The aim of this paper is to study the process of symbolic value creation of human capital-intensive firms. Human capital is a critical resource for firms' activities. Nevertheless, this dimension is often obscured by industrial economists. In the light of critical resource theory, we analyze how taking into account the inalienable and inimitable nature of specific human capital entails a reconsideration of the role and boundaries of the firm. We show that the firm seeks to coordinate the specialization of its key partners within the frame of its economic boundaries to ensure the long-term optimization of its potential of value. Therefore, the value of the firm depends on all the resources that the firm coordinates. Then we focus on the way HCIF can create different values. We suggest that the firm builds its competitive advantage on different forms of values, in particular the symbolic value incorporated in human capital. Finally, on the basis of these considerations, we identify the wealth included in the critical resources of the firm and to bring to light the process of symbolic value creation associated with it. We suggest that the firm is the value-creating entity and the customer both recognizes and derives the value created from whatever it is that the firm provides. We propose a definition of this value and a schema of its creation process based on management works attempts. We conclude by proposing paths of research that could fruitfully be explored to further develop this new subject.

Keywords: Boundaries of the Firm; Human Capital-Intensive Firms, Symbolic Value, Value Creation.

JEL Classification: D2, L2, M1.
1. Introduction

Human capital lies at the heart of current research in the theory of the firm. For example, Foss (2011) advances that Human capital, defined as all the qualities that an individual develops within a particular economic context, plays a central role in determining the boundaries of the firm. In line with Foss (2011), Walker (2010) also shows that no theory of the firm captures all the effects of knowledge and human capital on the organization of production and therefore on the boundaries of the firm. In fact, when these theories consider human capital, it is always in combination with the physical capital specific to the firm concerned, as exemplified by the new theory of property rights (Grossman and Hart, 1986; Hart and Moore, 1990). Human capital is always subordinated to non-human capital so that (Hart, 1989). Yet, the human capital incorporated in firms’ employees is important in itself; it is indispensable to the exploitation of the non-human capital. Moreover, the innovation race is then led by human capital, inseparable from the people who incorporate it and in every stage of the production process. Machines are losing their uniqueness to the benefit of humans in the productive activity of firms (Blair, 1995, Rajan and Zingales, 2000).

Taking into account human capital in the definition of the nature of the firm has provoked an analytic upheaval, and this forms the point of departure for our reflection. The idea had already been voiced by Rajan and Zingales (2001a) in a pioneering article where they affirm that “power [within the firm] flows from a variety of resources in short supply (including not just property, but also strategies, ideas, or skills) that are valuable to the production process” (Rajan and Zingales, 2001a: 206). In other words, a complete and robust approach to the human capital-intensive firm (HCIF) must analyse the inalienable and inimitable nature of the critical resources constituted by the knowledge, skills, know-how, talents or any other attribute that an individual controls and exploits in his particular relation with the firm for which he works. This is what critical resource theory (CRT) sought to do (Rajan and Zingales, 1998, 2000, 2001a, 2001b; Zingales, 2000): by highlighting the intrinsic importance of human assets, CRT proposes a new vision of the firm based on contractual and productive coordination problems from a perspective of value distribution and creation. However, CRT does no more than mention this new issue of value creation: nothing is specified as to the definition chosen. Beyond the economic-financial approach focused on the formation of rents (surplus), we can see a broader conception, in terms of symbolic value.

Firstly, HCIF employ people with unique skills or knowledge, which take the form of critical resources and therefore represent an important source of economic value for the firm (Kochan and Rubinstein, 2000). They control assets which alone are capable of performing certain types of activity at the lowest cost, with a favourable effect on the competitive position of the firm.
Secondly, HCIF are imbued with creativity insofar as the mental and emotional attitudes of their talents give rise to some form of creation (discovery, invention, innovation, etc.). HCIF are constantly in search of new “forms” (of ideas, objects, scientific or artistic representations etc.), transforming existing knowledge to find new opportunities, giving them a new meaning or value. Creativity leads firms towards competitiveness based not only on the organizational design, i.e. the organizational form of the firm, but also on the industrial design, i.e. the apparent form or style of their goods and services (conveyed by appearance, language, advertising, images or experience), on the conception and on a whole series of assets that are qualified as intangibles (Brynjolfsson, Hitt and Yang, 2002). This trend suggests the growing interest in a new form of value creation deriving from specific skills and knowledge. What we are dealing with here is symbolic value, which has rarely been mentioned in the economic literature, except for very recent macroeconomic works examining the connection between the intergenerational transmission of values and economic growth (Corneo and Jeanne, 2010). However, we can follow Ravisi and Rindova (2004; 2008: 24), who define symbolic value as “the set social and cultural meanings associated with a product, which enable consumers to use it to communicate about their identity and social and status group membership”.

