

## **EVALUATION OF INTELLECTUAL CAPITAL AND ITS IMPORTANCE**

**Mehdi Fadaei**

*Department of Industrial Management, Islamic Azad University, Rasht Branch, Rasht, Iran*

**Mohammad Taleghani**

*Department of Industrial Management, Islamic Azad University, Rasht Branch, Rasht, Iran*

**Eslam Shafeie Noghlebari**

*M.A. Student of Business Management, Islamic Azad University, Rasht Branch, Rasht, Iran (Corresponding Author)*

### **Abstract**

*The concept of capital is one of the most rich explanatory framework considerations contemporary of sociological, economic and managerial. Intellectual capital is set of knowledge, information and intellectual assets, experience, competition and organizational learning that can be used for creating wealth. The concept of intellectual capital in 1969 was coined by economist named John Kenneth Galbrais. Intellectual capital includes human capital, structure capital, and customer capital. Management of Intellectual Capital has closely relationship with knowledge management to the extent that for organizations proper communicating between intellectual capital and knowledge management is critical. In this article be deal to expression of the intellectual capital and also will discuss about dimensions of intellectual capital.*

**Keywords :** *Capital, Intellectual Capital, Human Capital, Structure Capital, Customer Capital*

### **Introduction**

If organizations want have continuous and stable presence in trade and competition world should do activity revolves around of science and knowledge. Despite the fact that knowledge is essential as a resource for organizational survival and condition for organizational success is depends on access to knowledge and its deep understanding at all levels, but competition the first principle of survival, and knowledge is a prerequisite for entering the competition arenas. So if organizations in wisdom dimensions and also the nation in massive scale be unaware from progress they will lose economy and create wealth to rivals. (Shojaei & Baghianian 2009)

Until the early 1950s, the main cause of backwardness of the developing countries believed to be lack of physical and financial capitals. But today, specified that injection of large amounts of physical and financial capitals necessarily do not follow accelerate growth and development in these countries, rather countries have strong organizations efficient administrative institutions and yet the efficient and professional human capital, they can attract own physical capital and financial and to employ for accelerate growth and development. (Fetras & Beigi 2010)

### **Capital**

The concept of capital be considered as one of the most rich explanatory framework in consideration of the sociological, economic and managerial in the modern age (Jafar Najad & Ghasemi 2008). Capital is considered as whatever is valuable in terms of public. (Leap Et al 2004)

### **Previous Research**

- 1. The impact of intellectual capital on investors capital gains on shares: An empirical investigation of Thai banking , Finance and insurance sector**

**Appuhami 2007**

This finding shows the ability of intellectual capital for creating capital profit and therefore absorbing investors in the market.

**2. Examining the mutual relations among intellectual capital's components and its effect on Tehran Mellat Bank**

**Yazdani 2006**

Results of research showed that different components of intellectual capital have not any considerable effect on Tehran Mellat bank branches.

**3. Examining the relation of intellectual capital and company performance**

**Sinaee Et al 2011**

Results showed that there is a positive and Significant relationship between components of this research intellectual capital means innovation capital and customer capital with financial performance of company.

**Intellectual Capital**

Intellectual capital is set of knowledge, information, intellectual property, experience, competition and organizational learning that can be used for create wealth. Indeed, intellectual capital is includes all employees, organizational knowledge, their abilities for establish added value. (Namamian Et al 2011)

**History of Intellectual Capital**

The first attempts of relate to concept of intellectual capital is indebted studies of Fritz Machlap in 1962. But historically, introduced concept of intellectual capital be attributed to an economist called John Kenneth Galbrais. He believed intellectual capital has been something beyond the mind and includes intellectual action. (Public 2005)

