

<http://dx.doi.org/10.18374/IJBS-14-3.9>

**INTELLECTUAL CAPITAL AS DEVELOPER OF THE
COMPETITIVENESS: FURNITURE INDUSTRY IN GUADALAJARA,
MEXICO**

Jose Sanchez-Gutierrez, University of Guadalajara, Mexico
Mercedes Elisa Gaxiola-Villaseñor, University of Guadalajara, Mexico
Elsa Georgina Gonzalez-Uribe, University of Guadalajara, Mexico

Published in

INTERNATIONAL JOURNAL OF BUSINESS STRATEGY

Volume 14, Issue 3, p105-110, October 2014

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INTELLECTUAL CAPITAL AS DEVELOPER OF THE COMPETITIVENESS: FURNITURE INDUSTRY IN GUADALAJARA, MEXICO

Jose Sanchez-Gutierrez, University of Guadalajara, Mexico
Mercedes Elisa Gaxiola-Villaseñor, University of Guadalajara, Mexico
Elsa Georgina Gonzalez-Urbe, University of Guadalajara, Mexico

ABSTRACT

The purpose of this research was to determine the Intellectual Capital and its influence on the competitiveness that SMEs furniture manufacturing companies have in Guadalajara, Mexico. The collected information is analyzed and identified the results are interpreted. Intellectual Capital was the dependent variable and using SPSS software finding the relation of competitiveness (independent variable) and IC was determined. The research was applied to a hundred and twenty one companies in Guadalajara, Mexico. The factors used for the study are based in researches mentioned in the theoretical framework.

Keywords: *Intellectual capital, competitiveness, corporate performance, furniture manufacturing industry*

1. INTRODUCTION

The Mexican furniture industry has had notorious changes over the last twenty years, not only in the local market but as well big has been the difference observed from the international point of view. Back in the 90's Mexico used to have the third world place in furniture sells, exporting to 70 different countries (Bancomext) just behind the United States and Italy.

As it is well known most of mexican exportations are directed to the North American market, and there was no difference with the furniture industry. In the early 90's Mexico used to have 13% of the total furniture importations of the United States, same percentage than China had back then. Impressive it is to compare the current information (Promexico,2010) where it's clear to see the development that the Asian country has have, having half of the American importations in this sector while the Mexican market share didn't even got to the 30% of the total furniture importation of USA in that year.

Intellectual capital is a core factor in company's structure, authors agree that all the components of IC together help a firm to create values and competitive advantages. Intellectual Capital can bring future earning potential to a company, capability to innovate and a better competitive position (Hall, 1992; Stewart, 1997; Subramaniam & Youndt, 2005).

2. COMPETITIVENESS AND INTELLECTUAL CAPITAL

2.1. Information Research

Several authors have agreed that all the components of Intellectual Capital together help a firm to create values and competitive advantages. Steward (1994) defined Intellectual Capital as the total stocks of collective knowledge, information, technologies, experience, organization learning, team communication systems and customer relations that are able to create values for a firm. IC includes intangible assets, capabilities and knowledge, which allow the development of basic processes of organizations, enabling the achievement of competitive advantages (Martin de Castro, 2011; Delgado, 2011; López, 2011; Navas, 2011).

The most common classification of Intellectual Capital divides it into three types: human capital, structural capital and relational capital (Bontis, 1999). Human capital is defined as the summation of knowledge, skills, innovation and capabilities of employees to reach goals. Also human capital is considered the key element of IC and one of the most important sources of firm's sustainable competitive advantages (Cabrita and Bontis, 2008; Nokana and Takeuchi, 1995). Petty and Guthrie (2000) noted that human capital is the most valuable element among the components of intellectual capital, they stated that money spend on it should not be viewed as a cost but as an investment.

Human capital too, is the most significant component of IC to influence entrepreneurial activity due to the responsibility that it promotes, competence and motivation of individuals (Mačerinskienė and Aleknavičiūtė, 2011). Relational capital, sometimes called customer capital was defined as the summation of relationships, interactions, and intimacy of an organization with customers (Steward, 1994). It is critical for making decisions about how to exploit the current organizational knowledge and also about detecting market trends and technological opportunity (Kogut and Zander, 1992).

It is important to mention that according to the study made by Sofian and Earnest (2011) human capital was the mostly recognized IC component, while structural capital was the least; the findings indicated that the level of IC is associated with the level of business performance.

