

HUMAN CAPITAL – DRIVING FORCE OF INTELLECTUAL CAPITAL IN CREATING FUTURE

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Abstract

In time characterized by complex and uncertain business environment and working conditions; where small, medium but even large (and up till yesterday) successful companies are failing on daily basis, it is important to have economy models which will ensure reestablishment of value system of industrial era, models which will give expected, positive, results.

In general, this is not the case since there is no compatibility of models with requirements of information era. So, those negative results together with market positions taken by those who understand changes better, emphasises need for understanding and implementing change management in companies.

When trying to overcome mentioned obstacles in coping with changes and demolished value system, key success variable was detected – human capital as the best source of creative energy.

In this study, human capital, as in many studies before, is recognised as driving force of intellectual capital and as well as synergy effect of conational, motivational, cognitional, social, moral and communicational dimension.

JEL classification: J24, O15

Key words: economy of knowledge, intellectual capital, human capital, future

Introduction

In time characterized by complexity and uncertainty, time of fast and continuous changes, there are no guaranties for survival, not in possessions not in capital value. Small, medium but even large (up till yesterday) successful companies fails every day. Why? Since there is no adjustment of management models to needs of new era. Status quo is not good strategy for the future and it is impossible to count on slow changing process when managing. Changes are fast but organization of companies not dynamic enough to cope with that fast changes in most of the cases.

Human capital manages to differentiate itself as richest source in creating energy and as critical variable of success or failure.

Intellectual capital as dividing line between conventional economy and economy of knowledge

In 1675, King Charles II established the Royal observatory at Greenwich, with main goal to find a method of exact geographic longitude measuring. That decision was the result of understanding that the further development cannot be based only on regional sea transport, which was based on data of the geographic latitude and that for the travelling along the long seas, which were promising development, data on the geographic longitude are missing. Almost the whole century passed before the mystery of longitude was resolved (J. Harrison designed 1735.g. naval hour, the forerunner of chronometer but it took following 30 years to be recognized) and thus make breakthrough in the future (Edvinsson, 2003).

A similar challenge is happening in business world: in has latitude in its financial capital and should design solution to measure its intellectual capital - contemporary longitude. Comprehensive study of intellectual capital is essential in order to create "map" of unknown waters in future.

When rating global world competitiveness, best ranking positions are hold by countries of knowledge – countries which establish their development on non-conventional economy, on economy of knowledge where central position is given to intangible values. Modern economy sees competitive advantage as intangible, invisible, unseen. That invisible dividing line between accounting value of company and market value of company is intellectual company value. Intellectual capital is last undivided and un-wasted world resources. Companies, as well as all other communities, which are not able to see developing possibilities of intellectual capital, lost their basic strategy tool for developing in future.

When defining intellectual capital, it includes:

- Human capital,
- Structural Capital,
- Customer Capital and their relationship (Mujić, 1999., 199)

More specified, intellectual capital of employees can be divided as Human Capital (HC) which is composed of innovation capital and management capital, then Structural Capital (SC) composed of organization, innovation, process and relation capital, and Customer Capital (CC) composed of client capital, suppliers, shareholders, cultural capital (group of authors, 2001. 10)

Human capital, driving force of intellectual capital

Human capital is driving force of intellectual capital and includes knowledge of employees like innovation, capital management as well as the ability to implement the ideas into action and the ability of management to establish a connection between all components of intellectual capital. When defining human capital, it can be explained as the totality of individual and collective knowledge, skills, attitudes, capabilities, behaviours, experiences and emotions of all employees. (Group of authors, 2001. 13). In literature, human capital can be very often found as concept of human resources, which refers to what can be (but still isn't) when the necessary conditions are created and provides an important but not a comprehensive overview of human capital. Human capital in this (and numerous other researches and papers) is considered to be synergy effect of:

- Conative
- Motivational
- Cognition
- Social
- Moral and
- Communication dimension

Conative dimension refers to emotions that have a primary influence on development of human resources and represent an attempt of organism to achieve control over the complex and uncertain environment. R. Plutchik (Plutchik, 1980.), for example, says that the brain is developed with the purpose to predict the future by precisely defining environment, and increasing possibility of prediction and adjustment to new situations. Entering the problem of group dynamics he observed how emotional resonance (pleasant or unpleasant) and no-flow of information, as is generally thought, leads to group cohesion. Recent cognitions concerning the emotional intelligence confirm these theses. Emotional intelligence is now considered to be twice as important as the sum of quotient of intelligence and technical skills and one of the key competencies exchange. It represents the ability to know and control their emotions, understanding the behaviour of others and the successful establishment of social relationships with other people, as well as ability for proper response in a particular situation. (Goleman, 1997) Today there is widespread thesis that *IQ employs, and EI promotes*.

