

The evolution of
intellectual capital
influences towards
business industry
assign...



**ASSIGN
BUSTER**

The Evolution of Intellectual Capital Influences towards Business Industry BY

VCTI 1 ABSTRACT As modern enterprises now days have shifted to a high tech and knowledge-based economy, innovations on the new products, services, marketing, research and development activities are no longer the only aspect that entrepreneurs should focus on. In present, management and development of organization intellectual capital have play vital role in altering Malaysian business performance regardless of the industry. This paper aims to present the evolution of intellectual capital influences in Malaysian Industry and how the entrepreneurship is affected by the changing process. This paper is aimed to provide the definitions and concept of entrepreneurship in modern industry. Conceptual theoretical framework of entrepreneurship and the factors that influence the changes is constructed in representing a meaningful concept of the research purpose. Estimation methodology of intellectual capital and the component that influence the entrepreneurship performance is formatted. CHAPTER 1: INTRODUCTION Entrepreneurship is one of the most important elements that contribute to the rapid development of economic and globalization.

It is one of the economical processes that help young generation to generate new ideas, develop new companies while trying to maintain and expand the business through innovations. The two major constrictions that Malaysian businesses currently face are increasing of industrialization and rapid rate of technological change. “ Intellectual capital is the key component that contributes to the success or failure of entrepreneurship. This is why many intellectual capital evaluating methods have appeared in recent evaluate the influence of intellectual capital towards business economic.

<https://assignbuster.com/the-evolution-of-intellectual-capital-influences-towards-business-industry-assignment/>

This study will give further explanation on what is meant by intellectual capital and what are the elements that affecting the performance of entrepreneurship in Malaysian Industry. In this paper, the literature review and statistic data information were analyzed. The first part of this paper represented the concept of entrepreneurship and the component involved in the evolution of intellectual capital. Second part will analyze and provide further explanation of the dependent and independent variables involved.

The third part will provide the methodology that involved framework and estimated hypothesis of the study. . 2 Background of the Study Now days, Malaysian business industry are facing with two major forces which include the rapid rate of technological advancement and industrialization. Therefore, the evaluation of business performance is essential for the growth of organization that they have started to appreciate the importance of intellectual capital. As a result of the changes, understanding the concept of intellectual capital has become the main factors enforcing organization to be success in business world. Intellectual capital comprises not only patents, copyrights, and trademark of the organization; it s a sum and synergy of a company’s knowledge, experience, processes, innovations, relationships, discoveries, market presence and community influence” (Ali Talip Apkinar, 2010). Intellectual capital consists of 3 main components which are; human capital, structural capital and customer capital. Throughout evolutions, it has developed and expanded into few more components including social capital and technological capital. 1. Problem Statement According to Lisbon

Strategy, organization’s capital can be a very important element for the promotion of entrepreneurship. In the knowledge-based economy, the most

successful organizations will be those who use their intellectual capital in the most effective ways to improve their performance (Mohammad, Ansari, Ologbo & Rezaei, 2013). In general, the increase in intellectual capital performance will help the organization to improve their knowledge resources, increase the production and development of entrepreneurial activity.

Hence, one of the factors that could play an important role in enhancing the capabilities of human resources and tendency of organizations to be entrepreneurial is the evaluation and use of Intellectual capital in an appropriate way (Mohammad, Ansari, Ologbo & Rezaei, 2013).

1.3 Research Questions

There are few factors of intellectual capital that has evolved and affecting the business performance of entrepreneur in Malaysian Industry. These questions have been developed based on the variables that have been identified and have potential in affecting the research.

- i. Does the evolution of intellectual capital can influence entrepreneurship performance?
- ii. What type of intellectual capital component that involved?
- iii. Which intellectual capital component is the most in affecting the performance?

1. Research Objectives

Despite a strong empirical background this issue has not been fundamentally well studied. Most of the research has been devoted to the intellectual capital impact analysis, but has provided contradictory results (Firer and Williams, 2003; Tseng and Goo, 2005; Shiu, 2006).

