

INTELLECTUAL CAPITAL FROM AN ECONOMIC PERSPECTIVE-A DESCRIPTIVE THEORETICAL STUDY

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ABSTRACT

Intellectual Capital From An Economic Perspective. A Descriptive Theoretical Study The study sought to examine the intellectual capital from an economic perspective. In order to verify the extent to which intellectual capital plays a role in the human dimension of economic development as well as the organizational dimension, It also sought to identify the role of economic theories in this process. in favor of current developments in intellectual capital.

The findings demonstrated the connection and significance of human intellectual capital for economic development, as well as the function that organizational intellectual capital plays in that regard.

One of the study's most significant recommendations is to focus attention on the micro and macroeconomic sectors at all levels in order to implement intellectual capital practices.

This can be done by adopting a national plan that lays out these practices and is followed by measurement indicators that track how well they are being implemented.

It can also be done by encouraging institutions and economic sectors to create an environment that is conducive to capital building.

Keywords: intellectual capital. Human capital. Regulatory capital. Relational. capital economic theories in intellectual capital.

1- INTRODUCTION

The concept of intellectual capital was developed for the first time as a framework for analyzing the extent of its contribution to profit-making organizations, especially through the work of companies (Scandia, Dow Chemical, and Hughes Aircraft) and other companies, in what is called (intellectual capital accounting).

But the studies and research that followed confirmed that the concept has a major role in non-profit organizations, especially in creating value for the organization, supporting its competitive strength, improving organizational performance and achieving success. The growing role of knowledge in all fields has been strongly reflected in organizations in general, profitability. It was a non-profit organization and found itself faced with this development, needing to keep up with it. It must also move out of the circle of being affected by the external environment to the area of influence in it. Something like this cannot be achieved by developing its actual assets only, as it was discovered with the emergence and growth of the

term intellectual capital that assets or Invisible “intangible” assets have the most important role in keeping pace, development, and sustainability, as competitive advantage is no longer limited to advanced technology alone, low costs, or other traditional matters that used to give organizations larger market shares and help maintain them through sustaining competitive advantage. Rather, intellectual capital, with its three components that researchers have agreed upon as “intellectual capital, organizational capital, and relational capital,” has become the main factor in achieving sustainable value and competitive advantage that is difficult for competitors to imitate or obtain in the same circumstances. The topic will be discussed according to the following axes. :-

Formulation of the problem. To Reveal the nature of the role of intellectual capital from an economic perspective.

2- LITERATURE REVIEW

According to John Galbraith, Itami, and Rowell, the 1969 coining of the term intellectual capital, or IC. The phrase refers to a level of comparatively high intellectual activity as relationships and knowledge that can be translated into organizational success. Some researchers trace it back to Mc Glaub in 1962, he highlighted the importance of knowledge as necessary for development, which has become the focus of researchers and academics in recent years, especially with the emergence of the term knowledge and its circulation in organizational literature, while researchers believe that the term dates back to the nineties of the last century in an article by (Stewart, 1991) Journalist of the American Forbes Business magazine, who defined in his first article intellectual capital as (the mental strength of the organization).

However, framing IC as a management issue is a fairly new trend. In another article by Stewart (1997) published in Fortune magazine, he discusses IC as the knowledge, ability, and strength of employees through which competitiveness can be enhanced. For the organization, it was also mentioned that the distinction between the market value and the general value of the organization is through (IC) ((Tarique & Muhammad, 2020:2).

As for its definition, from the sixties until now, different definitions have been proposed for it by different authors, and it has been known by many definitions, including:

- The cognitive and information-oriented process that includes the application of expertise, organizational techniques, customer relations, and professional skills that lead to increasing the competitive capabilities and future profits of the organization.
- Knowledge or information that can be converted into profits, which is a group of knowledge assets that belong to the organization that increases its value and improves its performance. (Muhammad & others, 2020:1623-1624)
- It is the intellectual materials, knowledge, experience, intellectual property, information and data that can be employed and used to create value for the organization and society (Dumay et al, 2018:3).
- It is the intangible and rare assets that aim to create the organization’s competitive advantages, which include human, structural, and relationship perspectives (Chao & Shyh, 2019:2-3).

