INTELLECTUAL CAPITAL: THE PATHWAY TOWARDS SUSTAINABLE COMPETITIVE ADVANTAGE

Abdul Amid Aziz Jallow
College of Economics and Business, Liaoning University, Shenyang, China
azizhrmjay@gmail.com

Maryam Abdullahi Habib
College of Economics and Business, Liaoning University, Shenyang, China
mahabib87@yahoo.com

Allieu Badara Kabia
College of Economics and Business, Liaoning University, Shenyang, China
allieubkabia@yahoo.com

Abstract
Achieving sustainable competitive advantage through intellectual capital is a critical phenomenon and posed several challenges in the competitive environment. This study assesses the elements of intellectual capital as the pathway towards sustainable competitive advantage. The work was critically examined through the collection of data from secondary sources such as published books, articles on intellectual capital and other relevant information that constitute the subject matter. Analysis was drawn from available facts retrieved from published information which evidently stated that the subsets of intellectual capital (knowledge capital, social capital and organisational/structural capital) are competitive strategy and an indispensable route towards sustainable competitive advantage. Also, relevant facts about knowledge management, performance management, reward management and gaining competitive advantage in a tough competitive arena was also thoroughly discussed and results shows that these machineries are accelerating elements towards competitive advantage. In factual, intellectual capital is a significant path towards sustainable competitive advantage in the logic that, firms cannot operate without knowledge, relationship and effective structures in place. This study is significant to modern firms whether small scale, medium scale or multinationals. It is also noteworthy to educational institutions, executive officers, managers in public and private institutions and all spheres of life.

Keywords: Intellectual Capital, Pathway, Sustainable Competitive Advantage, Competitive Strategy
INTRODUCTION

Intellectual capital has been considered by many, defined by some, understood by a selected few, and formally valued by practically no one (Stewart, 1997; Sveiby, 1997). Therein lies one of the greatest challenges facing business leaders and academic researchers today and tomorrow. Recently, the job title of chief knowledge officer (CKO) has been creeping up on annual reports and job advertisements with ever-increasing frequency. These path finding individuals have been given the enviable task of channeling their organizations’ intellectual capital as an essential source of competitive advantage. Knowledge officers are responsible for justifying the value of knowledge that is constantly being developed in their organizations (Nonaka and Takeuchi, 1995). This elusive intangible may never be evaluated in the financial terms that we are currently accustomed to. However, its strategic impact is never in question. From the capture, codification, and dissemination of information, through the acquisition of new competencies via training and development, and on to the re-engineering of business processes, present and future success in competition will be based less on the strategic allocation of physical and financial resources and more on the strategic management of knowledge. Intellectual capital research has primarily evolved from the desires of practitioners (Bontis, 1996; Brooking, 1996; Darling, 1996; Edvinsson and Sullivan, 1996; Saint-Onge, 1996). Consequently, recent developments have come largely in the form of popular press articles in business magazines and national newspapers. The challenge for academics is to frame the phenomenon using extant theories in order to develop a more rigorous conceptualization of this elusive intangible (Bontis 1998).

In the twenty-first-century landscape, firms must compete in a complex and challenging context that is being transformed by many factors, from globalization, technological development, and increasingly rapid diffusion of new technology, to the development and use of knowledge (Hitt, Keats, & DeMarie, 1998). This new landscape requires firms to do things differently in order to survive and prosper. Specifically, they must look to new sources of competitive advantage and engage in new forms of competition. This, in turn, requires a clear understanding of the nature of competition and competitive dynamics. One popular approach to understand competitive dynamics is the resource-based view of the firm. According to this view, the explanation of why some firms ultimately succeed and others fail can be found in understanding their resources and capabilities (Jackson, Denisi & Hitt, 2003). A firm’s resources and capabilities influence both the strategic choices that managers make and the implementation of those chosen strategies. (The recent debate over this model suggests there are challenges involved in applying it; see Priem & Butler, 2001; Barney, 2001.)
To understand why certain competitive strategies are more effective than others, one must consider the distribution of resources in competing firms. Although a given firm may possess more or less of any particular resource, only those resources that are rare, valuable, and difficult to imitate provide a sustainable competitive advantage (Amit & Schoemaker, 1993; Barney, 1991; Schoenecker & Cooper, 1998). When the strategies employed are successful in leveraging the firm’s rare, valuable, and difficult-to-imitate resources that firm is likely to gain an advantage over its competitors in the marketplace and thus earn higher returns (Hitt, Nixon, Clifford, & Coyne, 1999). Competitive advantages that are sustainable over time lead to higher performance (Peteraf, 1993). These arguments are somewhat clear when we consider tangible resources such as buildings, machinery, or access to capital. And in the more traditional competitive landscape, these tangible resources were the most important potential sources of competitive advantage. Thus, if a firm could modernize its plant, or develop a more efficient distribution process, or access cheaper credit, it could compete successfully and prosper. But firms employ both tangible and intangible resources in the development and implementation of strategies, and as the nature of work and competition changes, intangible resources are becoming more important (Jackson, Denisi & Hitt, 2003). Examples of intangible resources are reputation, brand equity, and—for our purposes the most important of these—human capital. In fact, in any competitive landscape it has been argued that intangible resources are more likely to produce a competitive advantage since they are often rare and can be more difficult for competitors to imitate (see Black & Boal, 1994; Itami, 1987; Rao, 1994). Among a firm’s intangible resources, human capital may be the most important and critical for competitive advantage because it is the most difficult to imitate.

