

The Importance of Intangible Assets in Achieving a Company's Competitive Advantage

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ABSTRACT

This paper aims to investigate the role of intangible assets in providing a competitive advantage for organizations. To achieve this aim, a meta-analysis of journal articles sourced from EBSCOhost, JSTOR, Emerald Insight, Science Direct, and Wiley Online Library was conducted. Articles were selected based on their use of the English language and publication dates ranging from 2012 to 2024. However, relevant articles published prior to 2012 were also included in the analysis. The study found a positive relationship across all four categories of intangible assets. Intellectual capital, particularly in the forms of human capital and human assets, emerged as the most critical factor in providing a competitive edge. This includes employee education levels, experience, skill development, and knowledge.

Keywords: Business process intangibles, intellectual capital, intangibles, brand and relationship intangibles, competitive advantage, market position intangibles

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INTRODUCTION

Intangible assets are crucial components of an organization that influence its performance, are hard to replicate, and are protected by property rights and high specificity. To maintain sustainable competitive advantages like patents, brands, and know-how, organizations must employ institutional enforcement mechanisms (Andonova & Ruíz-Pava, 2016). Khan et al., (2019) emphasized that intangible assets are essential for creating company wealth and securing competitive advantages, suggesting that these assets should be fairly measured to ensure organizational value, as they can be imitated or stolen by competitors.

Shadiq & Nosheen (2020) observed that intangible assets, though not physical, significantly enhance organizational productivity and performance, forming the basis for decision-making and competitive advantage. Given their role in productivity and development, efforts have been made to accurately identify intangible assets, including

human resource capabilities, patents, brands, copyrights, licenses, blueprints, and software intelligence.

Organizations possessing valuable and rare resources that are difficult to replace or replicate can maintain a competitive advantage. However, this advantage can be short-lived due to the ease of imitation and substitution, unless the organization builds core competencies and specific capabilities (Andonova & Ruíz-Pava, 2016). Arrighetti et al. (2014) suggested two methods for measuring intangible assets: investing in training, innovation, and R&D, and reporting these investments, alongside tangible assets, on company balance sheets. This paper aims to explore the relationship between various intangible assets and organizational competitive advantage in the global market, focusing on the most recent journal articles from the past ten years, with over 50% of the studies published after 2014.

This paper will contribute in two ways. First, it will help managers and decision-makers understand which intangible assets most significantly contribute to competitive advantage. Second, it will inform discussions on relevant intangible assets, guiding organizations on where to invest. The paper is structured as follows: an introduction, a theoretical and conceptual discussion of intangible assets as competitive advantages, a literature review design, findings, conclusions, study limitations, and suggestions for future research.

LITERATURE REVIEW

Prusak (2016) defined assets as resources managed by an organization resulting from past transactions, expected to provide future benefits with a reasonable probability. Intangible assets, which lack physical form, must be clearly distinguishable from goodwill. An asset is identifiable if it can be separated from the entity and transferred, sold, rented, or licensed, and arises from legal or contractual rights, whether separable from the entity or not. Ramona (2021) highlighted the importance of intangible assets for organizational performance, including market image, know-how, business practices, potential innovation, copyrights, customer relations, and information technology. Intangible assets are also referred to as knowledge capital, core competencies, absorptive capability, architectural knowledge, organizational memory, and strategic assets (Semenov & Randrianasolo, 2022). Resources, both tangible and intangible, are crucial in strategic management as they help execute corporate strategies (Hejazi et al., 2016).

Grześ-Bukłaho (2018) viewed competition from the classical economics perspective as a foundation of market economy, driven by quality, costs, differentiation, and promotion. Competitive advantage allows organizations to perform better than competitors. Perdreau et al., (2015) asserted that intangible assets contribute to competitive advantage when properly utilized and distinguished from tangible assets. Andonova & Ruíz-Pava (2016) noted that patents, know-how, and reputation, protected by property rights and institutional mechanisms, are essential for competitive advantage. Intangible assets, when legally enforced and institutionally supported, drive organizational performance and competitive advantage (Andonova & Ruíz-Pava, 2016; Bapna et al., 2013; Chernukhina & Khramova, 2021).

To sustain competitive advantage, organizations can create path-dependent histories, causal ambiguity, and social complexity, enhancing their intangible resources (Seo & Kim, 2020). Jancenelle (2021) found that intangible assets boost productivity and success, maximizing value creation. However, it's challenging to identify a single intangible asset as the sole value creation source (Rehman et al., 2017; Khan et al., 2019).

Hejazi et al., (2016) emphasized that strategic management of intangible assets, rather than financial and physical resources, leads to competitive advantage due to their impact on development and market value.