This paper is aims to investigate whether the evaluation of intellectual capital give influence to entrepreneurship performance in Malaysian Industry. Further investigation includes:

- i. To investigate the changes that evolution of intellectual capital has brought in influencing the

<https://assignbuster.com/the-evolution-of-intellectual-capital-influences-towards-business-industry-assignment/>

entrepreneurship performance in Malaysian Industry. i'. To classify the type of intellectual components that play part in influencing the dependent variable. iii. To identify whether intellectual capital could contribute to the increase of business performance. 1. Significance of the Study Previous studies have revealed that intellectual capital is positively and significantly related to organizational performance (Bontis, 1998; Bontis et al. , 2000). The research emphasize on the study of the evolution of intellectual capital influences on entrepreneurship activities. In order to analyze the data, the ability of the firm to adapt and survive in the volatile economic conditions need to be high lighted. The factors influencing the research include human capital, structural capital, customer capital, social capital and technological capital.

Those factors are evaluated in order to provide evidence on how important is the correlation in influencing the dependent variable. Towards the evaluation of the relationship between the dependent variable and independent variables, theoretical framework is required to develop hypothesis. 1. 6 Scope and Limitations of the Study Towards completing the study, the researcher faced with few barriers. The barriers are: 1. 6. 1 Data Constraints The collection of data in this study is achieved based on secondary data sources. Therefore, it is difficult to obtain the exact reliable data since some of the data are not available.

Some articles not provided with the name of the author and the year it is published. In order to obtain one complete data, two or more data from different sources need to be combined. 1. 6. 2 Time Constraints The project paper has to be conducted during the bachelor study time. During the time, <https://assignbuster.com/the-evolution-of-intellectual-capital-influences-towards-business-industry-assignment/>

there is several more project paper that needs to be done and the researcher could not give full commitment towards completing the research paper. Being a final year students, we are engaged with a lot of activities including seminar and trip that we find it hard to properly manage our time.

Independent Variables 2. 1 Human Capital Human capital is the bases in which employee's of the organization provide the work skills that include expertise and capability in solving problems. Human capital exists naturally in human and cannot be owned by an organization. " It relates to employee's knowledge, competence, skill, capability and innovation" (Muhammad Khalique, Jamal & Abu Hassan, 2011). According to Bontis (2002), employees generate intellectual capital through their competence, attitude and intellectual agility. Human capital consists of knowledge, talent and experience of employees. Human capital is a major source of value addition in organizations and it is based on skills, knowledge and expertise, competence, attitude, and intellectual agility of employees" (Fitz, 2000). It is also based on the relationship that organization has established between suppliers and stakeholders. In addition, human capital helps the organization to measure the level of their effectiveness in utilizing its human resources. .

2 Structural Capital " Structural capital of organizations represents all the non-human storehouses of routines and policies" (Wu and Tsai, 2005).

It includes competitive intelligence, patents, trademark, information system and formulas resulted from the products or systems created by the organization. According to Joshi et al (2010), structural capital is the

knowledge created by an organization and it cannot be separated from the

entity. Structural capital provides the environment that support individuals to <https://assignbuster.com/the-evolution-of-intellectual-capital-influences-towards-business-industry-assignment/>

invest their human capital to create and leverage its knowledge (Shih et al. 2010). However, Ramezan, (2011) argued that structural capital mainly deals with the system and structure of an organization.

Structural capital is very important for the organizations to create value added products and to take competitive advantage. Bontis (1998) stated that if an organization has poor structural capital by which to track its action, the overall intellectual capital will not reach its fullest potential. Organization could gain a strong structural capital through strong supportive culture that allows individual to learn, to try new things and to learn. 2. 3 Customer Capital Customer capital is mainly based on the relationship between the organization and its customers (Tai- Ning et al. , 2011).

It is the value of relationship that organizations build with customer which reflected their loyalty to the firm's products and services. " Customer capital represents the potential an organization has due to ex-firm intangibles" (Bontis, 1999). According to Hill and Jones (2001), building up a strong relationship with customer is essential for organizations because customer will buy products and services from the enterprises. Basically, customer is the organization's ain source of revenue. Thus, " it is very important for the organizations to satisfy their customer's needs" (Tat-Ning et al. , 2011).

The concept of human capital is not only focus on maintaining the long term relationship with the customers, it is also viewing it parts in boosting up the organization's competitiveness which also considered as company's assets. Customer capital can be measured through six dimensions which are; basic marketing ability of enterprises, market exploration ability, market strength,

customer response, brand equity and channel cooperation. 2. 4 Social Capital According to The World Bank, social capital refers to the institutions, relationships and norms that shape the quality and quantity of a society's social interactions.

It is believed that organizations with a high social capital could gain more competitive advantage in the industry. Paldam, (2000) believes that social capital is “ the glue that holds societies together”. “ Social capital represents the value of human connection based on confidence and on personal network” (Cohen and Prusak, 2011). “ Social capital includes relationships, attitudes and values that manage interactions among Yagoubi, 2011).