A firm’s access to such bundles of integrated resources and the difficulty of imitating them are the ultimate source of competitive advantage. Any organization that seeks a competitive advantage through human resources thus must both acquire the “right” resources and take the steps required to leverage them (Jackson, Denisi & Hitt, 2003). Generally speaking, human capital is more mobile than other intangible resources (see Teece, Pisano, & Shuen, 1997). Therefore, it may seem an unlikely source of sustained competitive advantage.

The Hollywood studios sought to reduce the mobility of human capital by signing their stars to long-term exclusive contracts. Such contracts are no longer feasible in the movie industry, nor are they usually feasible elsewhere. Yet the mobility of human capital is less a threat to competitive advantage than it would first seem to be (Jackson, Denisi & Hitt, 2003). This fact could be substantiated with reference to organizations’ in Sierra Leone. Many private and public organizations’ in Sierra Leone engage their employees on long term contract as a retention mechanism towards competitive advantage but most of the activities of public
organizations do not seem to be achieving their desired objectives with such retention strategy as a result of human capital mobility. The influx of multinational corporations in 2010 triggered labour turnover and left many public institutions handicapped with few competent personnel. Such effect hindered the progress of many schools in the northern part of Sierra Leone. The causes were as a result of poor reward systems and procedures in public institutions which cannot address the basic needs of public servants but attractive rewards could be provided by these multinational corporations. The University of Makeni, which is a private university in the northern part of Sierra Leone holds an opposing view towards such competitive dynamics and chose to engage its employees on a yearly contract. This method of employment has one time led to a huge turnover in the university since employees perceived it insecure but that does not prevent the university from gaining competitive advantage over its rivals. The recent World University ranking in 2015, classified University of Makeni as the leading university in Sierra Leone; which shows that, the mobility of human capital is not actually a threat to competitive advantage as in the case of the University of Makeni. Jackson, Denisi & Hitts (2003) further stated that, once an organization integrates human capital with other complementary resources and uses this integration to create organizational capabilities (that is, leverages them), losing one or a few individuals may not lead to a loss of competitive advantage. Instead, a competitor would have to gain access to all of the resources and the system in place to leverage those resources.

Aim
The purpose of this study is to assess the significance of Intellectual Capital as the Pathway towards Sustainable Competitive Advantage.

Research Objectives
The general objectives which are subsets of the research aim states as follows:

- To describe human capital, social capital and structural capital as a competitive strategy
- To discuss the processes involve in managing knowledge for sustainable competitive advantage.
- To describe the role of performance management in a competitive environment
- Explain the significance of reward systems and procedures as motivating tools in enhancing organisations success
- How sustainable competitive advantage is fostered in a highly competitive environment
Significance of the Study
The evolution and development of management thoughts was achieved as a result of knowledge acquisition and utilization and also sustainable competitive advantage which is the desire of every firm can only be achieved as a result of developing and managing intellectual capital. This study is important to all firms (small scale, medium scale, large scale and multinational corporations) as competitive advantage could not be achieved without intellectual capital. Even the establishment and effective functioning of profit and non-profit making institutions requires diligent and knowledgeable employees to manage their operations efficiently. This information will aid practicing managers, business consultants, professionals in human resource management, as the growth of every organization requires knowledge, relationship and proper structures in place for goal achievement and organizational success. This study will contribute towards the improvement of the management profession as it is acknowledged that knowledge is paramount in every spheres of life.

LITERATURE REVIEW
This section reviews literatures of published information on intellectual capital and other relevant facts about what forms the various components that constitute the subject matter as the pathway towards sustainable competitive advantage. Contents of the reviewed literature serve as significant component in building the review to its successful completion.

Human Capital, Social Capital and Organizational / Structural Capital as a Competitive Strategy

Definition of Intellectual Capital
Intellectual capital (IC) can be defined as intellectual resources that have been "formalized, captured and leveraged" to create assets of higher value (Prusak, 1998). IC refers to intellectual material such as knowledge, information, intellectual property and experience that can be used to create wealth. Intangible assets are innately difficult to measure and include a large number of organizational and individual variables. Simple financial measures fail to take cognizance of the complex nature of these assets. IC can be classified as human capital, organizational capital and customer capital (Bontis, 1996; Edvinsson and Sullivan, 1996; Roos and Roos, 1997; Stewart, 1995). The classification of intellectual capital by the above theorists clearly substantiate that the components constitute this precious intangible which could serve as a source of competitive advantage but the challenges organizations could face in dealing with such capital will be the process of developing and managing its elements.
Human Capital