Competitive advantage means better market positioning than competitors, driving tough competition and motivating intensified efforts (Grześ-Bukłaho, 2018; R. Almendra et al., 2020). It relies on a unique combination of resources, abilities, and competencies, with contributions from employee knowledge and machinery. Mazurkiewicz (2017) and Brønn & Brønn (2015) claimed that globalization intensifies the challenge of maintaining competitive advantage, requiring organizational flexibility and uncertainty management. Thus, internal resources, particularly intangible assets, become a priority. Valuable, scarce, hard-to-duplicate, and irreplaceable intangible resources are essential for competitive advantage (Jancenelle, 2021; Mazurkiewicz, 2017; Perdreau et al., 2015).

This proposed review paper aims to provide an overview of existing research on the relationship and role of intangible assets in achieving competitive advantage. The study employs meta-analysis as its investigative method. According to Bryl (2020), meta-analysis is a robust approach that synthesizes findings from multiple studies to create a comprehensive understanding of the fundamental relationship between analyzed variables in a specific area of interest. This paper includes only peer-reviewed journal articles in English and excludes findings from non-English publications. The databases used to source the relevant journals are EBSCOhost, ScienceDirect (Elsevier), Emerald, Wiley Online Library, and JSTOR. The journal search focused on publications from 2012 to the present, though some valuable pre-2012 articles were also included. Duplicate articles were removed to prevent bias.

The systematic search of electronic journal databases involved using specific keywords, such as “intangible assets,” “intangibles,” “competitive advantage,” “intangible assets role,” and “competition.” These keywords were derived from common beliefs, general reading, and limited knowledge about the potential relationship between intangible assets and competitive advantage. Figure 1 below shows the literature and journal articles selected for this paper. Haigh (2004) classified intangible assets into four categories, which serves as the framework for this paper. However, the journal articles reviewed here divide intangible assets into three categories: human resources, structural resources, and relational resources (Bryl, 2020; Brown et al., 2016). To conduct the study, each element of intangible assets was evaluated for its potential to confer competitive advantage. Several articles also explored the link between competitive advantage and the processes of globalization and internationalization.

FINDINGS

To achieve the objectives of this paper, the review is structured around three types of competitive advantage for companies, which classified into three categories: intellectual resources, architectural/constitutional resources, and complementary resources. The statistical summary of the examined papers is presented in Table 1. The methodologies and techniques used in the article examination predominantly employed regression models in 31 papers, 3 employed interviews method, while 11 papers used multiple case study approaches. Most quantitative analyses included control variables and some studies performed robustness tests. Two journal articles analyzed company data over a five-year period, while one article covered a one-year period, and four articles covered two-year period in the longitudinal studies.

The studies sampled between 47 and 252,373 firms, excluding case studies, and covered both developed and developing countries. Specifically, the studies were conducted in Colombia (2), Romania (2), Bulgaria (1), Spain (2), the United States (6), a combination of the US and European countries (4), Europe (as a whole) (4), Pakistan (5), Korea (2), India (3), Poland (1), Botswana (1), Iran (2), Ireland (2), Nigeria (3), Indonesia (2), Malaysia (1), and Ghana (2).



Figure 1: Competitive Advantage as Intangible Assets
Source: Author’s construction

Table 1 provides a comprehensive overview of the statistical description for the examined journal articles in this study. It outlines key parameters such as the number of journal articles analyzed, the years of publication covered, the time span of empirical studies, and the average duration of these studies. Additionally, it highlights the distribution of countries covered, the adopted techniques for analysis, and the dominant industry sampled. This information sets the foundation for understanding the scope and methodology of the research conducted in this paper.

Table 1. Description of Statistical Analysis for Examined Journal Articles

Number of Journal Articles	45
Years of Examined Papers	2012–2024
Empirical Study Time Span	2012–2023
Average Duration for Empirical Studies	1.8 years
Countries Covered	53.4% Developed, 46.6% Developing Nations
Adopted Techniques	Regression (68.8%), interview (6.66%), case studies (24.54%)
Sampling Industry	Manufacturing (Dominant),

Source: Author’s construction

DISCUSSIONS

Assets of human resources

Experiential knowledge, considered an intangible asset, plays a pivotal role in facilitating entry into foreign markets and the process of internationalization, as it drives organizational learning and theory development (Lamotte et al., 2021). Organizations that have previously entered foreign markets benefit from accumulated knowledge and skills acquired through iterative processes such as target selection, evaluation,

acquisition, and integration. Failure to successfully penetrate foreign markets and internationalize can damage a company's reputation.

Prusak (2016) asserts that intangible assets, particularly knowledge, encompass various facets of human capital, including innovativeness, experience, abilities, creativity, and personal and social skills, which are essential for organizational functioning. The value of human capital is contingent upon employee engagement and their utilization of potential to achieve organizational goals. Jancenelle (2021) suggests that intangible assets are predominantly knowledge-based and socially constructed, comprising intellectual capital embedded within experienced employees, innovation abilities, brand image, marketing skills, trade secrets, and patents. These assets are further categorized as organizational, technological, or human, and investment in intangible assets drives organizational restructuring towards becoming knowledge-based entities (Sadiq & Nosheen, 2020).

