managers result from the accomplished and future economic, social, political and cultural transformations, to a large extent related to the processes of Poland's integration with the structures of Western Europe and cooperation with neighbouring countries. However, in every situation, the personnel should be treated as the most important capital of the organization, and intellectual capital management should be treated as a priority.

On the basis of the conducted analyses, we have a basis for formulating the conclusion that intellectual capital is more and more commonly recognized as the most valuable resource and, consequently, a key factor of competition. Without conscious management of intellectual capital, it is difficult to imagine the effective use of modern methodologies, as well as effective organization management in general. Managing the intellectual capital of an organization's staff is an art that can be mastered, but must first be understood. It is the art of transforming information and intellectual assets into lasting value for the customers and employees of the organization. It is equally important to build intellectual capital as the cause and effect of the organization's development.

The conducted analyses allow us to conclude that characteristic of the times in which we live is a rapid acceleration of development processes based on the ever-increasing dependence of knowledge on information. There is more and more talk about the beginning of a new era: knowledge and information. It is undeniable that it is knowledge and information that constitute the basis for rational action, thanks to which it is possible to make optimal decisions.

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<sup>12</sup> More in: Ścibiorek Z. *Decydowanie podstawową funkcją zarządzania*, Wydawnictwo Adam Marszałek, Toruń 2021, pp. 179-187.

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