Human capital consists of the knowledge, skills and abilities of the people employed in an organization (Armstrong, M. 2009). The term was originated by Schultz (1961) who elaborated his concept in 1981 as follows: ‘Consider all human abilities to be either innate or acquired. Attributes… which are valuable and can be augmented by appropriate investment will be human capital.’ A more detailed definition was put forward by Bontis et al (1999), as follows: Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization. As emphasized by Bontis et al (1999) above, the stimulation component towards goal achievement which is motivation, should be a principal focus of any organization that determine to succeed. Having knowledgeable employees endowed with both tacit and explicit knowledge can only work toward sustainable competitive advantage if there is satisfactory reward to enhance performance. The word satisfactory may somewhat be interpreted differently by employees, depending on the perceptions about their jobs and the package been provided because what is termed satisfactory by A maybe perceived unsatisfactory by Band vice versa, that is why institutions should strive to understand the basic things that motivates their employees.

The Significance of Human Capital Theory

The added value that people can contribute to an organization is emphasized by human capital theory. It regards people as assets and stresses that investment by organizations in people will generate worthwhile returns (Armstrong 2009). Indeed developing employees’ capacity is relevant since acquisition can later lead to utilization, sharing, employees’ loyalty and exhibition of organizations citizenship which serves as returns on the organizations investment in the employees. Human capital theory is associated with the resource-based view of the firm as developed by Barney (1991). This proposes that sustainable competitive advantage is attained when the firm has a human resource pool that cannot be imitated or substituted by its rivals. Boxall (1996) refers to this situation as one that confers ‘human capital advantage’. But he also notes (1996, 1999) that a distinction should be made between ‘human capital advantage’ and ‘human process advantage’. The former results from employing people with competitively valuable knowledge and skills, much of it tacit. The latter, however, follows from the establishment of difficult to imitate, highly evolved processes within the firm, such as cross-departmental cooperation and executive development. Accordingly, ‘human resource
advantage’, the superiority of one firm’s labour management over another, can be thought of as the product of its human capital and human process advantages (Armstrong, 2009).

**Social Capital**

As describe by (Armstrong, 2009) Social capital is another element of intellectual capital which consists of the knowledge derived from networks of relationships within and outside the organization. Building a network of relationships is very important though critical because no one organization operates in isolation. Client and customers retention is through a network of good relationship management which organizations should consider as a tool towards growth. The concept of social capital has been defined by Putnam (1996) as ‘the features of social life – networks, norms and trust – that enable participants to act together more effectively to pursue shared objectives’. It is important to take into account social capital considerations, which is the ways in which knowledge is developed through interaction between people. Bontis et al (1999) point out that it is flows as well as stocks that matter. Intellectual capital develops and changes over time and a significant part is played in these processes by people acting together.

**Social creativity**

To make social creativity (Fischer 2000) a reality, we have explored new forms of knowledge creation, externalisation, integration, and dissemination based on the observation that the scarce resource in the information age is not information—rather; it is the human resource to attend to this information. One aspect of supporting social creativity is the externalisation of an individual’s and a group’s tacit knowledge (Polanyi, 1966). Individual tacit knowledge means intuition, judgment, and common sense: the capacity to do something without necessarily being able to explain it. Group tacit knowledge means knowledge existing in the distinct practices and relationships that emerge from working together over time. Externalisations (Bruner 1996) support social creativity in the following ways:

- they cause us to move from vague mental conceptualizations of an idea to a more concrete representation of it;
- they provide a means for others to interact with, react to, negotiate around, and build upon an idea;
- they allow more voices from other stakeholders to be brought in; and
- They create a common language of understanding (including boundary objects that are understandable across different domains (Arias and Fischer 2000).
Creating these externalisations requires active contributors and not just consumers. Externalisations of individual knowledge make it possible to accumulate the knowledge held by a group or community. An important challenge for social creativity is to capture a significant portion of the knowledge generated by work done within a community. Experiences with organisational memories and collaborative work have exposed two barriers to capturing information. First, individuals must perceive a value in contributing to an organisational memory that is large enough to outweigh the effort (Grudin 1994). Second, the effort required to contribute to organisational memory must be minimal so it will not interfere with performing the work at hand (Carroll and Rosson 1987). Since human beings often try to maximise utility in the decision-making process (Reisberg 1997), increasing the value and decreasing the effort of knowledge externalisation and sharing are essential. No objective evaluation of value and effort exists: the evaluation is subject to each person’s perception and background.

**Organisational/Structural Capital**

Organizational capital is the institutionalized knowledge possessed by an organization that is stored in databases, manuals, etc. (Youndt, 2000). It is often called ‘structural capital’ (Edvinson and Malone, 1997), but the term ‘organizational capital’ is preferred by Youndt because, he argues, it conveys more clearly that this is the knowledge that the organization actually owns. As emphasized by Youndt, knowledge owned by an organization is a key determinant to its success. The opinion or perspective of (Edvison et al/1997) could critically be seen as of paramount importance because structures like legal structure, corporate governance, culture, hierarchy of authority, information systems and technology, research and development etc., could form what is called structural capital. Though the two seem synonymous, organizational/structural capital, which is a constituent component of intellectual capital, could serve as a source of competitive advantage if well managed.