The aim of this paper is to study the creation of symbolic value lying at the heart of the competitive strategy of HCIF. To do it, we make economics and management literatures meet. In particular, we show that the economic works on HCIF can use the managerial notion of symbolic value to deal with the process of value creation. Specifically, firms that build their competitive advantage on critical human resources create symbolic value, which is the meaning incorporated in the firms’ offering. Our approach to HCIF covers all the productive entities of the “new economy”, in other words those who belong to sectors focused on R&D and whose capacity for innovation, which generates value, is strongly linked to intangibles. In this context, our analysis proves to be quite encompassing and concerns the majority of modern firms, ranging from biotech to the car industry, by way of ICT, advertising and a large part of the service sector.

Our argumentation is organized as follows. Firstly, in the light of CRT, we analyze how taking into account inalienable and inimitable specific human capital entails a reconsideration of the role and boundaries of the firm. We show that the firm coordinates the specialization of its key partners within the frame of its economic boundaries to ensure the long-term optimization of its potential of value. Secondly, we focus on the way HCIF can create different values, in particular built the intangible and inalienable critical resources they control. We argue for the need to rethink the overall process of value creation of HCIF. Thirdly, we bring to light the process of symbolic value creation. We suggest that the firm is the value-creating entity and the customer both recognizes and derives the value created from whatever it is that the firm provides. We conclude by proposing new lines of research that could be explored to further develop this new subject.
2. Human Capital: a Fundamental Source of Value

While human capital is more and more important in the productive and transactional activity of modern firms, how recent theories of the firm deal with this inalienable resource? These latter suggest a rethinking of the way we conceive the boundaries of the firm. They also stress the need to address the question of value creation and therefore the question of the growth opportunities and competitive advantage of the firm – essential when the firm is built around its specific human capital.

2.1. The Centrality of Human Capital in Firms’ Activity

Human capital theory was first proposed by Mincer (1958) and Schultz (1961) and then largely developed by Becker (1964); it has inspired all the developments analyzing the attributes of productive capacity that an individual acquires through the accumulation of general or specific knowledge, know-how and skills. The concept of “capital” relates to the idea of an immaterial stock attributed to a person when it is general or to an organization when it is specific. Unlike general human capital, which is transferable over the whole labour market, specific human capital is productive within the firm, but less so or not at all elsewhere. The stock of human capital, which can accumulate and depreciate, results from an investment that can be evaluated by the difference between initial costs (spending on education and training, opportunity costs) and discounted future income. Therefore, the specificity of human capital can be captured through incentive compensation plans, which reflect the firm’s fear of losing capital when the specific investment it has made cannot be recovered through higher productivity (because of the departure of specialized workers, for example). From this point of view, the wage spread can be explained by differences in employees’ productivity, which are themselves the result of differences in specific investments in quantities of human capital (Mincer, 1970).

Henceforth, the concept of “human capital” includes the notion of “human assets”, used to define a factor that is essential to a productive activity in progress, and even encompasses the concept of “human resources” which constitutes an infinite value potential. In addition, there is consensus in the representation of their specificity to the firm. In line with human capital theory, new institutional analysis defines specific human assets as the knowledge and skills of a firm’s employees that have a limited field of application outside the relationship in which they have been developed (Klein, Crawford and Alchian, 1978). These assets are specific from the moment that an employment relationship within the firm is more efficient than a temporary work contract with an outside agent. Economic approaches to the firm based on asset specificity can themselves be compared to resource- and skill-based analyses of the firm in management literature (Mahoney and Pandian, 1992). This comparison is founded on a convergent definition of the non-transferability of the human capital that generates value surplus. According to Penrose (1959: 52), when employees are used to working in a particular firm or with a particular team, they have greater individual and collective value because the
services they offer are improved by the better knowledge they have of their team-mates, of the methods deployed in the firm and the manner of performing tasks under the particular conditions and environment in which they work. Specific resources, meeting these criteria of value, scarcity, inimitability and non-substitutability and implying long-term specific investments, are the only resources capable of producing value greater than their own value (Barney, 1991). They are used with a view to creating new knowledge, in other words to generate innovations (improving organisational procedures, filing industrial patents, etc.) which can prove to be more useful within the firm but have limited applicability beyond its boundaries. Although we subscribe to these definitions, our intention is broader, since we believe that the specificity of human assets cannot be reduced essentially to properties of the employment relation. The complexity of the tasks to be performed requires the firm to establish long-term relations with specialized external partners who possess the knowledge and know-how that are indispensable to its productive activity. The human capital of these partners is therefore quite specific to the firm that needs it.