• According to the Business Dictionary (2006) as “knowledge that can be exploited to make money or for another useful purpose.” As Thomas Steward (2001) defined, “Intellectual capital is the sum of everything everyone in an organization knows that gives it a competitive advantage (Khalique& MD, 2015:38).

What distinguishes the twenty-first century is the emergence of the power of knowledge, which is considered an important factor that gives the institution the ability to continue and possess competitiveness. Accordingly, institutions and governments began to give the issue of building a knowledge base the importance it deserves, and the necessity of possessing it and knowing how to manage it, and what results from this is capital. Intellectual Management and measurement of intellectual capital.

The institution must be well aware of how to own, manage and measure intellectual capital. We explain this role and importance below: (Ghadeer and Muhammad, 2019: 82).

- Make new acquaintances in the organization.
- Increases the efficiency of asset use, higher productivity, and provides better services
- It works to develop intangible assets.
- It gives capabilities and competencies that contribute to the success of institutions
- By relying on intellectual assets, it allows organizations to make strategic choices that are well exploited in light of the opportunities and threats in the external environment.
- It provides the ability to adapt to the challenges posed by the environment and helps shift the strategic focus to intellectual resources, including knowledge, skills and experience. This is important for non-profit organizations because the activities and changes that can occur in organizations will be supported primarily through initiatives and Internal participation by employees, which contributes to enhancing communication, delegation and coordination as a means of measuring organizational success and high performance (Eric, 2007: 726-727).

Most research and studies have agreed that the components of (IC) are identified in three categories of intangible assets of the organization: (human capital, organizational (or structural) capital, and relational capital (also called social capital or customer capital) (Giustina & others, 2020.1-2) and as in the following figure: -