**Dimensions of Intellectual Capital**

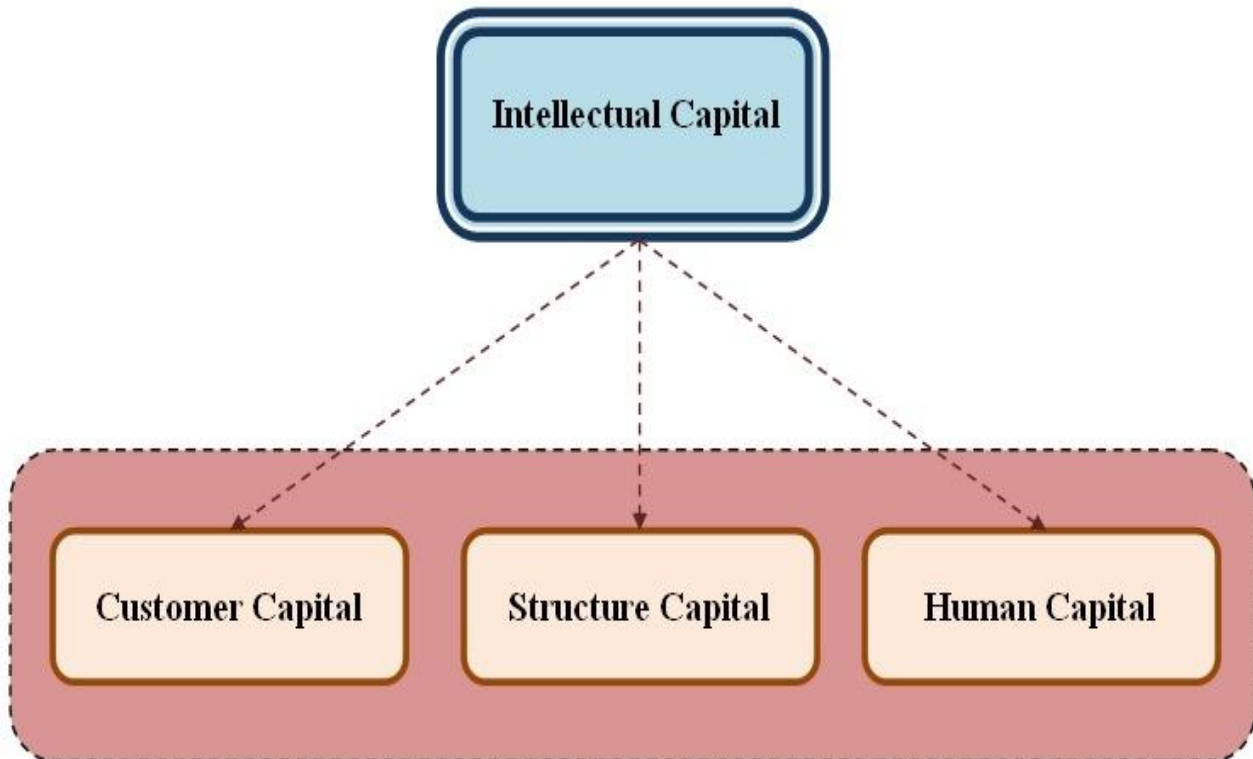
	Nature	Scope	Parameters Measured	Difficulty in Coding
Human Capital	Human Intelligence	Employees Mind	Appropriate Volume	High
Structure Capital	Organizational Policies	Within Organizational Relationships	Access to Efficiency	Medium
Customer Capital	Market Relations	Outside Organization Relationships	Lasting Volume	Very High

**Figure 1 : Various Dimensions of Intellectual Capital**

(Wang & Chang 2005)

In general it can be said the most important and most basic component of intellectual capital is human capital and other capitals same capital structure customer capital are function of the human capital. In fact, without appropriate human capital possibility of their growth and development is limited. (Hemmati Et all. 2010)

## Models of Research



**Figure :** Classification of Organizational Intellectual Capital

(Bontis 2001)

### Human Capital

Human capital is human ability for problem solving. This ability there is in the people's essence and it isn't in organization's possession. Human capital is defined as knowledge, skills, experience that employees in the end of the working day and when leave organizations is along with them Human capital is basic foundation and elements for investigate intellectual capital. (Chen Et al 2004)

### Structure Capital

It is defined as anything in organizations does supports from employees (human capita) in their job performance. In other words, structure capital is a support base that will able to operate human capital (Luthy 1998). In fact, capital structure included all events and interactions between people of within the organization and something remain within the organization organizational members leave organization. (Halim 2010)