Motivational dimension in the development of human capital means a shift from the extrinsic to intrinsic motivation. It also means a shift from a lack of motivation (deficiency) expressed in order to survive and satisfy needs of security by removing defects and adverse effects and avoiding threat and

threats, to the motivation arising which is marked by the attraction of positive and development goal.

The cognitive dimension in the development of human capital in particular is considered through the development of creative thinking and the processes of acquiring knowledge. The path towards the knowledge society assumes that all its members, especially those responsible, learn to learn. Therefore for responsible positions that are requiring high level of professionalism is introduced Institute "unit of continuing education" (continuing education unit-CEU), which has the purpose of recertification of university diplomas. Speed learning and through that creating space for new opportunities necessarily connected rational intelligence (IQ) with the emotional (EQ) and spiritual or synaptic intelligence (SQ) (Edvinsson, 2003. 18).

High technology reveals many new educational opportunities: access to information in real time, mentor-management and distance communication, localising the time and place of their own professional development, exchange and verification of acquired knowledge through the network etc. The need for a holistic knowledge and skills, self-education and lifelong learning grows. For companies competitive advantage can be found in employees called „basic minds“- intellectual workers who know how to handle situation in the most extreme conditions (who are around 0.06 to 0.6 percent in total number of employees). Furthermore, social networks significantly contribute when acquiring knowledge and they become necessary but still not sufficient precondition for development. Networks, which enable fast exchange of data and information, are needed but they are not enough for a true acquisition of knowledge (and wisdom) and its integration into development. What is needed is community of knowledge.

Creation of those networks and communities leaded to a more intensive study of the impact of *social capital* on economic success. Social capital, according to Bourdieu (Arregle et al., 2007., 21), is totality of current and potential resources that are linked to possession of durable networks of more or less institutionalized relationships through mutual acquaintances. According to some authors, there are three dimensions of social capital:

- Connecting (the establishment of good relations between workers with similar characteristics)
- Bridging (the establishment of cooperation between workers of different characteristics)
- Joining (connecting with people in powerful positions) (Baker, 2004. 47)

Social capital can be seen as capital of relations (often informal) between individuals and organizations to facilitate activities and create value and are

based on common interests. In studies of social capital, one must also include networks between employees (structural social capital), the quality of these networks (relational social capital) and the ratio between system of rewarding employees and system of evaluating of their networks (cognitive social capital). We also cannot ignore forms contrary to the positive impact of social capital expressed in visantism, phenomenon of cunning, seductive and deceptive mode of action that creates a climate of distrust.

Ethics and morality are factors that prevent often a thin line between the positive impact of social capital and visantism. Moral traditions, principles and standards, which expresses the perception of good and evil, just and unjust, moral and immoral, capture human relations, and are therefore the moral relationship, the social relationship. The moral ethics deals with the question of the source of morality, the criteria of moral judging of human actions and moral evaluation. According to Klaić, ethics - Greek (ethos) custom, habit, mood - doctrine of morality, has task not only to acquaint us with what is morality, which is its basic component, but also to take critical viewpoint towards the existing moral practice. Moral is one of the fundamental modes of human relationship to the world. Ethics is theory or philosophy of that relationship. "(Bebek, Kolumbić, 2000. 3).

The word ethics originates from the Greek word, ethos: custom, nature, character (Anić, 2004. 176). The word morality originates from the Latin word, moralis: character, nature (Anić, 2004. 229). This shows that the existing distinction of terms moral and ethics is primarily of technical nature where the moral is object in ethics as a theory or as a scientific discipline. Morality is a characteristic of humans. Morality is a subjective truth, and knowledge strives towards objective truth. Studying the role of moral dimensions in the development of human capital should focus on personal, social and business morality. Specificity of morality is in its subjectivity and double function, morale at the same time contains the motivation and regulatory function.