On the basis of these considerations, it is possible to define the human-capital intensive firm as a firm whose value depends mainly on the specific human capital it employs. From this perspective, critical resource theory (CRT), like resource-based view theory (RBV) (Penrose, 1959; Wernerfelt, 1984; Amit and Schoemaker, 1993), treats the productive dimension and dynamics of competition as one of the fundamental principles of its analysis. Seeking to move beyond the incomplete contracts approach from which it arose, CRT proposes a definition of the firm whose competitive advantage depends on the specificity of human capital and individual specialization.

According to CRT, the role of the firm is to coordinate the specialization of its productive partners within a rationale of mutual dependence. Unlike the standard theory of incomplete contracts, this role is not limited to the centralized ownership of alienable residual rights of control over non-human assets. It also covers the regulation of inalienable residual rights of control over human assets (Gibbons, 2005). In other words, the analytical innovation lies in the introduction of a new power allocation mechanism, distinct from property: access to the critical resources of the firm. Rajan and Zingales (1998: 388) define access as: “the ability to use, or work with, a critical resource”. The allocation of access rights may be contractual (notably in the context of an explicit contract of a commercial relation) or non-contractual (in the context of an implicit contract in the employment relation). In practice, access to critical resources can just as well be given to internal members employed by the firm as to members who are outside the firm – primarily suppliers and sub-contractors – but whom the firm needs to carry out its productive activity. According to the terminology of Grossman and Hart (1986), the right to control access is a residual right of control over the resource concerned. In addition, giving access to a resource means not only giving the right to use that resource, but also establishing a form of cooperation with the partners who have been given those rights (Grossman and Hart, 1986: 403). The allocation of access rights therefore gives rise to implicit relations of a long-term nature.
Likewise, future access cannot be the subject of an exchange contact, because it is difficult for the firm to define clearly and for the courts to verify. The concept of critical resource is similar to that of specific asset, except that as well as influencing rent-sharing, it also affects value creation. From the viewpoint of Hart and Moore (1990), the adjective “critical” means essential or indispensable to the productive activity of the firm. Ultimately, critical resources constitute a very important and/or difficult-to-replace source of value.

Under these conditions, the firm is no longer considered as a set of physical assets under the same ownership but as a set of critical resources, in particular human resources, to which access is fragmented. To put it another way, the boundaries of the firm are treated in economic terms, within the framework of the regulation of access to critical resources. They are determined by the limits of specialization and the need to maximize the gains from an efficient division of labour, both inside and beyond its legal perimeters. They are extended when the firm seeks access to indirect skills in addition to direct skills in the context of coordinating production (Kay, 2000; Brusoni, 2005). In the end, the coordinating role of the firm consists in managing a set of productive complementarities involving skills within the framework of its economic boundaries, rather than the single problem of hold-up; in this sense, the problems of coordination concern not only the sphere of transactions, but also the sphere of production (Langlois and Foss, 1999). This raises the issue of value creation, over and above the issue of value distribution resulting directly from the allocation of power. Moreover, the creation of value lies of the capacity of firms to generate and seize growth opportunities, driven by the race for competitive advantage.

