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# **Value creation problems of Hungarian knowledge-based organizations**

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# Schedule

- Definitions
- Knowledge-based organizations and companies
- Value creation on the enterprise level
- Resources of value creation: the tangible and intangible balance sheet
- Value creation problems of knowledge-based organizations
- Stakeholder value
- Conclusions

# Definitions

- According to Drucker (1988) a knowledge-based “organization composed largely of specialists who direct and discipline their own performance through organized feedback from colleagues, customers, and headquarters.”[\[1\]](#)
- Wu et al (2008) defines that “knowledge-based organizations allocate resources for intangible assets (e.g: R&D) in the rapidly changing and highly competitive environment in order to gain competitive advantage”[\[2\]](#)
- According to Zack (2003) “a knowledge-based organization is made up of four characteristics that can be summarized as process, place, purpose and perspective”[\[3\]](#).
- Sveiby (1999) argues that in knowledge-based organization “knowledge flows are more important than financial flows. People are revenue creators, not cost items... .. production is becoming to knowledge workers converting knowledge to create intangible structures”[\[4\]](#)
  
- According to my view knowledge-based organizations are organizations in which value creation is based mainly on intangible resources like individual’s competence, organizational capital and relationship capital.

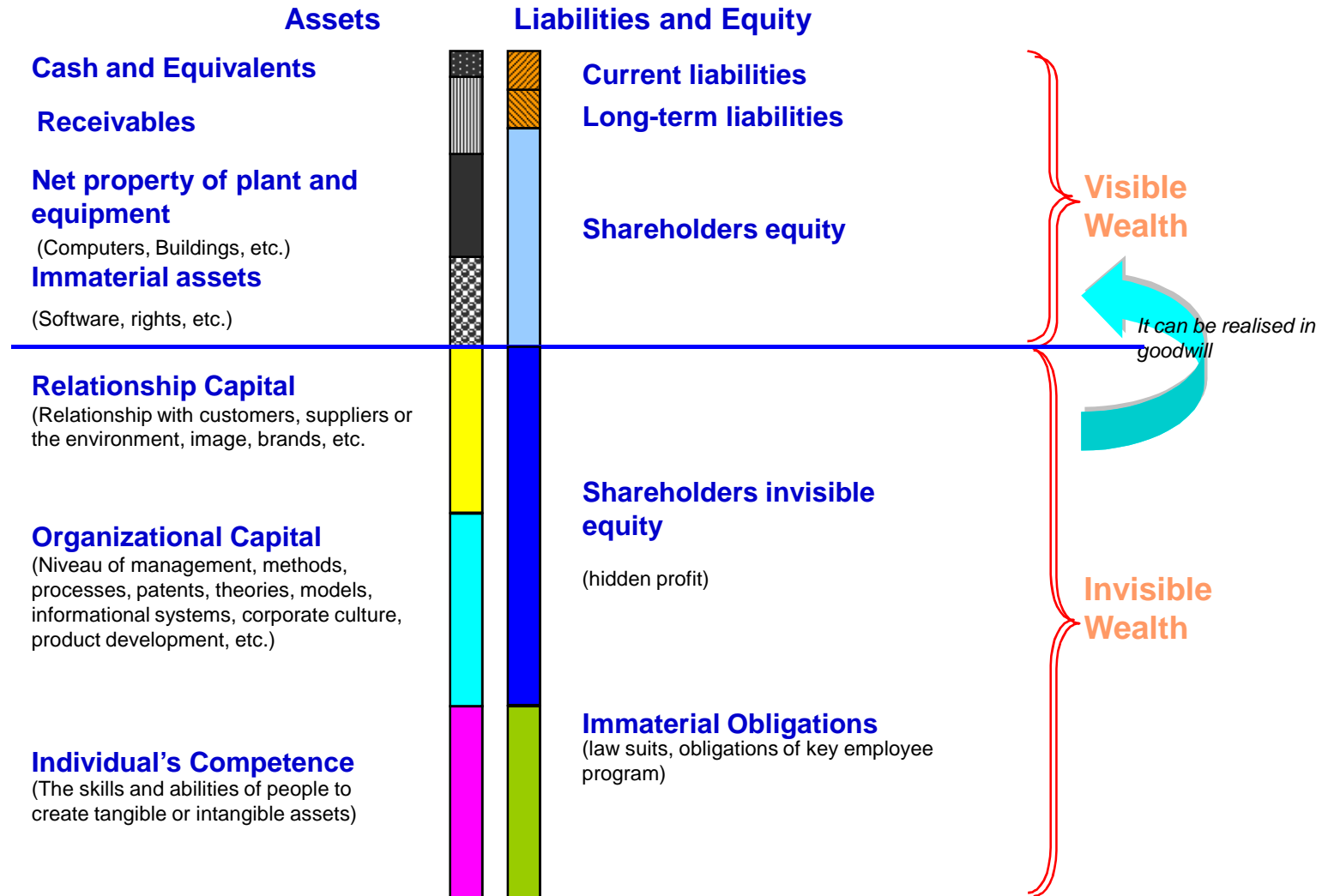
# Knowledge-based organizations and companies