So, capital structure covers a wide range from essential elements. The most important of these elements include :

1. Important Process of Organizations Executive
2. How their Structured
3. Policies, Information Flow and Elements of Databases
4. Leadership and Management Style

5. Organizational Culture
6. Employees Reward Plan

(Shahaei & Khaefollahi 2010)

### **Customer Capital**

Customer capital is defined as organizations communications and interactions with customers and organization's understanding from customers (Chen 2008). Customer capital makes company communicate with own customers and this way be able to compete with competitors. (Louis & Chyan 2004)

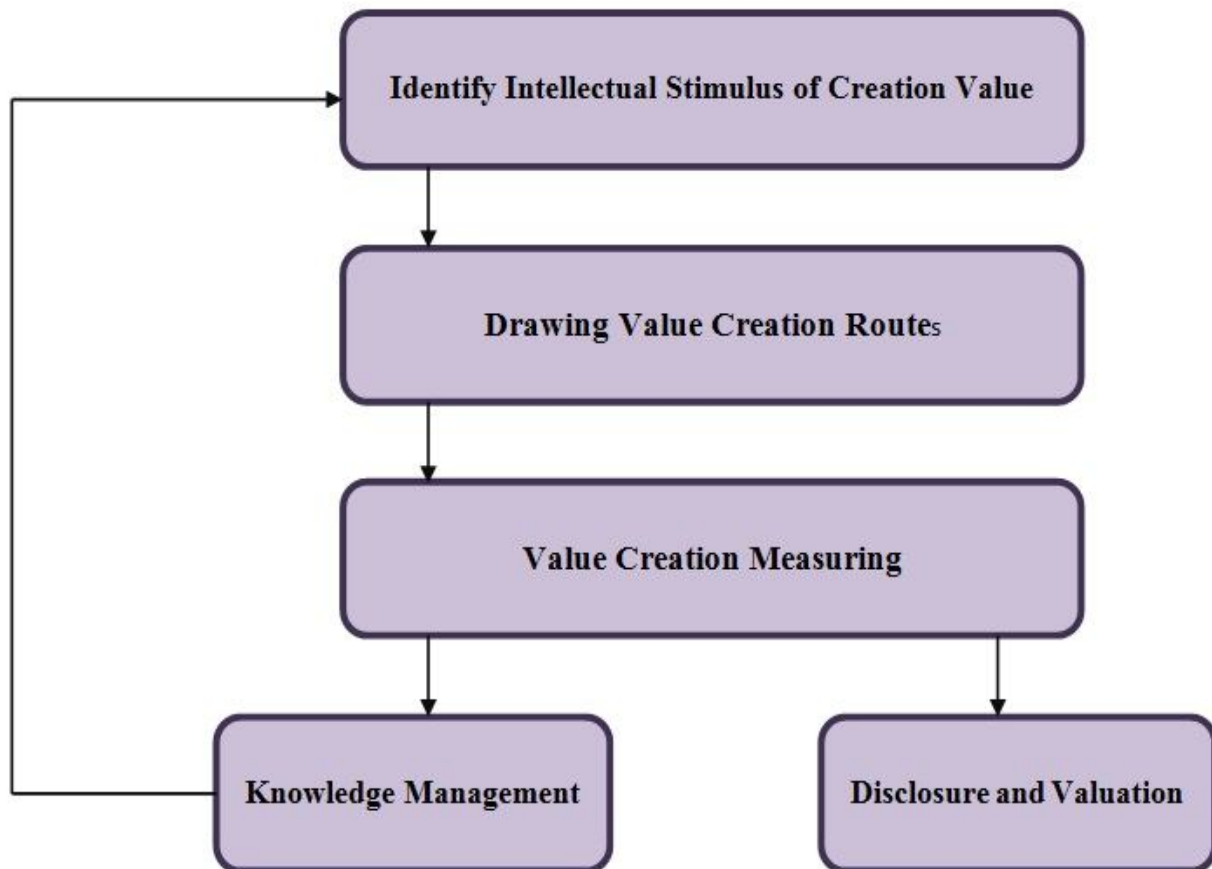
### **Intellectual Capital Management**

Ross and his colleagues (1997) are considered management of intellectual capital consists from four interlocking steps :