### 2.2. Specific Human Capital, Growth Opportunities and Competitive Advantage

If, like Marshall (1890), we consider that “the most valuable of all capital is that invested in human beings” (Book 6, Chapter 4, Earnings of Labour), then the firm must be capable of exploiting and developing growth opportunities that can be found in the existing specific human capital. In other words, the existing critical resources can be considered as a determinant of the firm’s growth opportunities, i.e. the firm’s capacity to generate and maintain conditions favourable to development. Since it is not easily transferable outside the firm, specific human capital has a higher economic value when it is used for the productive activities organized by the firm. It is the source of potential rents, the creation of which depends on the impossibility for the competitors of the firm that coordinates it to imitate this critical resource. We believe that specific critical resources constitute the essential factor in the creation and maintenance of the firm’s growth opportunities for four main reasons. Firstly, growth opportunities may be found in future critical assets. To ensure the viability of such growth opportunities, the firm must build links of complementarity between the critical resources it already has and the growth opportunities contained in other assets. For example, an organizational asset of little or no initial value, like a brand or a corporate culture, can become a fundamental resource of the firm when employees with specific human capital specialize in it. In this case, the existing human capital helps the firm to capture the growth opportunities associated with organizational capital.
Secondly, growth opportunities may reside in the long-term capacity of the HCIF to maintain its lead over potential competitors, through the recruitment of complementary employees, for example (Fulghieri and Sevilir, 2009). Thirdly, growth opportunities may lie in technology. A firm can protect its opportunities by maintaining a dominant position in domains other than that inherent in its organizational capacities, notably thanks to production techniques. However, the technology in itself is not enough, because it can be imitated too easily and too fast. Under these circumstances, the means way to maintain a competitive advantage is to base one’s strategy on a combination of organizational capacities and technological leadership. The specific human capital possessed by key employees is therefore the only asset that enables the firm to pursue the race for innovation and quality, providing it with adequate protection of its growth opportunities. Fourthly and finally, the firm can have growth opportunities in domains where it already enjoys comparative advantages. Generating additional opportunities in productive activities where the firm is dominant is a source of growth. This practice is related to the creation of complementarities between the existing resources and the future opportunities of the firm. Thus, the existing critical resources underlie the preservation and creation of the firm’s growth opportunities. This comes down to attributing them a fundamental role in the formation of potential rents. The potential performance of the firm resides in the degree of specificity of the human capital that it coordinates and consequently, in the intensity of the economic interdependence between the critical partners of the firm. The more the human capital is specific, the more the long-term competitive advantage of the firm is important, because of the non-reproductibility of this type of resource.

The unique collection of resources making up the firm is a source of variety vis-à-vis its competitors. Activated in the production process, these specific resources are likely to create endogenous skills that are difficult to imitate, a particular know-how, for example, that is embodied in the human or organizational capital rather than the financial capital (Coff, 1997). Specific human assets, costly for the competitors to imitate, generate positive externalities due to their complementarity with a view to innovation. These critical assets would only generate a much lower economic value in rival firms; they therefore take the form of isolating mechanisms that limit the possibility of imitation or substitution (Gottschalg and Zollo, 2007). Moreover, they improve the other resources according to developments in the products market in a process of accumulation and appreciation (Porter-Lieberkind, 2000; Zingales, 2000). Consequently, specific human capital is the source of potential economic rents for the firm, unlike general human capital that can easily be redeployed and reproduced (Gottschalg and Zollo, 2007; Wang, He and Mahoney, 2009).

In other words, the “firms’ value-generating ability depends much more on the human capital they employ rather than on the physical capital they own, especially for entrepreneurial and innovative firms” (Fulghieri and Sevilir, 2009: 1). The value of HCIF, in terms of rents or surplus, depends on the innovations generated by the firm’s partners within the frame of its economic
boundaries. Under these conditions, the recruitment, retention and motivation of employees become an essential issue for value creation in modern firms (Fulghieri and Sevilir, 2009). More precisely, the strong complementarity between the critical employees of HCIF is the source of high productivity of this same capital within a context of teamwork (Fulghieri and Sevilir, 2009). HCIF therefore tend not to diversify but to remain focused on their core activity. In the same line of thinking, Halonen-Akatwijuka (2010) highlights a positive relationship between the productivity of firms endowed with specific human capital and the trend towards specialization that is reflected in the management of knowledge. The author analyses the way that organizational design (the choice between specialization and versatility of agents) interacts with the allocation of physical asset ownership (the choice between vertical integration and non-integration) to minimize the threats of quasi-rent expropriation. Through this study, the author argues that as an efficient organizational design, specialization, improves the productivity of HCIF. This implies that when income derived from the specialization of human capital is high (and at the same time, the economies of scale and/or scope allowed by the physical capital are low), then fragmented asset ownership (non-integration) is optimal.

Ultimately, if specific human capital, as a critical resource for the firm, is crucial to the coordinating role of the firm, it also determines the firm’s long-term capacity to create value. In other words, by ensuring the specialization and complementarity of the critical resources carried by its most important partners, the firm generates collective rents; in this way it seeks to establish and develop its competitive advantage, which depends on the creation of another, complementary type of value: the symbolic value.