**Competitive Strategy**

In a competitive environment, (Porter, 1998) states that every firm competing in an industry has a competitive strategy, whether explicit or implicit. He emphasized that this strategy may have been developed explicitly through a planning process or it may have evolved implicitly through the activities of the various functional departments of the firm. Left to its own devices, each functional department will inevitably pursue approaches dictated by its professional orientation and the incentives of those in charge. However, the sum of these departmental approaches rarely equals the best strategy. Developing a competitive strategy Porter(1998) described as developing a broad formula for how a business is going to compete, what its goals should be,
and what policies will be needed to carry out those goals. Porter (1998) further emphasized that, the essence of formulating competitive strategy is relating a company to its environment. Although the relevant environment is very broad, encompassing social as well as economic forces, the key aspect of the firm's environment is the industry or industries in which it competes. Porter 1998 reiterated that, industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm. Forces outside the industry are significant primarily in a relative sense; since outside forces usually affect all firms in the industry, the key is found in the differing abilities of firms to deal with them.

The aforementioned facts about the components of intellectual capital (human, social, organizational/structural capital) are a source of competitive advantage in the sense that human capital plays a great role in the knowledge aspect of the firm whilst social capital plays a sensitive role in the network of relationships. Also the absence of structural/organizational capital will definitely handicap the process of the composition of intellectual capital, that is why the three (3) serves as competitive strategy that enhance growth in every firm, whether small scale or large scale enterprise.

Knowledge Management for Sustainable Competitive Advantage

Knowledge is increasingly being recognised as the new strategic imperative of organisations. The most established paradigm is that knowledge is power. Therefore, one has to hoard it, keep it to oneself to maintain an advantage. The common attitude of most people is to hold on to one’s knowledge since it is what makes him or her as an asset to the organisation. Today, knowledge is still considered power – an enormous power in fact – but the understanding has changed considerably, particularly from the perspective of organisations. The new paradigm is that within the organisation, knowledge must be shared in order for it to grow. It has been shown that the organisation that shares knowledge among its management and staff grows stronger and becomes more competitive. This is the core of knowledge management – the sharing of knowledge (Uriarte Jr. 2008).

The ability to manage knowledge is becoming increasingly more crucial in today's knowledge economy. The creation and diffusion of knowledge have become ever more important factors in competitiveness. More and more, knowledge is being regarded as a valuable commodity that is embedded in products (especially high-technology products) and in the tacit knowledge of highly mobile employees. Although knowledge is increasingly being viewed as a commodity or an intellectual asset, it possesses some paradoxical characteristics that are radically different from those of other valuable commodities (Dalkir 2005).
**Definition of Knowledge Management**

Knowledge management is ‘any process or practice of creating, acquiring, capturing, sharing and using knowledge, wherever it resides, to enhance learning and performance in organisations’ (Scarborough et al, 1999). Knowledge management is as much if not more concerned with people and how they acquire, exchange and disseminate knowledge as it is about information technology. That is why it has become an important area for HR practitioners who are in a strong position to exert influence in this aspect of people management (Armstrong 2009). Effective management of knowledge stems from its acquisition and proceed to its development which makes it critical as a result of the processes involve.

**Tacit Knowledge**

Tacit knowledge is personal, stored in the heads of people and is accumulated through study and experience. It is developed through the process of interaction with other people. Tacit knowledge grows through the practice of trial and error and the experience of success and failure. Tacit knowledge, therefore, is context-specific. It is difficult to formalise, record, or articulate. It includes subjective insights, intuitions and conjectures. As intuitive knowledge, it is difficult to communicate and articulate. Since tacit knowledge is highly individualised, the degree and facility by which it can be shared depends to a great extent on the ability and willingness of the person possessing it and convey it to others (Uriarte Jr. 2008). Uriarte Jr. (2008) further emphasised that the sharing of tacit knowledge is a great challenge to many organisations. He reaffirmed that tacit knowledge can be shared and communicated through various activities and mechanisms. Activities include conversations, workshops, on-the-job training and the like. Mechanisms include, among others, the use of information technology tools such as email, groupware, instant messaging and related technologies.