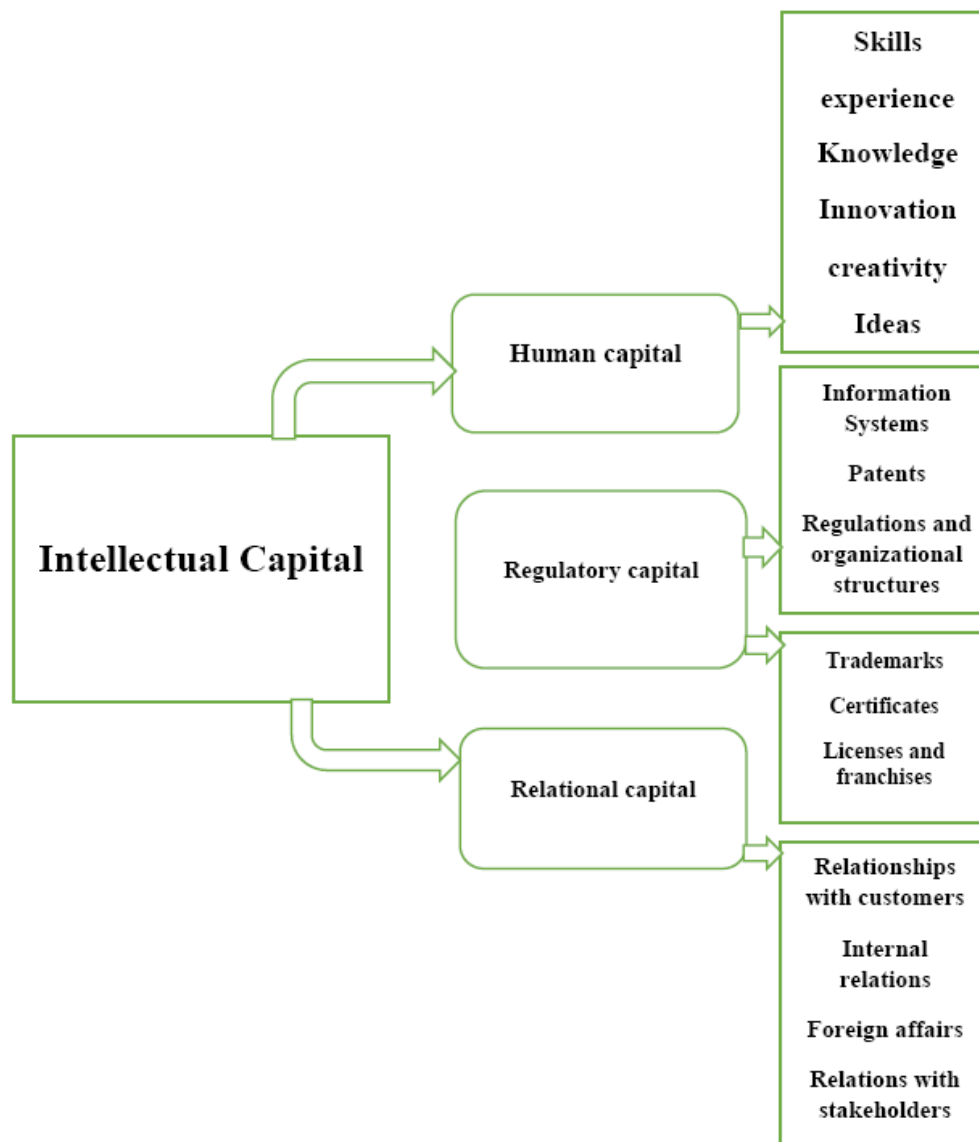


Fig. 1. Intellectual capital elements

Knowledge-based theory and resource-based theory are the two hypotheses that intellectual capital theory advances. This work will make a substantial advance to the theory of intellectual capital and the literature evaluation. Copyright may apply to some content.

Intellectual capital refers to the value of a company's collective knowledge and resources that can provide it with some form of economic benefit. It's also used to identify a firm's intangible assets and divide them into meaningful categories.

There are recent trends that divide relational capital into two parts, the first related to relationships within the organization and the second to relationships outside it.

1. Human capital:

Human capital is the knowledge, skills, experience, intuition, and attitudes possessed by employees within an organization. It is often used to explain the key role of human resources' basic capabilities to find the most valuable solutions, solve problems, and gain, maintain, and

develop a long-term competitive advantage (Matos et al, 2019:4) In contrast to the physical or monetary assets that an organization owns, human capital remains in a vague position as organizations cannot say that they actually own it or even that they control it, because in the end they are employees who leave their workplaces daily and can change it by simply moving to... Another institution, which makes the organization responsible for preserving and sustaining human capital. (Grant, 1996:112), because the characteristics of human resources are characterized by being valuable, appropriate, permanent, rare, and non-transferable: competitors must not be able to obtain resources similar to the organization's human resources with the same conditions and costs in labor markets. (Molodchik et al,2012:444)

2. Regulatory capital:

Structural or organizational capital is defined as the value that is left in the organization when employees return home, such as databases, programs, manuals, regulations, instructions and customer lists. Organizational capital is divided into operations capital and innovation capital. The information and experience that are codified and kept in organizations—whether they are kept in databases, regular procedures, patents, manuals, or organizational structures—are referred to as structural or organizational knowledge. Organizational capital is the body of information and experience that is based in an organization's data about relationships and networks. It is concentrated on the knowledge that is contained in these data. codified, and organized. It provides the organization with a sustainable competitive advantage (Subramanian & Vrande, 2019:3), and building organizational capital must be characterized by retaining organizational knowledge, encourage innovation, and be rooted in and support belonging.

3. Relational Capital:

It is sometimes called (external) social capital (Aino & others, 2017:12). It is represented by the organization's external reputation and relationships with its suppliers and customer loyalty. It also includes market relationships, cooperation, understanding, rapprochement and good faith between the organization and its customers, competitors, external suppliers, stakeholders and partners. Strategies, distribution channels, licensing, agreements, customer satisfaction, and all parties related to the organization. It is sometimes called (market assets) (Tarique & Muhammad, 2020:2-3).

Relational capital supports innovation because not all the knowledge necessary for innovation exists within the boundaries of the organization. External relations can help organizations innovate and provide solutions that exist elsewhere than the organization itself and benefit from knowledge from various external sources. Thus, relational relationships encourage knowledge exchange that can increase the opportunity for joint creativity and the involvement of others such as (customers). in development activities, and facilitates cooperation between organizations, knowledge exchange, and interactive learning, thus increasing innovation. The three components of (IC) are interconnected through the collection, use, interaction, balancing, and flow of knowledge between them, which makes them provide the greatest possible value to organizations (Eric, 2007: 726), and when building relational capital, the organization's

relationships must be characterized by social relationships, loyalty to the organization, cooperation, values, norms, and interaction (Chang, 2011:10).