3. An Overview of the Concept of Value

HCIF derive their competitive advantage from their capacity to innovate, made possible by the intangible and inalienable critical resources they control. These resources are therefore central to the process of value creation in HCIF. But what do we mean by “value”? The concept of value has been the subject of many different approaches, according to the discipline involved. An overview of the concept of value will allow us to show the extent to which the creation of symbolic value is characteristic of HCIF.

3.1 A Variety of Values

Value is a long-standing, polymorphous concept used in different disciplines (economics, management, financial theory, etc.), and evoking different realities in each case. According to Porter’s strategic analysis, “value is what buyers are willing to pay” (Porter, 1985: 3). Innovation then appears as one of the main mechanisms through which firms create value, compete on markets and ensure the long-term viability of their activities. From this point of view, this approach is similar to that of economists, but it differs from that of financial theorists, because the creation of shareholder value is the capacity to provide the shareholders with a rent higher
than the weighted cost of capital (Copeland, Koller and Murrin, 1991). In general, economic theories define value creation as the difference between the value of the finished product (the benefit perceived by the end consumer) and the value required to make the product (the cost for the producer) (Besanko, Dranove and Shanley, 1996). The producers must therefore achieve returns greater than their investments within a particular social context. In more recent economic approaches, a new conception of value has emerged, that of “multi-resource value” (Cézanne, 2008). The multi-resources value describes the collective wealth creation capacity of the firm which is contained in the multiple providers of critical resources. More precisely, it is the value of the firm’s specific human capital, weighted by the capacity of its organizational model of corporate governance to exploit it. Thus, the creation of multi-resource value can be understood in terms of March’s duality (1991) between the exploration of new opportunities and the exploitation of existing opportunities, according to the firm’s environment. The creation and sustainability of multi-resource value depends on the preservation of existing growth opportunities and the generation of future opportunities that are only made possible by the critical resources in place. The potential of multi-resource value, the exploration of new possibilities, therefore depends on the specific human assets. However, the competitive position of the firm is dependent on its long-term capacity to motivate the co-owners of these assets at work.

In strategic analysis, several semantic subtleties have been introduced to underline a specific orientation, different from that upheld by financial theorists. Slywotzky (1996) coined the term “value migration” to explain the process of value creation by the firm. To begin with, the value resides in a considerable competitive advantage with a strong stock market price. It evolves towards a value that is still significant but does not provide the firm with a decisive advantage in relation to its competitors. Finally, it takes the form of a highly competitive phase with value creation, because this has moved up- or downstream. Frery (2004) prefers the term “generation” to “creation” of value, referring to the purpose of the strategy. Lastly, value creation can define the raison d’être of the firm and become the criterion for evaluating its overall performance. Despite some divergence within the theoretical currents that study value creation, the central element of these works is the idea that firms are constantly seeking rents, which they obtain by using particular resources and skills, specific knowledge, strategic actions and innovations of different natures (technological, organizational, etc.). For Hamel and Prahalad (1994), these skills and resources are levers for the creation of “critical value”. In the same way, critical resource theory considers the firm as “a collection of commonly owned critical resources, talents, and ideas, and also the people who have access to those resources” (Rajan and Zingales, 1998: 388). In the end, in specific human capital-intensive industries, firms are moving away from competition based strictly on price or functionality towards competition based on industrial design, conception and all other intangible assets. So, HCIF are not concerned solely with their financial value. Now, more than ever, their image and reputation are also priorities. This trend suggests the growing interest in a new form of value: the symbolic value. Incidentally, some recent works in management progressively tackle the question of the
symbolic value creation, as listed by Smith and Colgate (2007). The typology of Heard (1993; 1994), for example, proposes three factors to conceptualize value creation: product characteristics, delivered orders and transaction experiences. In marketing, Woodall (2003) identifies five primary forms of value for consumers: (i) net value (balance between benefits and sacrifices). The benefits come from the attributes of the product (quality, performance or added service) and the sacrifices are cognitive and/or affective; (ii) derived value (result of use and/or experience). This value describes social, strategic, personal and practical benefits that can be cognitively and/or affectively appreciated. It corresponds to the idea of consumer value. It draws on the affective approach to consumer behaviour and is of a relational nature; (iii) marketing value (focused on the perception of product attributes), which can be associated with the intrinsic value of the product; (iv) sale value (reduction in sacrifice or low price). It corresponds to the idea of exchange value. It is the overall evaluation of the utility of a product based on the perception of what has been received and what has been paid; (v) rational value (evaluation). It results from the perception of a tolerable price and corresponds to the difference between what is considered a fair price and the real price of the product. It is a cognitive estimation of the price according to the attributes of the product and/or to the reference (fair or market) price.