**Explicit Knowledge**

Explicit knowledge is codified. It is stored in documents, databases, websites, emails and the like. It is knowledge that can be readily made available to others and transmitted or shared in the form of systematic and formal languages. Explicit knowledge comprises anything that can be codified, documented and archived. These include knowledge assets such as reports, memos, business plans, drawings, patents, trademarks, customer lists, methodologies, and the like. They represent an accumulation of the organisation’s experience kept in a form that can readily be accessed by interested parties and replicated if desired. In many organisations these knowledge assets are stored with the help of computers and information technology (Uriarte Jr. 2008).
Uriarte Jr. (2008) reaffirmed that explicit knowledge is not completely separate from tacit knowledge. On the other hand, the two are mutually complementary. Without tacit knowledge it will be difficult, if not impossible, to understand explicit knowledge. He highlighted an example that, a person without technical, mathematical or scientific knowledge (tacit knowledge) will have great difficulty understanding a highly complex mathematical formulation or chemical process flow diagram, although it may be readily available from the organisation’s library or databases (explicit knowledge). And unless we try to convert tacit knowledge to explicit knowledge, we cannot reflect upon it, study and discuss it, and share it within the organisation – since it will remain hidden and inaccessible inside the head of the person that has it.

Learning and Development
Learning and development is the process of acquiring and developing knowledge, skills, capabilities, behaviours and attitudes through learning or developmental experiences. It is concerned with ensuring that the organisation has the knowledgeable, skilled, engaged and committed workforce it needs in order to survive in tough competitions (Armstrong, 2009).

Learning
Learning is the means by which a person acquires and develops new knowledge, skills, capabilities, behaviours and attitudes. As explained by Honey and Mumford (1996): ‘Learning has happened when people can demonstrate that they know something that they did not know before (insights, realisations as well as facts) and when they can do something they could not do before (skills). Learning is a continuous process that does not only enhances existing capabilities but also leads to the development of the skills, knowledge and attitudes that prepare people for enlarged or higher-level responsibilities in the future (Armstrong 2009). Learning, Honey and Mumford (1996) echoed, is a continuous process and has to be managed by authorities concern because the growth and competitive strength of firms is determined by the knowledge capacity that resides in those firms and also, another important aspect of learning as a continuous process is that, there are new inventions in innovative products which requires more knowledge for competitive advantage.

Informal Learning
Informal learning (Armstrong 2009) described as experiential learning which takes place while people are learning on-the-job as they go along. Most learning does not take place in formal training programmes. People can learn 70 per cent of what they know about their job informally. A study by Eraut et al. (1998) established that organisations adopting a learner-centred
perspective, formal education and training, provide only a small part of what was learnt at work. Most of the learning described to the researchers was non-formal, neither clearly specified nor planned. It arose naturally from the challenges of work. Effective learning was, however, dependent on the employees' confidence, motivation and capability. Some formal training to develop skills (especially induction training) was usually provided, but learning from experience and other people at work predominated (Armstrong, 2009). Theories may be learnt in the classroom but the significance of those theories can only be meaningful if supported by experimental learning. There have been debates about the advantages of on-the-training over off-the-job training as a result of its practical aspects. Let’s take an example of practising lawyers and medical doctors who initially learnt the theoretical aspects of their jobs in classrooms but the classification of them been outstanding performers is as a result of apprenticeship and pupillage experience which was not studied in the classroom. Alternative perceptions brought forward the significance of off-the-job over on-the-job training but in real sense, both are important and complement each other. Both elements are vital for knowledge acquisition, utilisation and competitive advantage.

**Workplace Learning**

Informal learning occurs in the workplace but there are a number of specific ways in which learning can be enhanced. The most important of these are coaching and mentoring, but other methods are job rotation, job shadowing, bite-sized learning through e-learning, cross-functional or cross-site project work (Armstrong, 2009). Coaching and mentoring are important elements in workplace learning but most supervisors restrained from sharing their experiences with subordinates even though mentoring requires experience sharing and guidance. Job rotation is effectively practiced in financial institutions (Banks) which enable employees to be abreast with most of the basic functions in most operational areas. The characteristics of workplace learning were explained by Stern and Sommerlad (1999) as follows:

- The workshop as a site for learning. In this case, learning and working are spatially separated with some form of structured learning activity occurring off or near the job. This may be in a company training centre or a ‘training island’ on the shop floor where the production process is reproduced for trainees.

- The workplace as a learning environment. In this approach, the workplace itself becomes an environment for learning. Various on-the-job training activities take place which are structured to different degrees. Learning is intentional and planned, aimed at training employees by supporting, structuring and monitoring their learning.
Learning and working are inextricably mixed. In this case, learning is informal. It becomes an everyday part of the job and is built into routine tasks. Workers develop skills, knowledge and understanding through dealing with the challenges posed by the work. This can be described as continuous learning. As Zuboff (1988) put it: ‘Learning is not something that requires time out from being engaged in productive activity; learning is the heart of productive activity.’

**Formal Learning**

Armstrong (2009) described formal learning as planned and systematic and that it makes use of structured training programmes consisting of instruction and practice that may be conducted on- or off-the-job. Experience may be planned to provide opportunities for continuous learning and development. Formal learning and developmental activities may be used such as action learning, coaching, mentoring and outdoor learning.