1. Understanding the intellectual capital leads to organization strategic performance
2. Draw lines to create value and transformation of organizations intellectual capital
3. Development of intellectual capital using knowledge management processes
4. Reports of internal and external performance

(Mir Kamali & Zohour Parvand 2008)

### **Model of Intellectual Capital Management**



**Figure 3 : Management of Intellectual Capital**

### **Intellectual Capital Measuring**

Perspective intellectual capital measuring is focused on how create new measuring mechanisms for reporting non-financial variables or intellectual capital quality besides traditional data of quantitative or financial. Compared with traditional financial accounting intellectual capital measuring includes issues of important non-financial like human capital, customer satisfaction, and innovation. (Chaharbaghi & Cripps 2006)

### **Purposes and Reasons For Intellectual Capital Measuring**

There are five general purpose for intellectual capital measuring that include :

1. Help to organizations in order to formulating their strategies.
  2. Strategies Implementation Evaluate
  3. Help expand and diversify of the company decision
  4. Non-financial evaluation of intellectual capital can be related to reimbursement plans and managers' rewards
  5. For establish a relationship with outside shareholders that have intellectual capital
- (Talukdar 2008)

The overall there are two main reasons for intellectual capital measuring that include :

**First, from the perspective of financial reporting :** Be provided legal and regulatory requirements of organization.

**Second, from the perspective of ensure the intellectual capital management :** Be implemented the best way in organization.

(Sharma & Eramilli 2004)

### **Benefits and Advantages Intellectual Capital Measuring**

1. Identify and drawing of intangible assets
2. Understanding knowledge flow patterns within the organization
3. Prioritize vital knowledge debates and the fateful
4. Accelerate learning patterns of within the organization
5. Identification the best performance and operations and its propagation in throughout the organization
6. Continuous monitoring and surveillance asset values and finding solutions of added value
7. Understanding of this subject that how knowledge creates a series of interactions
8. Increase innovation and creativity
9. Understanding social networks of organization and identify of changes factors
10. Development of collaborative activities and knowledge sharing culture for awareness from benefits of knowledge management
11. Increased employees' self-perceptual from organization and increase their motivation
12. Creating a performance-oriented culture

(Talebi Et al 2010)

### **Knowledge Management and Intellectual Capital Management**

Knowledge management is one of the managerial tasks that it has closely relationship with of intellectual capital management. The purpose of intellectual capital management is creation and application of intellectual assets and enhance organization value creation that is considered at senior management levels as strategically. But knowledge management is focused on implementation tactical actions of related activities with knowledge. For organizations proper communicating between intellectual capital and knowledge management is vital. Proper implementation and use of knowledge

management processes is as acquisition guarantee and development of intellectual capital. (Mir Kamali & Zohour Parvand 2008)

### **Conclusions**

Intellectual capital included all employees, organizational knowledge and their abilities for create added value. Dimensions of intellectual capital is included human capital, structural capital and customer capital. Human capital is ability of human for solving problems and this ability is in people's essence. Capital structure is anything in organizations that supports from employees (Human capital) for do the job. Customer capital is organization communications and interactions with customers and understanding organization from customers. In general the most important and most basic component of intellectual capital is human capital and other capitals same capital structure customer capital are function of the human capital. Knowledge management is one of the managerial tasks that it has closely relationship with of intellectual capital management. The purpose of intellectual capital management is creation and application of intellectual assets and enhance organization value creation that is considered at senior management levels as strategically. But knowledge management is focused on implementation tactical actions of related activities with knowledge. Proper implementation and use of knowledge management processes is as acquisition guarantee and development of intellectual capital.