Lastly, the typologies of Ulaga (2003) and Holbrook (1999, 2005) identify three key dimensions: extrinsic/intrinsic, self-oriented/other-oriented and active/passive. The value is “extrinsic” when the consumption serves as the means to an end and “intrinsic” when the experience of consumption is an end in itself. It is “self-oriented” when the experience contributes to one’s own pleasure without any social interaction, and “other-oriented” when it depends on a positive reaction from others. The value is “active” when it corresponds to the physical or mental manipulation of a tangible or intangible product. It is “passive”, on the contrary, when the product acts on the subject.

However, for Smith and Colgate (2007), these works suffer from a serious limitation. They fail to capture the aspects of cost and sacrifice present in the classic definitions of value. According to Monroe and Krishnan (1985), for instance, value can be defined as the ratio of perceived benefits to perceived sacrifices. To make up for this shortcoming, Smith and Colgate propose four types of value creation, following a strategic orientation and seeking to identify categories of value that can differentiate the supply and not just the specificity of benefits or sacrifices: (i) functional/instrumental value; (ii) experiential/hedonic value (the experience felt by the customer in his activities of purchase and consumption is in itself a source of hedonic gratification); (iii) symbolic/expressive value; (iv) cost/sacrifice value. We obviously focus on the fourth one, the symbolic value.

3.2 The Symbolic Value

The importance of conceptualization, including symbolic value in the innovation process, is a subject of growing research in different sectors, notably in internet firms (Kotha, Rajgopal and
Rindova, 2001), consultants (Pellegrin-Boucher, 2006), on-line communities (Dahlander, Frederiksen and Rullani, 2008), and communities open to innovation (Leminen and Westerlund, 2009). Several common elements emerge from the various researches (in sociology, anthropology, management, etc.) on the symbolic value creation; they can be resumed in three levels.

At the level of the firm and especially HCIF, the symbolic value of a product is a capital, in other words the immaterial stock ascribed to the product and the investments required to produce it. It is at the same time the culmination and the starting point of the process (Ravisi and Rindova, 2004). HCIF combine tangible assets (financial and physical resources) and intangible assets (intellectual capital, social capital and reputation capital), which enable it to create products that consumers appreciate not only for their function, but also for their meaning. Each type of capital has been recognized as facilitating access to the sources of competitive value for the firm. More precisely, according to Ravisi and Rindova (2004), symbolic value creation requires three particular types of capital at the same time:

- **Intellectual capital**, also described as cultural capital, represents the firm’s capacity to grasp and decode cultural meanings. Cultural meanings comprise diverse elements that may be aesthetic, artistic, educational, game-related or technological. As the knowledge that constitutes this capacity is scarce and difficult to imitate or substitute, it gives an advantage to the firm that is capable of supplying goods and/or services that are better appreciated by consumers on these grounds (Ravisi and Rindova, 2004);

- **Social capital** is an institutional capital defined as a set of resources connected to the possession of a lasting network of relationships between partners. The social ties and their dynamics constitute a critical resource for HCIF, because they help to make them unique. Social capital is therefore a product of the size of the firm’s personal network, the volume of resources contained in this network (information resources, direct and indirect relational resources), access to these resources, etc.

- **Reputation capital** constitutes a symbolic capital embodied in the prestige of the firm and in the desirability of being associated with its name or products (Ravisi and Rindova, 2004). According to Kotha, Rajgopal and Rindova (2001: 572): “It is a source of competitive advantage because it is non-tradeable [must be developed through the action of the firm], non-substitutable [firms can provide product guarantees as a substitute for reputation], non-imitable [acquired through socially complex interactions] and rare [unevenly distributed]”. In the building of reputation capital, “economists emphasize the importance of signals - actions or statements that seek to reveal to the market a firm's true strategic type” (Milgrom and Roberts, 1986; Kotha, Rajgopal and Rindova, 2001).