Although that behaviour depends on social and historical circumstances ethical decision is, however, primarily located in the individual whose duty is to choose their own values and personal goals. The human being is, as it says E. Morin (Morin, 2008.), hologram point that contains integrity individual - species-society, because although it remains completely separate, consists the genetic heritage of species and a norm of one culture - society. Individual-species-society, are inseparably connected and through the history occur the disturbances, the failures of these three elements of ethics. Increase in corruption in all forms, general discourtesy and frenetic of violence cause sincere need for a "new ethic" so that more and more talks and writes about auto-ethics which seeks to discipline egoism and to develop altruism, about socio-ethics that connects us with others, community and the entire world and

about antro-po-etics that is specifically related to the planetary humanism (its special task is to civilize the Earth).

Communication dimension. The increasing complexity of problems and conditions in which they resolve require different skills and interdisciplinary competence; increasing uncertainty and fast changes make the time pressure that is more easily resistant to well-organized teams; automation and networking at all levels and in all areas provide faster flow of information; merging of otherwise separate specialized knowledge increases productivity and quality; in groups the needs are satisfied in better way, groups are emotional shelter for those who don't have that shelter in family, neighbourhood, church and also the spirit of time brings change of values and encourages the strengthening of participation, co-responsibility, co-decision procedure. Often communication problems have their source in the organizational dilemmas that indicates the actual or only potential, but constantly present gap between individual needs, interests and goals of the participant of organizations and what is defined at the level of the organization as a whole.

Bad communication is often result of disagreements that occur due to poor transmission of information. "Noise" in the transfer of information provokes emotions, way of thinking, all available knowledge, interests, circulation and cooperation is the human response to high technology, documentation, etc. If level of emotional and intellectual resonance among the participants in the communication process is lower, it is even more important to define ways and modes of communication. Many problems arise because of human's constant need for comparison with others, which mostly results in deprivation⁴⁴ and often with „familiar" and "revanche" forms of behaviour at all organizational levels. Modern forms of flexible organization and implementation of high quality information technology make it possible that each individual can at the same time belong to: a group of equals, a group in which he may feel like looser, but also the group in which he will be better than others, which certainly contributes to the reduction of deprivation. Besides, the speed and quality of information is such that the misunderstanding almost shouldn't appear. Technological barriers for quality communication almost do not exist. They lie in the human emotions, needs, knowledge, and imagination. Growth of importance of communication and cooperation are the human response to high technology, contribute to the creation of high tech / high touch relationship (Mujic, 1999. 203).

⁴⁴ Kako je usporedba uglavnom s onima boljih postignuća javlja se osjećaj zavisti ili pak nepravde kada se za isti ulog dobiva manje.

Therefore, the foundation of good communication is appreciation of needs, interests and goals of all participants in the organization, or as F. Vreg says... new paradigm is based on the assumption that the communication is a form of cooperative interaction in which there is process of disjunction, but process of keeping its identity and its own interest as well (Vreg, 1998., 11) Development of trust is the bridge across which happens the transfer of implicit (silent, hidden, unsaid, intuitive, empiric and practical) to explicit (formatted and formalized knowledge recorded in books that can be transferred to educational processes) knowledge. Confidence increases proportionally to consistency of behaviour which is why it's important to nurture the positive forms of organizational and business culture.

Conclusion

The whole world has been touched by the recession and attempts to find the way out of using the models of which are expected to re-establish the value system of industrial age, which primarily means that the capital will create enlarged capital, does not give the expected results. Business world in the financial capital has its "latitude" but for a successful orientation in the future or, even better, to create the future, „longitude“is needed as well. In complex and suspenseful terms of the information age, economic science appears refreshed in the form of economy of knowledge. In the heart of the economy of knowledge is the concept of intangible value. Competitive advantage is moving from the physical to the intangible, from visible to invisible, from seen to unseen. Invisible dividing line which explains the difference between accountant and market value of the company can be recognized in the value of its intellectual capital. Intellectual capital includes: human capital, structural capital and customer capital and their mutual connections. That is undivided world resource and everyone should find the way to participate in it.

Driving force of intellectual capital is human capital that in this and numerous other studies and scientific papers considered as a synergy effect of: conative, motivational, cognition, communication, moral and social dimension. Thus formulated human capital is the individual value that company cannot own and it's hard to be measured. With further research and acquisition of new knowledge it is possible that some of those dimensions of human capital become less important, it is possible also that some new ones will be introduced. The future goal is to explain rather than simplify the role and place of human capital in intellectual capital and the role of intellectual capital in the development i.e. creation of future. Scientific segment of the public interested in the economy of knowledge impend difficult but challenging task of measuring the quality of human and intellectual capital which will be drawn from the anonymity of classical financial statements.

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