Bilich and da Silva (2008) divide intellectual capital into four categories: market assets, human assets, intellectual property assets, and methods and processes assets. Besides, Indian consultant C. Srinivasan (2009) says that IC of a company has two components basic knowledge of the organizations that is included in all processes, including instructions, standards, guides, strategies; and more knowledge and value of individual employees. IC components have significant influence over business performance (Bontis *et al.*, 2000). According to the resource-based view of the company, the resources are fundamental factors of competitiveness and development of the firm (Atalay, Anafarta, 2011). Nowadays, with the presence of the knowledge-based economy, intellectual capital seems to be a core resource, in fact many companies rely almost completely on their IC for generating revenues (Kavida, 2009).

It is said that successful organizations hire intelligent staff, this is considered the usual way to develop IC (Sveiby, 1997; Rose *et al.* 1997; Stewart, 1997). Selecting individuals who are likely to be committed to the organization, and who can be expected to fit into a knowledge sharing organizational culture can enhance the intellectual capital of the company (Hislop, 2002).

Intellectual capital, unlike any other resource of a firm has become a significant source of value for contemporary firms and their networks, due to the competitive advantages that creates that are intended to have impact among international markets (Szymura-Tyc, 2009), Wildowicz-Giegiel (2011) said that the basic reason of low competitiveness in an enterprise can be found in the quality of intellectual capital resources. The effective management can guarantee to the organization sustainable competitive advantage therefore value creation (Veltri, 2011; Bronzetti, 2011; Sicoli, 2011), as well as creating value-focused thinking (Bilich, 2008; da Silva, 2008).

2.2 Knowledge Development

Developing a firm's knowledge-shared culture, intellectual capital requires the willingness of employees to put their knowledge, skills and abilities to use for the organization, thereby sharing the capital with others. This willingness to share is dependent on the degree of social capital present in an organization (the network of individuals that a given employee interacts with) (Youndt *et al.*, 2004).

It is estimated that about 42% of intellectual capital is in the minds of the employees, aspect that is in need to be exploited (Srinivasan, 2009).

Business performance and success relies in a very important factor that every company has, intellectual capital, this element of firms brings future earning potential and capability to innovate, which gives to companies a better competitive position (Hall, 1992; Stewart, 1994). Then, is true that sufficient intellectual capital enables a firm to create innovations (Hermans & Kauren, 2005), but not only for the amount of IC that an organization may have, but because IC is a core strategic resource for a firm, it empowers innovations, competitive strategies and value creations and allow companies to gain competitive edge and sustainable business growth even during economic distresses (Atalay, 2011; Anafarta, 2011; Bontis *et al.*, 2000; Bounfour, 2003; Tayles *et al.*, 2007).

2.3 Sustainable Intellectual Capital

Another topic that is often heard in the present is the one related with sustainability and environment, some researches have introduced the intellectual capital to this theme calling it Sustainable Intellectual Capital. It is supposed to facilitate environmental action by the knowledge achieved through cooperation and the creation of green alliances with environmental groups that may include suppliers, customers, administration, opinion groups, to name few (González-Benito, 2005; Pagell *et al.*, 2004).

Once managers recognize the value of sustainable intellectual capital, they must take a leading role in the promotion of environmental initiatives and processes. It is very important for managers to empower employees to participate in environmental training, awareness sessions and attending seminars, sessions and workshops in order to obtain new knowledge related to this field (Zaragoza, 2011; Claver-Cortés, 2011; Molina-Azorin, 2011), even more taking in consideration the massive green trend that we are experiencing nowadays. The corporations pioneers in green innovation will have the opportunity to enjoy the first mover advantage, which would allow them to ask for a higher price for green products, trend that is very promoted in the present; and at the same time, improving their corporate images, developing new markets and gain competitive advantages.

2.4 Intellectual Capital and Knowledge

To ensure organizational survival in a highly competitive environment, firms should increase their focus on knowledge acquisition, knowledge sharing, and knowledge application in order to enhance a firm's IC, competitive advantage in international markets results from the fact that knowledge (intellectual capital) has certain features that make it different from other resources of the organization, then one of the features of knowledge is the intangibility, which makes it easy and cheap to transfer in space and over state borders (Szymura-Tyc, 2009), this tacit knowledge is rooted in experience, and comprises much of the knowledge employees have (Fineman et al., 2005).