Also, two other intangible assets, the brand and the industrial design, can also play a role in the process of accumulation, protection and exploitation of symbolic value. The brand is a distinctive sign for consumers because it facilitates recognition of the product with regard to rivals, by means of graphic representations (logo, numbers, initials, drawings, pictures), visual
codes (colours, lay out) and auditory codes (sounds, jingles). When a trademark is registered, it becomes legally protected and gives the firm a monopoly over its use. As for industrial design, it serves to rethink the functionalities of products beyond their primary attributes and uses and their financial constraints, to move towards a more transient concept inspired by the latest trends (symbols and developments), illustrative of the firm’s identity and generating value perceived by the consumers. This perceived value is considered a decisive element in consumer purchasing behaviour. Woodruff (1997: 142) defines it as “a customer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer’s goals and purposes in use situations”.

At the level of the object, it emerges that the products have an individual value, conveyed by a functional (or instrumental) value and a symbolic (or expressive) value (Ravisi and Rindova, 2004). This symbolic value is determined by their position in a cultural system of meaning, which the HCIF gradually learn to master. HCIF use these meanings to form categories of consumers, based on the characteristics and attributes describing their needs and expectations. Thus, the symbolic value of a product derives from its relationship with other object-symbols within a categorial system specific to a culture (the consumers are grouped into categories possessing shared attributes) and representing the range of variation of the symbolic value. It is therefore ephemeral and requires particular attention to make it viable over the long run. The binary classification of functional value and symbolic value made in management theory is a simplified approach, compared with the debates that have been held on this subject in other disciplines. It is summarized in the following Table 1 (inspired by Ravisi & Rindova, 2004).

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Comparison between Functional Value and Symbolic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Ability to perform specific tasks that satisfy customer needs</td>
</tr>
<tr>
<td><strong>Locus of value creation</strong></td>
<td>Production (physical)</td>
</tr>
<tr>
<td><strong>Critical resources</strong></td>
<td>Human capital, physical capital, technological capital</td>
</tr>
<tr>
<td><strong>Source of value</strong></td>
<td>Fit with customers’ value chain/instrumental needs</td>
</tr>
<tr>
<td><strong>Process of value creation</strong></td>
<td>Combination of resources in physical production processes</td>
</tr>
<tr>
<td><strong>Competitive advantage</strong></td>
<td>Based on technological innovation (performance improvement)</td>
</tr>
</tbody>
</table>

Source: Own preparation.
Beside this binary distinction, the literature proposes numerous more detailed typologies identifying the positioning of the symbolic value among the different existing values. For example, the typology of Sheth, Newman and Gross (1991) comprises five categories of value for a product: the functional value, resulting from the physical and utilitarian performance of the product; the social value, which depends on the image conveyed within a group; the emotional value, which covers the emotional states provoked by the object of consumption; the epistemic value, which is the product’s capacity to arouse curiosity, and the conditional value, which is related to the contingencies of purchase and consumption.

From the consumers’ perspective, the symbolic value of a product is defined by its ability to generate meaning (Ravisi and Rindova, 2004). This meaning is related to a social identity and to the consumers’ status. Consumers attribute a meaning to the objects of transaction based on a set of perceptual elements deriving from the design, from their specific preferences (determined by their social networks and cultural environment) and from the inventiveness of the HCIF.

4. The Process of Symbolic Value Creation in Human Capital-Intensive Firms

Proposition 1: The Definition

What is the process of symbolic value creation through which HCIF can obtain a competitive advantage? When a firm produces a good carrying a set of cultural meanings with which consumers want to be associated, symbolic value is created. This value can be activated through a specific process of creation (Ravisi and Rindova, 2004). According to its supporters, this approach allows to extend the traditional theoretical models of value creation and to appreciate HCIF from another, more appropriate perspective: internalization versus externalization. This means considering HCIF firstly according to their internal specific assets, then in terms of the coordination of their partners’ skills and finally through the relation between the two. This process consists firstly in analyzing the combination of tangible and intangible assets of a firm to assess their contribution to the production of symbolic value. This association facilitates the production of products that consumers appreciate not only for their functionality but also for their significance (Lawrence and Phillips, 2002).

For specialists, symbolic capital manifests itself through production and exchange (Moran and Ghoshal, 1999); more precisely, it is expressed through the process of accumulation and deployment of the resources behind the value creation. On a first, material level, this process combines resources in the form of economic and technological factors. On a second, more social level, it combines cultural resources and trends (Rindova and Fombrun, 1999). The
process of symbolic value creation has two meanings. According to Ledgerwood, Liviatan and Carnevale (2007), it represents the meaning and role of the representations that firms promote towards consumers and the way that consumers or their reference groups relate to and identify with them. Numerous works define these representations as “a form of knowledge, built and shared socially, having a practical objective and participating in the construction of a reality shared by a social group” (Jodelet, 1997). They make it possible to analyze consumers and communities by observing the way in which they conceive themselves and those around them.