- According to Chikán (2007) “the purpose of business enterprise is satisfying customer needs at profit” [5]
- Knowledge-based companies: are knowledge-based organizations with the purpose of satisfying customer needs at profit.
  - Well known industries: banking and finance, ICT, Consulting
  - Well known sectors of knowledge-based organizations: sport, education, and health care
- The empirics of the research are Hungarian special knowledge-based organizations: especially professional sport organizations

# Value creation on the enterprise level

- Chikán (2008) argues for the dual value creation of companies which is driven by shareholder value and customer value.
  - Customer value is represented by products or services for which the customers are willing and able to pay
  - Shareholder value should be calculated with the discounted cash flow method (with debts deducted)
- The bases of value creation are the tangible and the intangible resources together

# Tangible and intangible balance sheet



# Value creation problems of knowledge-based organizations

- The value creation of most organizations is negative if we use the traditional methods (!)
- Should we state that these organizations are destroying value?
- No we should not! We should however expand the focus of value creation to stakeholder value!

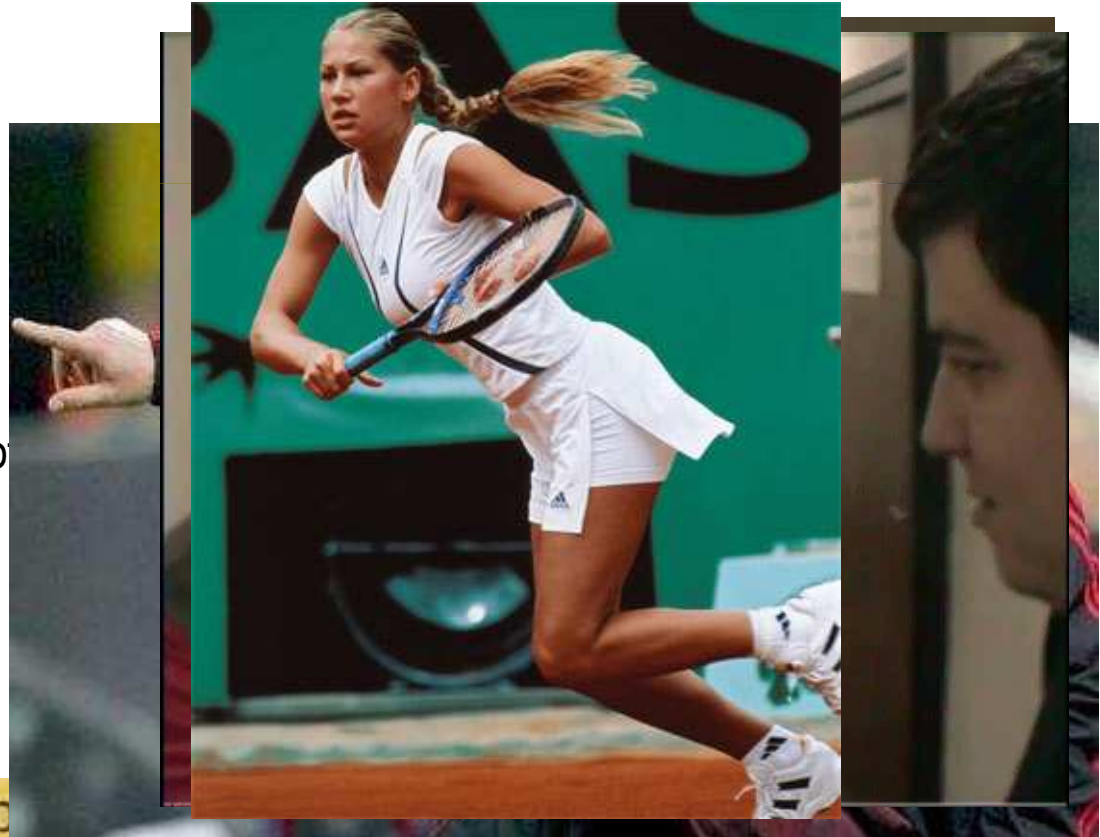


# Stakeholder value

- My definition of stakeholder value is the tangible or intangible value that is created for the different stakeholders which can be at least partly monetarized
- According to Chikán stakeholders could be any person or group which shares a substantive, enduring and mutual relationship with the company
- Internal Stakeholders:
  - Shareholders
  - Managers
  - Employees
- External Stakeholder
  - Customers
  - Suppliers
  - Competitors
  - Strategic partners
  - National Institutions
  - Public organizations
  - Natural environment

# Created values for internal stakeholders of sport organizations

- Shareholders