### **References**

- Appuhami, B. & Ranjith, A. (2007), *"The impact of intellectual capital on investors capital gains on shares: An empirical investigation of Thai banking , Finance and insurance sector"*, *Intellectual management review*, vol. 3, No.2, pp: 14-26.
- Bontis, Nick. (2001), *" Assessing knowledge Assets: A review of the models used to measure intellectual capital"*, *International journal of management reviews*, Vol.3 , No. 1, pp: 41-60
- Chaharbaghi, K.& Cripps, S. (2006), *" Intellectual capital: Direction, not blind faith"*, *journal of Intellectual capital*, Vol. 7, No. 1, pp: 29-42.
- Chen,J . Zhu, Z. & Xie, H. Y. (2004), *" Measuring intellectual capital: A new model and empirical study"*, *journal of intellectual capital*, Vol. 5, No. 1, pp: 195-215
- Chen, Yu-shan. (2008), *" The positive effect of green intellectual capital on competitive advantages of firms"*, *journal of bussiness ethics*, Vol. 77, pp: 271-286
- Fetras,M. Beigi, Tooraj.(2010),*comparative study of intellectual capital on intellectual capital on organizational performance of Iran banking industry in state and private sections;case study : Tehran banks*, *Executive scientific research journal*,10th year,No 1,Successive 38,pp:101-125.
- Hemmati, Hasan. Moeen-o-Din, Mahmoud. Mozaffari Shamsi, Maryam. 2010. *The relationship between intellectual capital and market value and financial performance of non-financial companies*
- Halim,S.(2010),*"statistical Analysis on the intellectual capital statement"*, *journal of intellectual capital*, Vol. 11, No. 1, pp: 61-73
- Jafar Nejad, Ahmad. Ghasemi, Ahmad Reza. 2008. *Technology Acquisition Model according to the intellectual capital strategy : Case Study Companies based in Tehran University Science and Technology Park. Publication of Information Technology Management. Volume 1, No. 1. PP19-36*
- Leap, T. loughry, P. & Misty, L. (2004), *"the stakeholder friendly firm"*, *journal of bussiness horizons*, vol. 47, pp: 22-28
- Louis, Y. Chyan, Y. (2004), *" The R & D and marketing coopration across new product development stage: an empirical study of Taiwan IT industry"*, *journal of industrial marketing management*, vol. 33, No. 7, pp: 593- 605
- Luthy, David. H. (1998), *Intellectual capital and its measurement*
- Mir Kamali, Seyed Mohammad. Zohour Parvand, Vajiheh. 2008. *Intellectual Capital Management essential for organizations of knowledge-based Era. Publication of Management Payam. No. 28. PP 81-105*

- Namamian, Farshid. Gholi Zadeh, Hasan. Baghei, fatemeh. 2011. *Intellectual capital and its measured methods*.
- Pulic, Ante. (2005), " *Intellectual capital for communities- nations, Regions, cities and other communities* ", first edition, Boston, Elsevier butter worth Heinemann.
- Shahaei, Behnam. Khaefollahi, Ahmad Ali. 2010. *Effect of Intellectual Capital on the performance of Sepah Bank branches in the Tehran*. *Journal of Public Management*. Volume 2. No. 5. PP 73-90
- Sharma, Varinder. M. & Erramill, M. Krishna. (2004), "Resource-based explanation of entry mode choice", *journal of marketing theory and practice*, vol. 12, No. 1, pp: 1-18
- Shojaei, Abdolnaser. Baghbanian, Mostafa. 2009. *The relationship between intellectual capital and organizational performance of Banking industry in Iran : Case Study Kurdistan*. *Journal of Management*. Forth Years. No. 90. PP107-117
- Sinaee, H. Hajipoor, B. Taheri, Kh. (spring and summer 2011), "exanimating the relation of intellectual capital and company performance", *Evolution management journal*, third year, no 5, pp: 68-89.
- Talebi Davood. Ahmadi, Afsane. Fadavi, Mina. 2010, "the relation between intellectual capital and organizational performance in institute of nuclear science and technology, International journal of intellectual capital management in Zanzan science and technology park. pp 1-12
- Talukdar, Abhijit. (2008), " what is intellectual capital? And why it should be measured?
- Wang, W. Y. & Chang, C. (2005), " intellectual capital and performance in causal models evidence from the information technology industry in Taiwan", *journal of intellectual capital*, vol. 6, No.2, pp: 222-236.
- Yazdani, M. (2006), "Examining the mutual relations among intellectual capital's components and its effect on Tehran Mellat bank" *Tehran university, management college*.