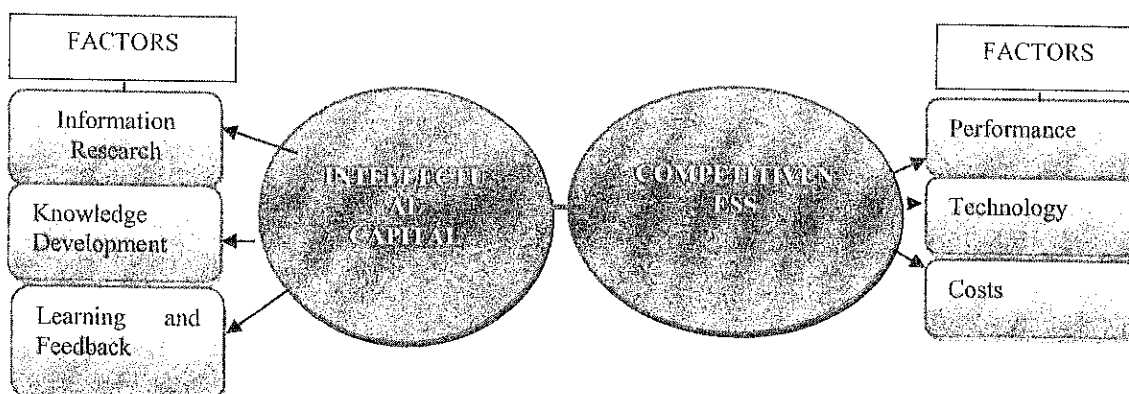
Another feature is called the inexhaustibility of intellectual capital, which allows it to be utilized many times, without losing value. And the "simultaneity" which means that it can be used by many people and organizations or firms at the same time and in many places simultaneously (Szymura-Tyc, 2009).

Even though, Bilich and Da Silva (2008) mentioned that intellectual capital as a value aggregator should principally be evaluated in high technology and service companies, this last one due to the added value that is supposed to be offered to its different publics to create loyalty and good images. Competitive advantage of organizations in today's economy lies not only in their positioning on the market but in the development of knowledge resources as intangible and hard to be replicated in their use (Stibli, 2009). Measuring intellectual capital is important to realize that working with it should involve employees from all layers in the organization who should be involved in all the phases of development, implementation and day-to-day work with the measuring of intellectual capital. Employees who are a part of this process will more easily develop an understanding of the firm's goals and visions (Kavida and Sivakoumar, 2009).

The starting point of today's most researches is that our economy has changed from an industrial into a knowledge economy (Drucker, 1993), in which the competitive advantage of organizations is based on the ability to exploit knowledge resources, everything that workers can contribute to the organization, all their know-how, skills and every other intangible asset that intellectual capital can provide are core factors that an organization should attend.

3. METHODOLOGY

Due to the material analyzed and in consideration of the diverse factors the research construct



3.1. HYPOTHESIS

1. The higher Intellectual Capital, higher competitive an organization is.
2. The better technology a company has, the better Intellectual Capital of a company performs.

4. ANALYSIS OF RESULTS

A hundred and twenty one surveys were applied in the furniture manufacturing industry in the state of Jalisco. It was determined that the majority of the interviewed people is between the 35 and 54 years old, but the most representative sample was around the 50 years old.

According to the reliability analysis Alfa of Cronbach equal to 0.916 it was found that the survey and samples are highly representative and highly reliable, so that we know that the data obtained is very close to the reality.

A Barlet's test of sphericity and KMO test was made, the correlation appeared to be high and analysis showed .801 and significance .000 that the variables are positively correlated .

With ANOVA's analysis it was found that the variables are not significant in the relation between Intellectual Capital and Competitiveness, most of the SME's don't consider IC an important factor for the performance of their company, even though a certain amount of businesses seemed to pay attention to their Intellectual Capital in order to enhance their competitiveness, then the hypothesis is rejected.

The second hypothesis which makes reference to Intellectual Capital and its relation with Technology, it was rejected, due to the variance analysis that shows the low correlation they have, so that we can say that Intellectual Capital performance into the company goes separately with the quantity or level of technology a company has.

5. CONCLUSIONS AND LIMITATIONS

After the analysis, furniture SMEs in Guadalajara, it was found that many companies of this size and sector do not consider intellectual capital as an important factor for their competitive performance, as well it was determined that the relation between IC and technology goes separate.

The results obtained through the statistical analysis showed that the correlation between factors and intellectual capital were low, which demonstrates that at least for this segment of companies is not very relevant the intellectual capital for their performance.

The survey was applied to the directors or high positioned managers of every company, could be important to analyze if results differ doing the research in other levels of the organization.

The research was made with a convenience sample, for further studies would be good to apply an stratified sample with 5% of error percentage and 95% of reliability interval.

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AUTHOR PROFILE:

Dr. Jose Sanchez- Gutierrez is PhD in Management, Chair of Marketing & International Business department, at University of Guadalajara, editorial team of Measuring Business Excellence Journal, Regional Coordinator of the SGBED, IFKAD Scientific Committee, President of the Competitiveness Research International Network, and Director of Mercados y Negocios Journal.

Mercedes Elisa Gaxiola-Villaseñor is assistant's Chair of Marketing & International Business department, at University of Guadalajara.

Dr. Elsa Georgina Gonzalez-Urbe is Titular Professor of Marketing & International Business department, at University of Guadalajara.