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www.unimib.it/symphonya

Ouverture de 'Intangible Assets & Global Competition'

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Abstract

Since the early '80s, the global economy has radically changed companies, manufacturing system and products. Global managerial economics demands ramified, far-flung and strongly interconnected organisations (networks). These complex structures favour knowledge management skills, competitive alliances and outsourcing agreements (with co-makers and external partners).

Market-space competition also emphasises global economies of scale, whose value does not depend on the level of exploitation of elementary manufacturing factors but on the 'intensity of sharing' of specific resources in a networking system. In highly competitive markets, therefore, lasting corporate development does not depend primarily on the volumes of individual products (easily imitated in their tangible characteristics). In fact, corporate success on global markets is conditioned more by the level of sophistication of the intangible assets, developed, maintained and even modified, with targeted spending and investment plans.

Keywords: Intangible Assets; Global Managerial Economics; Global Competition; Global Economies of Scale; Knowledge Management; Competitive Alliances

1. Global Markets, Intangibles and Market-Driven Management

In today's highly competitive global markets, companies compete in conditions of extreme economic, technological and socio-political instability. No company can afford to rely purely on its own resources, knowledge and skills, as they did in the past. Company development has therefore abandoned manufacturing performed in the large capitalist factories of the '50s and '60s, which guaranteed stability and security as well as equal treatment for efficient and inefficient workers, based on the average output of each professional category. It was a simple mechanism that was consistent with a manufacturing model of "linear" growth, which had emerged from the typically European competitive context of maintaining companies' hierarchical positions (*leader-follower*) on the various markets.

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Edited by: ISTEI - *University of Milan-Bicocca* ISSN: 1593-0319

Brondoni Silvio M., Ouverture de 'Intangible Assets and Global Competition', Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 2, 2010, pp. 1-5

http://dx.doi.org/10.4468/2010.2.01ouverture

□ *The Toyota Production System envisages the elimination of all waste from manufacturing processes, through the following stages: 1. identification of the value for the customer; 2. development of the process of value creation; 3. generation of the value flow; 4. customer participation in the 'definition' (pull) of the value flow; 5. development of the process of continuous improvement of the supply chain (kaizen). The basis of the Toyota Production System is a mass production process that is an alternative to the assembly line, introduced by Henry Ford and perfected at GM by Alfred P. Sloan with manufacturing specialisation (based on the segmentation of demand and the differentiation of supply). The Toyota Production System was invented in the textile industry in the period 1940-1950 and developed by Toyota, which was suffering from a serious scarcity of raw materials, manpower and funds straight after the Second World War. The Toyota Production System, developed by Sakichi Toyoda, Kiichiro Toyoda and the engineer Taiichi Ohno, underlines the principle of using scarce resources to significantly boost plant productivity. The extraordinary results achieved with the Toyota Production System have fostered the spread of this manufacturing philosophy, renamed 'lean production' by US companies to underline the importance of eliminating superfluous stages and processes. The Toyota Production System also aims to limit inventories of raw materials, semi-finished and finished products, bringing the customer closer to the point of manufacture and sale (Just-in-Time) through an information system that monitors the logistic input-output system, producing only when the customer demands it. This manufacturing logic (Pull Production) contrasts with traditional systems (Push Production), in which manufacturing programmes are decided well in advance, long before the moment that demand is met.*

However, since the early '80s, the global economy has radically changed companies, manufacturing system and products, as localised commercial and manufacturing dynamism increases, and the workers themselves are faced with various forms of collaboration that offer no guarantee of stability (short-term contracts, training contracts, temporary work, continuative freelance work, etc.).

Global managerial economics demands ramified, far-flung and strongly interconnected organisations (networks). These complex structures favour knowledge management skills, competitive alliances and outsourcing agreements (with co-makers and external partners). As a consequence, corporate culture is evolving towards cross-cultural management, which aims to overcome the physical context of relational proximity and the presence of workers belonging to local companies.

2. Market-Space Management and Economies of Scale in Global Networks

The sharing of intangible resources that is the aim of corporate market-space management policies, usually regards different structures in the same network, but may also regard other organisations as a result of alliances and joint ventures. In any case, corporate economics may extend the areas of activity in an intangible dimension, thus defining complex systemic inter-company relations (whose bonding elements are the corporate culture, information system and brand equity). These determine competitive positions – for purchases, transformation, distribution and sales – with boundaries that are very weak and instable because they refer to a potentially very changeable matrix of assets and companies.

Market-space competition also emphasises global economies of scale, whose value does not depend on the level of exploitation of elementary manufacturing factors but on the 'intensity of sharing' of specific resources in a networking system, i.e. on the sophistication of collaborative relationships between internal, external and co-makership structures. Today's competition demands companies in networks with outstanding management skills, which can dominate the communication, research and development of new products, marketing, control and finance.