Examples of intellectual capital management (inverted organizations and intellectual networks (spider webs))

The inverted organization means shifting from the traditional structure to structures that make room for (IC) with flexibility, given that this type allows professionals (intellectual capital) to issue instructions so that senior management makes them the real heads of the organization. Effective management is the one who abandons its ineffective traditional structure in Facing the challenges and requirements of knowledge organizations has even become a threat to IC investment, as if it wants to survive, it must take the form of new structures that are compatible and compatible with the ever-moving and unstable movement of knowledge, even if it takes the form of an inverted pyramid.

As for intellectual networks, which are called spider webs, they are a team formation in which an innovative group participates, interacting with each other and learning from each other to make the most of (IC). When problems occur, especially complex ones, this network begins to gather to address them. Then this network is solved after the problem is completed and is formed from New when problems arise, and so on, and this intellectual fabric is characterized by the homogeneity of the cognitive and mental characteristics of its members, real interaction to produce appropriate ideas, and their ability to make these ideas implementable (Ashour and Hussein, 2010, 7-8).

The human intellectual capital component is considered one of the important elements in the concept of intellectual capital, especially since it is one of the elements that is concentrated in the intangible intellectual production provided by workers in institutions, and the study (Uddin et al 2020) confirms that the economic value and impact related to economic development From the aspect of human intellectual capital, it relates to creating added value in many areas as a result of the innovation provided by the human resource, in addition to the added financial value that human intellectual capital contributes to achieving (Mohamed, 2016).

Human intellectual capital also affects the factors associated with increasing inflation, and this relates to its role in creating employment opportunities and increasing their levels in various economic sectors as a result of its impact on the recovery of those sectors through what is done.

It provides highly productive human performance (Salim, 2019), or produces intangible resources that help in finding solutions (Tahir,2020 ,et al,)effective for economic sectors in a way that increases local openness and increases investments.

While the study of Chahal and Bakshi (2015) defines the dimensions of the components of intellectual capital based on the organizational dimension in the aspects that the organization achieves in possessing organizational learning experiences that serve to improve performance in all the activities it practices, so that organizational intellectual capital is determined in its aspects. Innovation, increasing levels of competitiveness and diversifying its elements within the organizational context of the institution.

There is another approach related to the dimensions of organizational intellectual capital, which is the important role that administrative organizations achieve in building human

social capital within the organization, so that organizational procedures contribute to stimulating and encouraging human interdependence and integration in a social context reinforced by the organizational structure, which is reflected in building communication channels that enhance It facilitates the flow of organizational procedures and allows the organization to respond to external challenges and reduce their costs and negative effects.

3- CONCLUSIONS :

In this study, the focus was on the nature of the role of intellectual capital from an economic perspective? Through research, the study concluded that there is an impact of human and organizational intellectual capital on economic development and its connection to it, while strengthening economic theories of the importance of intellectual capital in economic development. In light of this, a practical implementation plan was developed in order to enhance the role of human and organizational intellectual capital and achieve economic development.

It has been shown that intellectual capital includes two dimensions: the human dimension and the organizational dimension, as it contributes through these two dimensions to the production of intangible intellectual assets, in addition to its contribution to providing one of the modern factors of production, which is knowledge and human and organizational thought.

The results confirmed that human intellectual capital contributes to improving human productivity and consolidates the increase in intellectual knowledge production and innovations, thus contributing to improving performance, and thus contributing to achieving economic impact and development.

The results also showed that organizational intellectual capital depends on effective organizational procedures and performance that contribute to enhancing organizational and institutional experience and knowledge, in addition to giving the organization capabilities that help it increase added value, competitive position, and levels of profitability, which are aspects that achieve impact and economic development.

The results of the study found that there is an influential role and relationship for the human intellectual capital component to economic development, especially in enhancing added value and tangible innovations, creating high levels of employment opportunities, increasing financial added value, and increasing investment opportunities based on innovations and human knowledge.

The current study found that there is an influential role and relationship between the organizational intellectual capital component and economic development, and this came through the role of organizational intellectual capital in increasing levels of profitability, improving resource utilization, expanding investment opportunities in the organization's assets, increasing the level of effectiveness of operational operations and entering international markets.

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