Advanced knowledge impacts global competitiveness and is associated with relational sources such as organizational reputation. Organizations with international experience are better equipped to reduce market entry costs and information asymmetry, gaining competitive advantages in the global market. Human assets possessing in-depth knowledge of business processes, internationalization, products, brands, and legal aspects, acquired through personal and professional learning experiences, play a crucial role in navigating competitive environments (Cătălina et al., 2015). These high-caliber human assets contribute to reducing competition-related risks and costs and facilitate knowledge gathering and collaboration with external parties.

Prusak (2016) emphasizes that competitive advantage derived from human assets stems from their individual competencies, which collectively contribute to organizational excellence. Human capital brings a complex structure to companies, including intrinsic motivation, knowledge, skills, intellectual capabilities, behavior, and abilities, which are leveraged to achieve organizational objectives. Ramona (2021) underscores the importance of maintaining human resources by providing satisfactory working conditions, relationships, incentives, and a synergistic organizational culture. Such strategies foster employee retention, thereby enhancing the management of human resources within the company.

Resources of structural

Jancenelle (2021) suggest that intangible assets manifest in various forms, encompassing not only human resources that enhance productivity but also organizational resources such as systems, collaborations, teams, cultures, reputation, networks, traditions, values, and the organization's history, along with technological resources such as processes, patents, know-how, and research and development. The combination of these assets significantly impacts organizational performance and competitive advantage. Conversely, Andonova & Ruíz-Pava (2016) classify intangible assets into two categories: internal assets generated within the organization, including blueprints, product and production process designs, brand equity, construction projects, and in-house software; and external assets obtained through licenses, patents, copyrights, and economic competencies acquired through management and consulting services purchases. While innovation cannot single-handedly solve financial difficulties, it contributes to sustaining organizational growth.

Barakbah et al., (2020) and Almendra et al., (2020) argue that structural resources, though less conspicuous, play a crucial role embedded within an organization's business

processes, practices, and routines. These resources encompass routine knowledge, including database knowledge, publications, procedures, and organizational culture, which generate value for the organization. Previous research by Cătălina et al., (2015) and Kawa & Anholcer (2018) demonstrates that effective structural resources are developed through organizational processes, culture, information systems, or administrative systems, facilitating knowledge acquisition and integration of human resources.

Relational resources

Although scholars have not yet reached a consensus on defining reputation as an intangible asset, Miotto et al., (2020) highlight the significance of legitimacy and reputation as vital intangible assets for organizations to not only survive but also excel in competitive environments. These assets grant organizations easier access to resources as stakeholders trust them more than their competitors. Reputation holds immense value as it reduces stakeholder concerns and uncertainty, instills trust in product quality, differentiation, and value, and strategically establishes organizational credibility, serving various stakeholders (Jancenelle, 2021; Golec & Gupta, 2014). Moreover, reputation continuously provides organizations with a competitive advantage, particularly when differentiation creates barriers for competitors to imitate and adds value, especially when reputation is associated with product, financial, social, and employment aspects.

Conversely, legitimacy affords companies trust, credibility, and stakeholder support, enabling access to necessary resources for operation. Without stakeholder support and legitimacy, organizations lose their ability to grow. Legitimacy is attained when organizations fulfill stakeholder economic, social, and environmental expectations (Miotto et al., 2020). In the context of internationalization, reputation as an intangible asset, as discussed by Lamotte et al., (2021) reduces risks and costs associated with foreign entry barriers. Reputation expedites the establishment of organizational presence in foreign markets, capitalizes on location advantages, and mitigates the need for greenfield investment. Reputation reassures stakeholders by reducing misinformation and averting risky decisions that could tarnish the organization's image. Hejazi et al., (2016) argue that intangible assets play a central role in new entry and internationalization processes, although they are challenging to measure due to their exclusion from company accounts. A well-reputed organization outperforms others economically, holds higher value, and is linked to sustainability and social responsibility, as it is perceived as credible and trustworthy in society.

Miotto et al., (2020) and Perdreau et al., (2015) emphasize that the rapidly changing competitive environment compels organizations to adopt new public management practices and governance strategies focusing on productivity and performance. Additionally, adopting a new entrepreneurial management approach is essential, being proactive toward market-oriented practices in business processes, and adapting to different stakeholders, involving third parties to help develop reputation, thereby enhancing competitive advantage.

CONCLUSION

The conclusion drawn from the systematic literature review is that intangible assets play a crucial role in bolstering tangible assets to secure competitive advantages for organizations in the global market. Intangible assets are categorized into three main resources: human assets/resources, structural resources, and relational resources. Among these, the literature predominantly examines the significance of human resources, particularly intellectual capital and human capital, which encompass the knowledge, experience, and know-how embedded within employees of organizations. Employees are motivated to leverage these competencies to assist the organization in achieving its objectives. Human assets serve as the linchpin connecting the other two resources: structural resources, which encompass innovation, business processes, and research and development, and relational resources, which include brand and reputation. Intangible assets must possess specific attributes that are difficult for competitors to imitate in order to maximize their competitive advantage.

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