In open markets, not protected by geographical and administrative boundaries, companies adopt very flexible management behaviour, drawing on intangible resources, designed to exploit global economies of scale in a networking logic. In sizeable economies of scale, the search for lower manufacturing costs presupposes: 1. complex outsourcing functions; 2. dynamic localisation of plants; 3. large-scale marketing to tackle local demand that is poorly motivated to purchasing, volatile in its choices and non-loyal in its repurchasing habits.

In open markets, there is clear evidence of the crucial importance of a competitive approach to the market (market-driven management) and 'cross cultural management', i.e. company management that is strongly profit-focused locally and globally, and not turned inward into the organisation (as is the case in closed, uncompetitive markets) but exploiting the opportunities offered by open markets, i.e. variable demand and the instability generated by competition.

> □ *The Japanese companies Nippon Steel and Sumitomo Metal Industries will merge by October 2012, creating the world's second largest steel company and extending their steel sales to China, India and other emerging countries (2010, November).*

In global markets, the corporate culture of the network makes it possible to create organisations with a constructive uniformity, stimulated and controlled by communication network (Internet, Intranet, Extranet). It presupposes multilevel performance assessments that envisage an estimate of the strategic consistency of organisations' results and processes, complementarity (chairman leadership) and operating harmony (inter-dependence of structures, shared responsibilities, management leadership).

□ *When he presented the financial results after the acquisition of Porsche in 2009, Volkswagen CEO Martin Winterkorn announced an alliance with the Japanese company Suzuki, which was 'a key strategic move' to develop the small car segment and to penetrate Asian markets. The two brands are 'complementary in terms of their product portfolios, global distribution network and worldwide manufacturing capacity' (2010, March).*

3. Global Markets, Networks and System of Intangible Assets

The first part of the globalisation process has forced companies to operate on open markets, with diminishing physical, administrative and political boundaries, in a global system, linked by spreading digital Information & Communication Technologies.

Open markets have replaced the traditional closed markets that were typical of 20th century industrial systems, introducing new development models, relations between companies and institutions, and market relations. In this sense, the competitive analysis tools generally applied to the study of closed markets (market forms, concentration indices, etc.) have highlighted the characteristic limits and are not suitable to measure the competitive conduct of open markets, in which dynamism prevails over immobility and companies develop complex models of competitive interaction.

In highly competitive markets, therefore, lasting corporate development does not depend primarily on the volumes or connotations of individual products (easily imitated in their *tangible characteristics* and with *product intangible factors* characterised by extremely volatile marketing expenditure). In fact, corporate success on global markets is conditioned more by the level of sophistication of the *intangible assets.*

The system of 'intangible assets' reveals a number of characteristic key aspects. The intangible assets must be developed, maintained and even modified, with targeted spending and investment plans. Their intangibility certainly complicates their representation, but does not in any way exclude the need to assess the effectiveness of the dedicated costs. Intangible assets need time both to establish themselves, and to economic effects. Because they are part of a system, it is not possible to imagine maintaining the status of these assets once they have been extracted from the context in which and for which they have been developed, to insert them in different systems of resources.

The 'non-transferability' of intangible assets makes the interrelations between intangible assets extremely crucial, and explains the foundations of the governance processes of a corporate system of intangible assets, set up to manage a network organisation in global markets and without the physical conditioning of competition (market-space management).

Intangible assets may be managed with no geographical operating limitations (so that, for example, a business may develop an identical corporate culture in different countries), whereas they cannot be transferred from one company to another because only 'tangible' elements can be sold. Regarding product intangible assets,

we could say that where the transferability of a brand is concerned, the only element that can be separated from a particular corporate context is the registered trademark. This is the element that distinguishes a company's products, but it is separated from the value of the relationship (brand) established with a given market. Once it is sold, the trademark identifies a product managed by a different company: the new owner will only be able to adapt the relationship with the market (brand) to its own specific personality.

With globalisation, the economy has become supranational; with a free circulation of goods, capital, people, knowledge, technologies and ideas.

Overcoming the limited conception of space has revealed important changes to competition boundaries, global managerial economics and global corporate management.

Globalisation has modified the traditional space/time relationship of competition that considers time as a competition factor (time-based competition) and competitive spaces (market-space competition) that are open, dynamic and not limited by physical and administrative conditioning. The many dynamic relationships with heterogeneous subjects, which operate in different market-spaces generate conditions of strong competitive tension and determine a high level of instability.

Space and time therefore contribute to the creation and modification of the relevant competitive context, heightening the competitive tension in most sectors of economic activity, making it difficult to assess any conditions of market domination and, therefore, increasing the complexity of global markets.