**E-learning**

E-learning was defined by Pollard and Hillage (2001) as ‘the delivery and administration of learning opportunities and support via computer, networked and web-based technology to help individual performance and development’. E-learning enhances learning by extending and supplementing face-to-face learning rather than replacing it. It enables learning to take place when it is most needed (just in time as distinct from just in case) and when it is most convenient. Pollard and Hillage (2001) reiterated that learning can be provided in short segments or bites that focus on specific learning objectives. It is ‘learner-centric’ in that it can be customised to suit an individual’s learning needs – learners can choose different learning objects within an overall package. The main potential drawbacks are the degree of access to computers, the need for a reasonable degree of literacy, the need for learners to be self-motivated, and the time and effort required to develop and update e-learning programmes.

**Development**

Development is concerned with ensuring that a person’s ability and potential are grown and realised through the provision of learning experiences or through self-directed (self-managed) learning. It is an unfolding process that enables people to progress from a present state of understanding and capability to a future state in which higher-level skills, knowledge and competencies are required (Armstrong, 2009). The development of a firm’s human resource gives that firm strength in a competitive environment as its capacity can definitely lead to
sustainable competitive advantage. Unlike a firm whose capacity is not develop, will experience tough competition.

Managing knowledge for sustainable competitive advantage requires firms to develop its resource base and ensure proper reward systems and procedures to enhance performance. The development aspect could take time, money and effort by both employer and employees but such task should be enforced if the organisation is moving towards a sustainable competitive advantage era.

**Performance Management**

Performance management is a major focus of organisations which requires the systematic process for improving organisational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements (Armstrong, 2009). As Weiss and Hartle (1997) commented, performance management is: ‘A process of establishing a shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing people that increases the probability of achieving success.’

Performance management is not just a top-down process in which managers tell their subordinates what they think about them, set objectives and institute performance improvement plans. It is not something that is done to people. As Buchner (2007) emphasises, performance management should be something that is done for people and in partnership with them. It requires collective efforts towards result achievement. Managing performance is one of organisation’s critical components which encompass knowledge acquisition and utilisation.

Performance management focuses on future performance planning and improvement and personal development rather than on retrospective performance appraisal (Armstrong, 2006). The conduct of appraising employees is a key issue in ensuring that delegated duties are executed and objectives set are achieved. Gaining competitive edge over the competition requires commitment in managing employees’ performance since it maintain a sense of direction and avoid deviation from the organisations’ stated objectives.

**Performance Planning**

The performance planning part of the performance management sequence involves agreement between the manager and the individual on what the latter needs to do to achieve objectives, raise standards, improve performance and develop the required competencies. It also establishes priorities – the key aspect of the job to which attention has to be given. The aim is to
ensure that the meaning of the objectives, performance standards and competencies as they apply to everyday work is understood. They are the basis for converting aims into action. Agreement is also reached at this stage on how performance will be measured and the evidence that will be used to establish levels of competence. It is important that these measures and evidence requirements should be identified and fully agreed now because they will be used by individuals as well as managers to monitor and demonstrate achievements (Armstrong, 2009). Planning is a key component in performance management as it state clearly the task to be performed and the expected outcome. Such process guides both the supervisor in the appraisal process and the supervisee in the execution of responsibilities towards the achievement of stated objectives.

**Measuring Performance in Achieving Objectives**

Measurement is an important concept in performance management. It is the basis for providing and generating feedback, it identifies where things are going well to provide the foundations for building further success, and it indicates where things are not going so well, so that corrective action can be taken (Armstrong, 2009). The aspect of measuring performance cannot be ignored if firms want to achieve their stated objectives. Once targets are set and tasks are executed, authorities concern should ensure that the task executed is able to achieve the objectives set. Such attainment can only be made if there is effective feedback process. Measuring performance has been a serious challenge in many firms and that has led to the demise of some corporations; since performance is not accurately measured to ascertain the achievement of objectives, growth cannot be attained. Consequently, sustainable competitive advantage which was once thought of could not be achieved.

Managing performance could be a vital activity if organisations determine to gain competitive advantage over their rivals. This process requires planning the tasks to be performed by employees, stating the guiding principles in the execution of responsibilities to avoid deviation and appraising executed tasks to ascertain result achievement. If such process is well managed, results can be achieved and lead to a competitive advantage in the business environment.

**Reward Management**

Today’s competitive condition makes it more difficult for employers to acquire and retain experienced and productive talent. The growing awareness that finding, motivating, developing, and keeping employees as a key component of business success has raised expectations for human resource (HR) departments. Today, the HR function is being scrutinised more closely,
with expectations that it will make a contribution to the business—just like finance, accounting, marketing, and sales. The reward programs that have been the traditional domain of HR (e.g., pay, benefits, and training) represent a significant and growing investment for an organisation (Chingos 2002).

**Definition of Reward Management**

Reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organisation is recognised by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organisation and its stakeholders. The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organisation in order to further the achievement of the organisation’s strategic goals. Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Armstrong, 2007).

**Aims of Reward Management**

Armstrong 2007, describe the aims of reward management as follows:

- reward people according to the value they create;
- align reward practices with business goals and with employee values and needs;
- reward the right things to convey the right message about what is important in terms of behaviours and outcomes;
- help to attract and retain the high-quality people the organisation needs;
- motivate people and obtain their engagement and commitment;
- develop a high-performance culture.