  - Shareholder value through dividends
  - Image of the ownership or acknowledgment through the professional performance of the team
- Managers
  - Wage
  - Acknowledgment through the profession or the manager society
- Coaches
  - Wage
  - Acknowledgment through the profession
  - Improvement
- Players
  - Wage
  - Improvement
  - Reputation



# Created values for external stakeholders sport organizations

- Consumers:
  - Supporting
  - Identifying
  - Experiencing victory
- Suppliers:
  - Advertisement
  - Share in performance (swimming suits)
- Sponsors:
  - Advertisement
  - Authenticity
- Media:
  - Publicity
  - Income from ads



# Created values for external stakeholders of sport organizations

- Competitors
  - Authenticity
  - Opportunities in the international competition
- Professional Associations
  - Authenticity
  - Distribution role
- Nation
  - Prestige
  - Role setting
  - Socialization
- Natural environment
  - Advertisement (alpine s



Olaszország (rendező ország)		Magyarország			
Helyezés		1 Arany	2 Ezüst	3 Bronz	Összesen
1.	Egyesült Államok	11	11	7	29
2.	Kína	11	7	11	29
3.	Oroszország	8	8	4	20
4.	Németország	7	4	1	12
5.	Ausztrália	4	5	10	19
6.	Nagy-Britannia	4	3	2	9
7.	Olaszország	4	1	5	10
8.	Szerbia	3	1	0	4
9.	Magyarország	2	1	3	6
10.	Brazília	2	1	1	4
11.	Spanyolország	1	7	3	11
12.	Japán	1	2	1	4
13.	Tunézia	1	2	0	3
14.	Dánia	1	1	0	2
	Svédország	1	1	0	2
	Zimbabwe	1	1	0	2
17.	Dél-Afrikai Köztársaság	1	0	3	4
18.	Hollandia	1	0	0	1
	Mexikó	1	0	0	1
20.	Kanada	0	4	5	9

# Conclusions

- The **intangible value creation** is as important as the tangible in case of knowledge-based organizations
- We should **emphasize** for our stakeholder what kind of **value** are we creating for them
- We have to examine which value can we **monetarize!**
- We should use the **methods of knowledge-based companies**

**Thank you  
for your kind  
attention!**

I am looking for your  
questions!

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