

Intellectual capital argumentative essay

Countries



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The end of the 20th century is associated with the birth of a new outlook on nature and science, that brings people a little closer to nature, a science that makes human intelligence and creativity an expression of a fundamental trend in the universe. Taking into account this new perspective on the economy and on the society that is based on knowledge, professor Quash from London School of Economics says that we live in a world that focuses on the economic value of intangible assets. This way, ideas worth billions, while the products still cost less.

The society of the third millennium has employees who are valuable because of their knowledge. In many of these companies, the value does not consist of tangible assets, but of the intangible ones. Intellectual capital is the combined intangible assets which enable the company to function effectively. Judging from the information already provided, the essay focuses on the role of intellectual capital in the new economy. I chose this topic because we are witnesses to the fact that the structure and dynamic processes of wealth generation are changing dramatically.

In such an environment traditional methods are inadequate, therefore I think that it is interesting but at the same time vital to find new methods. Not least what is important from my point of view is that people are regarded as the main resource in all sectors, which means 2. Definition of intellectual capital Since organizational knowledge is at the crux of sustainable competitive advantage, the burgeoning field of intellectual capital is an exciting area for both researchers and practitioners.

Intellectual capital is conceptualized from numerous disciplines making the field a mosaic of perspectives. Accountants are interested in how to measure it on the balance sheet, information technologists want to codify it in systems, sociologists want to balance power with it, psychologists want to develop minds because of it, human resource managers want to calculate an ROI on it, and training and development officers want to make sure that they can build it .

Intellectual capital is knowledge that can be exploited for some money-making or other useful purpose. The term combines the idea of the intellect or brain-power with the economic concept of capital, the saving of entitled benefits so that they can be invested in producing more goods and services.

Intellectual capital can include the skills and knowledge that a company has developed about how to make its goods or services; individual employees or groups of employees whose knowledge is deemed critical to a company's continued success; and its aggregation of documents about processes, customers, research results, and other information that might have value for a competitor that is not common knowledge. Some people mistake intellectual capital for nerds in a think-tank.

Others confuse it with intellectual property (such as copyrights, patents and the like), which is actually merely a subset of intellectual capital. To get a better sense of where the companies are heading to, we need to have a basic understanding of where they started and what forces are propelling change today. And then we need to keep our vision set on the path ahead.

Although it has been around forever, intellectual capital was not identified as a key asset until a few years ago.

In 1994, fortune carried several stories about intellectual capital (brainpower) based on pioneering efforts going on then in both the United States and Scandinavia. These articles helped generate awareness of intellectual capital in the mainstream of U. S. Business. Little by little several companies become interested on this topic and from all of them the representative is Canadians - the largest insurance company in Sweden - which, with the help of the first director of intellectual capital in the world, Life Dividends, developed a dynamic model and holistic reporting intellectual capital called Navigator.

Under this model, intellectual capital was divided into human capital and structural capital as in the below diagram : The components of intellectual capital are defined as follows: ; Human Capital The stock of competences, knowledge and personality attributes embodied in the ability to perform labor so as to produce economic value. It is the attributes gained by a worker through education and experience . Many early economic theories refer to it simply as workforce, one of three factors of production, and consider it to be a fungible resource homogeneous and easily interchangeable.

Other conceptions of labor dispense with these assumptions. ; Structural Capital: Knowledge means that remain in the organization when human capital is not taken into account. Is the knowledge that remains in the organization when people " go home". The structural capital includes organizational capital and market capital. Unlike human capital, it may be

subject to trade. ; Commercial Capital: It is the value resulting from the relations between the company and its customers. Organizational Capital: It includes the capacity of the organization under the form of hardware, software, databases, organizational structures, patents, trademarks and any other capacity of the organization that helps individuals sizing productivity by transmission and exchange of knowledge. ; Process Capital: It is represented by processes, activities and infrastructures used to create, exchange and transmission of knowledge that helps individuals sizing productivity of an organization. Innovative Capital This component of the intellectual capital reflects the ability of an organization and the current investments for business development: research and development, patents, trademarks. Between these components, the most important is represented by human capital. 4. Human Capital Basically, human capital is divided into educational capital (skills acquired by individuals in the training school, but outside it) and biological capital (physical abilities of individuals, summarized, usually by health condition).

This type of capital caused difficulties because the experts did not know how to treat it: as an investment or cost. In general, it has been imposed the treatment of human capital as an investment because the abilities of human capital can be used practically any time, depending on the social and economic environment in which individuals can development (refresher courses or continuing education, for example) or maintain the capital stock (regular medical consultations, for example) . 5. Effects upon economy

In order to understand the effect the intellectual capital has upon economy let's take the example of an English relatively large company which was <https://assignbuster.com/intellectual-capital-argumentative-essay/>

expected to raise some 2. Ban [pound sterling]. Although valued about six-times larger than Body Shop and significantly bigger than Dixons (a British electrical retail giant), the company had no retail outlets, no factories, no physical products and few staff. The business was altogether weightless. Its products could be reduced to a number of computer signals which could be flashed around the world for hundreds of millions of people to buy.

It was a classic example of intellectual capital, an idea. Called Formula One, it was owned by Bernie Ecclestone. The reason the idea was so valuable was that it regularly attracted about 300 million ABN viewers worldwide. But intellectual capital is not only big ideas like Formula One. It is also millions of relatively small innovations which contribute to wealth and economic growth. Such capital will provide the future wealth of nations because international trade will increasingly be in intellectual capital.

Alan Greenspan, chairman of the US Federal Reserve Board, recently pointed out that the weight of US output is now only little higher than it was a century ago but its value in real terms is 20 times higher. Although increased skills and a shift to service industries are part of the story, much of the weightless portion of this trade can be defined as intellectual capital. Specialists sustain that future wealth creation and economic growth predominantly will depend on intellectual capital the generation of ideas which can be transformed into revenues..

The element discussed is implicated in recent economic, managerial, technological, and sociological developments in a manner previously unknown and largely unforeseen. Whether these developments are viewed

through the filter of the information society, the knowledge-based economy, the network society, or innovation, there is much to support the assertion that ICC is instrumental in the determination of enterprise value and national economic performance To suggest that prosperity no longer depends on building physical capital is not new.

Indeed, much of the value of large knowledge-intensive corporations already stems from their patents - which are potential intellectual capital viewed as economic goods. The importance of intellectual capital has been under-emphasized in business education. Once the necessary clarifications on the notion of intellectual capital have been made, it is necessary to emphasize the connection between it and the strategy of the organization. An important note is that the availability of some resources is vital to achieving the strategic goals of the organization.

Briefly economists sustain that the strategy defines what kind of intellectual capital is required and the nature of intellectual capital defines successful directions of the strategy that the organization should take. Moreover it has to be mentioned that the advantage. This is why when it is released a strategy, it is important to know what valuable resources of intellectual capital are available, which are currently used, which are potential uses . 6.

Uses of intellectual capital Intellectual capital is used: -to facilitate the formulation of strategy; -to assess strategy execution; -to assist in formulating decisions for diversification or expansion of the company; -to be used as the basis for compensation; -to be communicated to external shareholders In conclusion properly managed, intellectual assets can reduce

costs, place inventories with information, eliminate the need for expensive physical plant and improve corporate agility.