Creating value in organisations serves as a mark of distinction which firms should acknowledge and reward such individuals or groups for value added toward the progress of those firms. Creative reasoning helps firms in developing innovative products and make them claim greater advantage in a competitive environment. Firms should make sure that creative employees are retained as their presence and contributions will always foster growth. The alignment of reward practices with business goals and with employees values and needs is a major component in achieving employees’ commitment. Firms must ensure that employees’ salaries should be able to address their basic needs and that further rewards like fringe benefits could be accorded as a result of value added.
To reward the right people to do the right thing and also people whose behaviour will help to build up the organisation’s credibility and whose foresight geared towards positive outcome are result oriented and even-tempered employees and organisations should ensure that such competences are recognised and commitments retained.

Attracting is the first step in the recruitment process which requires the disclosure of a very good reward package (financial and non-financial) in the reward column. Attracting qualified and high-quality people is more difficult but retaining such people is the most difficult thing. Firms should determine to retain highly qualified and committed employees in order to foster sustainable competitive advantage. Motivating employees has been a critical phenomenon because of the varied perceptions about employment situations. Firms have been struggling to identify the appropriate motivating tools in order to foster employee commitment. What motivate A does not motivate Band vice versa. In this regard, if sustainable competitive advantage is to be achieved, motivation should be given premium in order to attract employees’ engagement and retain their commitment.

Developing a high performance culture in firms could stem from addressing the basic needs of employees and the provision of further rewards like training, fringe benefits etc. A firm that strive to maintain a high performance culture always create a pleasant working environment for its employees. Developing and maintaining a high performance culture is a recipe for sustainable growth.

Reward management is a vital component in a sustainable competitive arena in the sense that it stimulates performance and enhances employee commitment and result achievement. Inequitable distribution of rewards instils poor performance and restrains development. Firms must strive to reward employees fairly and equitably in order to stimulate performance and retain highly qualified employees.

**Sustainable Competitive Advantage in a Highly Competitive Environment**

To achieve competitive advantage, firms need to constantly focus on the identification of differential product strategies, building or reshaping core competencies, acquiring unique technologies, and accumulation of intellectual property, all of which can be harnessed to make the company successful in a highly competitive marketplace. Identifying what constitutes a core competence has been a subject of debate in the literature for over 20 years (Prahalad & Hamel, 1990; Aaker, 1989). This problem has become even more complex with globalisation and the growth of the internet, which has given open access to more competitive, environmental, and technological information. One key model that was developed in the 1980’s modelled core
competencies as unique “resources and capabilities”. This was known as the resource based view of the firm (Grant, 1991).

**Sustainability**
Carraher, Buckley & Carraher (2008) examine some of the major challenges in performing research on sustainable strategic management with an emphasis on accurately assessing the extent to which strategies actually result in true organisational change. Galbreath (2009) adds to the strategy-sustainability discussion and explains a conceptual framework that addresses sustainability. Coombs (2010) views the sustainability challenges as one means by which sustainability connects with crisis management. Taneja, Pryor & Zhang (2010) suggest that crisis management is a strategic and tactical leadership imperative which can positively or negatively impact an organisation’s or a nation’s competitive capability and potential for long-term success, survival, and sustainability.

**Competition**
Competition is the battle between businesses to win consumer acceptance and loyalty. It is the intra- or inter-market rivalry between businesses trying to obtain a larger market share. Karuna (2007) suggests that competition can reflect several dimensions: product substitutability, market size, and entry costs, given the level of industry concentration. Tang (2006) identifies four main indicators for competition, which is associated with a firm’s competitive environment: easy substitution of products, constant arrival of competing products, quick obsolescence of products, and rapid change of production technologies. Tjosvold *et al.* (2006) indicate that internal motivation to compete and the strategy of competing fairly are found to be the most powerful influences on the constructiveness of competition. Gaining sustainable competitive advantage in a tough competition is a very challenging phenomenon, considering the strategies and processes involve in order to stand as a distinct firm with unique operations. Firms must strive to attain the qualities required to be leading in a competitive environment.

The careful perusal of reviewed literature from several sources have revealed to us the significance of intellectual capital as the path way towards sustainable competitive advantage and we have been able to identify fissures that have long serve as a disconnect towards competitive advantage. The components of intellectual capital (knowledge capital, social capital and structural/organisational capital) which we address in this research as competitive strategy could be effective if well managed. Also, managing knowledge, managing performance for goal achievement and organisational success, producing effective reward strategy and administering compensation equitably could forestall greater achievement. Consequently, succeeding in a
tough competitive environment will be achieved with the facet of developing and effectively managing this previous intangible. With regards facts aforesaid, we have been able to identify the development and management of intellectual capital as a great fissure in the content reviewed.