**Proposition 2: The Mechanisms**

As specific communities of human assets, HCIF are more oriented towards human interactions, creativity and innovation. According to Rindova and Petkova (2007: 217), “through innovation, firms renew the value of their asset endowments and discover novel uses and combinations for their existing resources”. Thus, numerous studies agree that to an increasing extent, products are not being bought and valued for their functional aspects and technical particularities (Rindova and Petkova, 2007) but for their significance as signals of individual social or cultural identity, i.e. for their symbolic value. These signals appear to be driven by two opposing concepts: mimicry and differentiation. In other words, consumers look for a sign of recognition, differentiating themselves through the acquisition of an innovation while imitating each other within a narrower community. Symbolic value provides a link between the consumer and his community. Sociologists describe these signals as signs of emotional and moral belonging to a cultural and social group defined as the reference. Thus, the more a product adheres to Ohmae’s principle (1989: 144) of the “Californization of need”, suiting all consumers whatever their cultural sphere or nationality, the stronger its symbolic value. It is therefore important to endow new products with significant values produced by the distinctive skills of specific human assets. Although the approach is logical, the process is highly complex, as we have just described. It is necessary to identify the signals carrying symbolic meaning and to define the strong uncertainty hanging over its success. This uncertainty concerns not only the recognition and adoption by consumers of the functional innovation of the product and the value it generates (Rindova and Petkova, 2007), but also the skills needed by the HCIF to achieve it. The value that it generates could be quite different to that for which it was initially planned. Several studies have observed that the innovation off the successful product is a creative process involving successive cycles of learning by both consumers and producers (Dougherty, 2001; Rindova and Petkova, 2007). Since one of the purposes of innovation is to contribute to the long-term viability of the firm, it is part of a strategy involving capacities of value creation and profit generation. These capacities are the justification given to consumers for accepting a price higher than the cost of production. From this synthesis, we can draw up the following schematic diagram of our reflection (see Figure 1).
5. Conclusions

This article first proposed to rethink the boundaries of the HCIF in terms of both its external relations with partners and consumers and its internal relations with its key employees. We showed that HCIF tend to be vertically disintegrated because of the strong gains from the specialisation of human capital. In other words, HCIF have high productivity due to the synergies derived from team work within the frame of their economic boundaries. Therefore, we suggested that they have a high propensity to create functional value which in turn enables them to create a new type of value, the symbolic value. So, the article subsequently underlined the growing importance of the symbolic value in the competitive advantage of these firms. After defining the notion of symbolic value compared to the various types of existing values, we defined its process creation within firms who built their performance on critical human assets.

**Figure 1. Synthesis**

*Source: Own preparation.*
This provides a number of paths to explore in future research. Firstly, the development of a strong presence in social groups is particularly interesting. HCIF create new spaces of conversation with consumers, discussing the innovations and products and building long-term relations. These social networks bring another dimension to the relations between firms and consumers, inviting study of the emergence of on-line social networks as a tool of symbolic value creation. These on-line networks facilitate co-creation with consumers, who can think up new developments for products or services by interacting with the content. Secondly, the particular relationship between a firm and its customers can be analyzed through a specific theoretical new approach. The firm and the customer both recognize the value and they are encapsulated in what is called “the service-dominant logic (SDL)”. Vargo and Lusch (2004) developed the idea of SDL as a means of making sense of these ideas. Among the ten fundamental principles (or foundational premises) they develop, two are really interesting regarding the firm-customer relationship. The first one explains that “the enterprise cannot deliver value, it can only offer value propositions” and the second one indicates that “the customer is always a co-creator of value” (Vargo and Lusch, 2008: 2). These suggest, firstly, that the firm can only make a “best guess” at what the customer may find to be of value – that is they can “propose” the value that resides in the offering (this is the “value proposition”), but only the customer can know exactly what value exists for him/her. Secondly, these suggest that value is primarily released at the point(s) of use or experience, and that the customer is a co-creator of value. Different customers, of course, will recognize/derive different types and “amounts” of value.

References