Without social capital, the value of knowledge and productivity of an organization can reduced dramatically. Social capital is playing highly significant role in the development of intellectual capital in an organization” (Hamzah and Matt Isa, 2010). 2. 5 Technological Capital “ Technological capital is an intangible asset and it derives from technical knowledge” (Ramirez, 2010). According to Ramezan (201 1), technological capital is a part of intellectual capital and is a It is based on the activities and functions both internal and external scope which are related to the development of products and ervices of the organization combination of knowledge related to the development and technical system of the organization.

Dependent Variable 2. 6 Entrepreneurship According to “ What is entrepreneurship,” 2013, entrepreneurship is a set of people who are willing to take risk to develop, manage and organize a business venture in a competitive global marketplace that is constantly evolving. They are considered as a founder, leaders, innovators and inventor of the main <https://assignbuster.com/the-evolution-of-intellectual-capital-influences-towards-business-industry-assignment/>

products in the business field. Conry (2013) stated that entrepreneurs not only valuable in creating Job opportunities for themselves, but the requirement to transform their ideas into products and services help in creating Job opportunities for the society.

It is generally acknowledge that the establishment of new companies helps to promote the increase of economic growth. The result is supported by the GEM report showing that over one-third of economic growth is associated with the increase in number of new companies entering into the market. 3. 1 Research Framework 3. 2 Hypothesis Hypothesis is a hypothetical statement explaining the relationship two or more variables that carry clear explanation to the stated relations.

It is specific and testable prediction about what is expected in the study. The goal of research hypothesis is to evaluate whether the prediction made is right or wrong. Hypothesis 1 H_a : There is significant relationship between entrepreneurship performance and the evolution of human capital

Hypothesis 2 Hypothesis 3 evolution of customer capital Hypothesis 4

evolution of social capital Hypothesis 5 H_a : There is significant relationship

between entrepreneur performance and the evolution of technological

capital 3. Research Design Research design is a detail outline of how

research investigation will take place. It xplains about how the data is being

collected, which instruments to be use, how the instruments will be used and

the means of analyzing the data. To evaluate the factors that affecting the

performance of entrepreneurship in Malaysian Industry due to the evolution

of intellectual capital. This research is using a correlational study where

answer is needed to the issues at hand.

<https://assignbuster.com/the-evolution-of-intellectual-capital-influences-towards-business-industry-assignment/>

Mere identification is needed in order to find the important factors associated with the area of the study. The study is conducted in natural environment, thus the interference is minimal. The studies are non-contrived setting or field experiments where researcher interference is at a moderate extent. Malaysian Industry only. 3. 4 Measurement of Variables Variable is anything that represents characteristics, numbers or quantity that takes different values in different situation. It can also be called as data item.

There are many different ways on how variables can be described. It is based on the way they are studied, measured and presented. There are two basic types of variables; independent variable and dependent variable. Dependent variable is the variable that can take different values only in response to independent variables. This research project has use Entrepreneurship as dependent variables and the factor is supported by the independent variables to analyze the factors that influence the changes in Entrepreneurship.

Independent variable is variable that can take different values and can cause corresponding changes to dependent variable. The results can either be negative or positive. In this research study; human capital, structural capital, customer capital, social capital and technological capital are the independent variables, the factors that will affect the changes in entrepreneurship business pattern. 3. 5 Data Collection Towards completing the research, Research Methods for Business: A Skill Building Approach (5th Ed) textbook is used as a guideline.

The information in the book has provided better understanding and knowledge about how actual research should be conducted. The information

<https://assignbuster.com/the-evolution-of-intellectual-capital-influences-towards-business-industry-assignment/>

collected for this research is mostly taken from Journals and articles that related to the area of interest. The information gathered is useful in giving extra research. Journals and articles are usually collected based on the latest data information. Internet is one of the sources that can help in obtaining useful information in this research project. It can act as supporting materials to gain additional information such as websites. . 6 Sampling Sampling is used in the statistical analysis to determine the number of observation in a large population. The method used is depend on the type of analysis being performed and include simple random sampling, systematic sampling as well as observational sampling. The sample should represent the general population as a whole. The population and sample of this study is all Entrepreneur in Malaysia regardless of the industry. They are considered as important element as the factors affecting the industrial performance is the intellectual capital components.