**METHODOLOGY**

To attain objectives of this study the qualitative research approach is adopted to assess the significance of Intellectual Capital as the Pathway towards sustainable competitive advantage. Data was collected from diverse textbooks, periodicals, study publications, as facts in order to critically analyse the issues that surrounds the subject matter. Details of the information collected are processed and critical content are analysed so as to be able to establish facts about the problem identified that we determine to discourse.

**ANALYSIS AND INTERPRETATION**

Building a competitive strategy in order to gain competitive advantage in a tough competition requires the effective management of knowledge capital, social capital and organisational/structural capital. With regards information collected from various sources in developing this research, knowledge plays a vital role in the development of firms since innovate product could not be invented without knowledge capital. Also, facts have been unfolded about the significance of social capital which serves as a strong force in the network of relationship management and finally structural/organisational capital have made us understood the relevance of proper structures in place, which enable firms to have a sense of direction. Without proper structures in place, organisations will not function well as their operations will be in pursuits of diverse goals. Therefore, the components of intellectual capital serves as organised machineries towards firms’ success.

Managing knowledge as a distinct component in a competitive arena requires its development. Unleashing intellectual capital emanates from its acquisition and the growth of every firm is forestalled by the capacity of knowledge it houses. Explicit and tacit knowledge plays a vital role towards the development of firms. Relevant facts have disclosed to us that both components (tacit and explicit) complement each other as there is no way one could be of greater importance over the other. In this regard, competitive advantage can be attained as a result of managing the knowledge that resides in organisations.

Firms seek to attain high performance from employees’ commitment in order to achieve their aims and objectives. Maintaining effective performance research have disclosed to us, stems from planning the jobs of employees, segmenting the tasks to be executed and
appraising results of accomplished tasks to ensure the achievement of firms' objectives. The reviewed literature disclosed to us that performance management can be achieved if the aforementioned are implemented. As a result, achieving sustainable competitive advantage which is the dream of every firm can be realised from maintaining a high performance culture.

Reward plays a vital role in stimulating performance and the equitable distribution of rewards create and instinctive response in fostering commitment. Facts gathered from the reviewed contents disclosed that reward management does not only focus on financial terms, it also unveils non-financial issues like capacity building. Satisfactory rewards inspire performance nonetheless unsatisfactory rewards restrain performance. Looking at reward in a wider spectrum, encompassing financial and non-financial, serves as an accelerating force towards competitive advantage since there is emphasis on rewarding people for the value they create. Also, reward management helps to attract and retain high quality people firms’ desire for competitive advantage. As a result, reward management enhances quality performance which catapults a firm’s activities to sustainable competitive advantage.

Creating impact and sustaining in a hard-hitting competitive environment requires diligence and commitment, proper structures in place, quality of product, effective and efficient service delivery and a unique stands in the pursuit of excellence. The reviewed contents divulge the essence of good relationship management in forestalling customer retention and the exclusive competitive strategies that cannot be imitated by rival firms. Even though maintaining competitive advantage in tough competitive environment seem challenging, having a distinctive reputation in the business environment with an exceptional strategy and effective customer relationship management can climax a firm’s activities and lead to sustainable competitive advantage.

**SUMMARY AND CONCLUSION**

Intellectual capital as the pathway towards sustainable competitive advantage has been thoroughly discussed, using several facts published in books, journals and other online sources and we have been able to compile pertinent actualities which provide us with perceptible substantiation. The content discussed has revealed to us that knowledge capital, social capital and structural/organisational capital are significant components of intellectual capital which serves as firms’ competitive strategy. Managing knowledge for sustainable competitive advantage unveiled to us that managing knowledge requires its careful development. It further made known to us that explicit and tacit knowledge complement each other and that no one operates independently. Performance which is the evidence of employee commitment uncover the facts that achievement of firm’s objective stems from effective performance management
which requires a careful planning of the tasks to be executed and appraising results achieved. Reward management enabled us to know that performance is triggered by effective reward systems and procedures and that equitable distribution of rewards is a recipe for the achievement of objectives. Also it exposes that innovative employees should be compensated for the value they add and that, firms should attract and retain high-quality employees to attain competitive advantage. Finally, tough competitive environment requires unique reputations and distinct strategy that rival firms cannot easily imitate and that, firms must ensure effective customer relationship management.

Based on the actualities above, we have been able to comprehend that intellectual capital is indeed the pathway towards sustainable competitive advantage in the sense that it encompasses the key components (knowledge, relationship and structure) that enable an organisation to function effectively. The absence of each of these components restrains growth. As a result, the progress of every firm depends on its intellectual capital and also the achievement of sustainable competitive advantage which is the desire of every firm is achieved through intellectual capital.

This theoretical research has revealed the significance of intellectual capital as the pathway towards sustainable competitive advantage using a general perspective in which the gathered facts retrieved from secondary sources has been able to unfold meaningful evidences to substantiate contents in the conclusion. In essence, this study could be further stretched in dealing with specifics like knowledge capital; social capital and structural capital, using empirical research in order to reveal more facts as aforesaid.

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