Examining the Relevance of Intellectual Capital in Improving the Entrepreneurial Propensity Among Indians

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ABSTRACT

Intellectual capital is considered as knowledge which can transform into value. Recently, it has gained currency in the field of innovation and entrepreneurship. Only a handful of studies have been conducted to examine the role of intellectual capital in explaining the venture creation process. The main aim of this study is to examine the influence of intellectual capital on start-up. A large data set of Adult Population Survey (APS) provided by the Global Entrepreneurship Monitor (GEM) used. The logistic regression technique was used to analyze the effect of intellectual capital on entrepreneurial intention. The finding suggests that policymakers should frame policy and programs focused on developing human capital, structural capital and encourage interaction between existing and potential entrepreneurs so that entrepreneurship can be boosted. This study is also among the few studies measuring the relationship between intellectual capital and entrepreneurial intention. A systematic literature survey shows that only small numbers of researches, based on large data set, have been conducted in developing countries like India.

KEYWORDS
Cognitive Capital, Entrepreneurial Intentions, Human Capital, Intellectual Capital, Relational Capital, Structural Capital

1. INTRODUCTION

Intellectual Capital is the knowledge that can be converted into value (Edvinsson & Sullivan, 1996). Nowadays, almost all the companies are trading at the levels which are far beyond their book values. It is the intangible assets ‘goodwill’ or the ‘knowledge’ which always plays an important role in corporate valuations. That is why the decision-makers are keenly looking for ways to describe, measure and manage the knowledge (McElroy, 2002). Therefore, factors that influence the knowledge are needed to be known (Akbar & Khan, 2016; Twum-Darko & Harker, 2017).


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Various authors had defined the term intellectual capital in many ways (Andrikopoulos, 2010; Raušan & Khan, 2017). By and large, it can be said that it is a combination of intangible assets that can assist in the creation of value for new ventures or in getting a competitive advantage (Sveiby, 1997; Nick Bontis, 1998).

Researchers have successfully explored the association between intellectual capital and economic performance (Ya-Hui, 2013) and the relationship between intellectual capital and innovation performance or venture performance (Yitmen, 2011; Agostini, Nosella, & Filippini, 2017). The interest of policymakers is rising towards start-ups or venture creation, which are believed to strengthen social and economic development (Audretsch, 2004). These factors collectively emphasize on investigating the role of intellectual capital in venture creation (Link & Ruhm, 2009; Hormiga et al., 2011; Peña, 2002; Hayton, 2005; Martina & Ahsan, 2013).

Since intention has been considered as the best predictor of action in various context (Dey & Mukhopadhyay, 2018; Turulja & Baigorić, 2018) in general and entrepreneurial behavior in particular (Krueger, Jr Reilly, & Carsrud, 2000), the likely contribution of intellectual capital towards venture creation needs to be explored (Kamath, 2017). In the present study, the authors analyze the influence of intellectual capital on entrepreneurial intentions.

The anticipation about the relevance of intellectual capital for venture creation is because the relevance has already been established in the existing firms. However, recently a few scholars measured this relationship of intellectual capital with venture creation (Ramos-rodriguez, Medina-garrido, & Ruiz-navarro, 2012; Matricano, 2016; Arafat & Saleem, 2017), but these studies have been conducted in different context and setting which cannot be generalized in India or other developing nations. The mindset of western developed countries is unlike the developing countries, and hence, the results of the previous studies are to be confirmed. Therefore, the authors assert that searching for the relation between intellectual capital and entrepreneurial intentions will offer new insights that could also utilize in forming various policies for the development of entrepreneurship.

2. LITERATURE REVIEW

Initially, the intellectual capital was composed of two major elements – human capital and structural capital (Bornemann, Knapp, Schneider, & Sixl, 1999; Edvinsson & Malone, 1997). In the next stage, a different composition has widely accepted, which considered human capital, structural (internal), and customer-related (external) (Nick Bontis, Keow, & Richardson, 2000; Brennan & Connell, 2000; G. Roos & Roos, 1997; Sveiby, 1997). Later, this classified into human capital, structural and relational capital (Canibano, Garcia-Ayuso, & Sanchez, 2000). Earlier, the customer capital used to be a sub-set of structural capital, but later some authors replaced customer capital with social capital (McElroy, 2002) and divided the structural capital into innovation capital and process capital (Wang & Chang, 2005). (Refer Figure 1).

The present study focuses on the human capital, structural capital & relational capital as main dimensions of intellectual capital: (Brennan & Connell, 2000; Martina & Ahsan, 2013; Kaufmann & Schneider, 2004; Peña, 2002; Hormiga et al., 2011; Petty & Guthrie, 2000; G. Roos, Bainbridge, & Jacobsen, 2001; Sánchez, Chaminade, & Olea, 2000; Sullivan, 2000; Yitmen, 2011). Along with these dimensions, cognition capital has also been taken as another dimension of intellectual capital or an independent variable that has rarely been taken so far. Human capital is purely related to the efficiency of an organization by which it uses its human resources as gauged by, e.g. experience, learning, and creativity from each other (Seetharaman, Lock Teng Low, & Saravanan, 2004; Bontis, 2001). Organizational/Structural capital is the value of “what remains in the company when employees go home for the night” (J. Roos, Roos, Dragonetti, & Edvinsson, 1998; Curado, 2008; Nick Bontis et al., 2000). Relational capital consists of the relations with outside partners of the firm (customers, supplier & more), but other sources as well, like loyalty and brand (Lowendahl, 2005; Sveiby, 1997). Cognition capital is about the viewpoint of society towards entrepreneurial activities, what people
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