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## Factors Influencing Intellectual Capital Measurement Practices

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### Abstract

This study aims to identify variety of factors influencing enterprise IC measurement practice, structure them into the groups according their nature, and propose theoretical model serving as a base for the empirical research of their influence. Literature review of theoretical studies and empirical research is carried out in order to find out the range of influencing factors. Theoretical model proposed covers two basic constructs: (1) a set of influencing factors; and (2) basic features of IC measurement practice. The model intends to draw attention to the variety of factors influencing enterprise IC measurement practice, bring more light to the interrelationships between those factors and IC measurement features, and contribute to the development of IC measurement methodology as a whole by drawing some guidelines for systematic empirical research and highlighting specific areas of concern for further theoretical research.

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*Keywords:* Intellectual capital; Measurement; Measurement practice; Influencing factors; Model.

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### Introduction

Successful management of knowledge and intellectual capital (further IC) is recognized as the key task for managers in knowledge economy. Academics as well as business practitioners in many countries put an essential emphasis on successful management of this resource. As managers' awareness of the critical role of IC increases, there is an increasing demand for studies investigating IC management practices.

IC measurement is considered to be one of the most important components of IC management practice (Roos et al., 2005). It is vital for company's strategic management, continuous improvements and organizational development (Thorleifsdottir, A., Claessen, E., 2006). Based on the recent IC literature and experience of EU

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projects such as InCaS (2009) and CADIC (2012), IC measurement techniques act as the basis for successful IC management. Accordingly IC measurement methodology is one of the cornerstones in IC theory development.

IC measurement and management practices differ among countries, industries or companies (Thorleifsdottir, A., Claessen, E., 2006; InCaS, 2009; CADIC, 2012). A common view on IC measurement as well as generally accepted IC measurement principles still do not exist. Methodology is under development and many unanswered questions still exist. IC measurement practice adopted by companies varies and depends on different factors: perception of the concept and importance of IC, management experience, business model, industry sector, company's size and performance, culture and climate, and other factors. However, there seems to be an obvious gap in IC literature to assess the impact of those factors on IC measurement practices and to find out which of them are the most relevant from the methodology development point of view. Identification of such factors is important for several reasons:

- Development of IC measurement practice goes fairly chaotic; there is a lack of thorough understanding regarding the reasons why some aspects are developed more than the others, and what are the reasons for the emphasis on some factors;
- Awareness of such factors enables to judge on the relevance of particular IC measurement solutions and assess their prevalence in the future;
- Studies exploring influence of single factors on IC measurement practice are usually met in scientific literature, however, thorough investigation of the influence of a bundle of factors is absent;
- Research of the impact of such factors contributes to the development of IC measurement methodology and offers opportunity to develop specialized solutions for particular organizations or contextual situations where they are the most relevant.

Therefore, this study aims to investigate the variety of factors influencing IC measurement practices, combine them into groups according to their nature and propose theoretical model which could serve as the base for empirical research on the influence of those factors. The model is intended to visualize a set of influencing factors and their impact on particular features of IC measurement practice, define conceptual links between them and open up key areas of their in-depth exploration for discussion.

## **1. Literature review**

Studies related to the factors influencing IC measurement and management practices can be found in IC theory as well as knowledge management, project management or finance literature. In most cases, researchers concentrate on a single factor (Kruger (Neels) & Johnson, 2010) or a couple of closely related factors that have potential influence on the research object (Nazari, et al., 2011). In some studies the direct influence on IC management practice is examined (Kianto, et al., 2010; Nazari, et al., 2011; Ferreira, et al., 2012, Ferreira, 2014), while the others focus on a broader field of research covering issues of IC measurement and management or having some other interfaces (Hussain & Hoque, 2002; Tayles, et al., 2007; Kruger (Neels) & Johnson, 2010; Lin, 2013). Literature review performed in this study in order to find out the whole range of factors potentially affecting IC measurement practices is summarised in Table 1.

Studies by Kianto, et al. (2010) and Nazari, et al. (2011) can be considered to be a classical example of such research within IC literature. Kianto, et al. (2010) examine the influence of the type of organization on IC by itself and its management. They argue that significant differences exist in the stock, creation, management and protection mechanisms of IC between service-oriented and product-oriented companies. Nazari, et al. (2011) investigate the role of organizational culture and climate in supporting IC management systems. They argue that both culture and climate play significant roles in developing management systems of IC.

Hussain & Hoque (2002) investigate factors affecting the design and use of non-financial performance measurement systems in the banking sector. Based on their study economic constraints appear to be the most forceful factor, followed by the central bank's regulatory control, accounting standards, management's strategic focus, bank size, competition and organizational tendency to copy best practices from others.

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