



3rd GLOBAL CONFERENCE on BUSINESS, ECONOMICS, MANAGEMENT and TOURISM,  
26-28 November 2015, Rome, Italy

## Knowledge Economy and North Cyprus

Behiye Cavusoglu<sup>a\*</sup>

<sup>a</sup>Near East University, Nicosia, 99138, North Cyprus, Mersin 10 Turkey

---

### Abstract

It is very well known in the knowledge management literature that knowledge has become an engine of social, economic and cultural development in today's world. Involvement of education in economic growth occurs through creation of new knowledge and transfer of knowledge and information. Better educated individuals will later become an innovator or creator of new technology. Schools provide the education necessary to understand this new information and technology. Education is a vital factor for the accumulation of intellectual capital to reach economic growth. As a small developing island with its eleven universities, government assigning education is one of the locomotive sectors of the North Cyprus economy. Today's globalised world, transforming economies from traditional labour based production technique to modern knowledge based production technique is inevitable. Rise of knowledge and technology- intensive jobs and economic activities, investment in knowledge based assets and increasing well qualified and educated workforces indicates the knowledge based economic transformation is necessary and inevitable for rapid economic growth. The main purpose of this paper is to point out knowledge and knowledge based economies and creates both the public and government awareness about knowledge based economy in North Cyprus. The paper also investigates the importance of human capital, intellectual capital and intangible assets in production process and emphasizes the importance of technology based highly productive production systems and their impact on economic development. The study will be a reference to other small economies as well.

© 2016 The Authors. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of the Organizing Committee of BEMTUR- 2015

*Keywords:* knowledge economy, intellectual capital, human capital, North Cyprus, economic growth

---

---

\* Behiye Cavusoglu. Tel.:+90-392 223 64 64-3109; fax:+90-392 675 10 51.

*E-mail address:* [behiye.cavusoglu@neu.edu.tr](mailto:behiye.cavusoglu@neu.edu.tr)

## 1. Introduction

As stated by Davenport and Prusak(1998) knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experience, values, contextual information. It originates and is applied in the minds of knower's. Knowledge arises as a dynamic learning process that occurs between individuals, teams, organizations and communities (Hawkings, 1994).

The traditional economy based on the use of factors of production- land, labor, capital and entrepreneurs – in the production process. Economic value was mainly based on the productivity and effective use of traditional factors of productions. But today's world, economies facing with two new factors of production- information and knowledge. According to Malhotra (2003) knowledge differs from physical assets and requires understanding in terms of quality and content of performance outcomes. Technological improvement and globalization are catalysts for the use of knowledge and information in the production process. Societies started to turn into the information societies which have created the knowledge economy.

Knowledge and intellectual capital are the most important resources for growth and competitiveness and it is an idea of a transformation from an industrial society to a knowledge society (Kline, 2006). Intellectual capital is also considered instrumental in the determination of enterprise value and national economic performance (Petty and Guthrie, 2000).

## 2 Knowledge Economy

In knowledge economy, knowledge is the basic production factor which has three characteristics; it can be used over and over without being consumed by that use, it can be used many individuals at the same time, it can be used in many different locations simultaneously. Knowledge can produce economic value through diffusion of knowledge into the production process. The economics of knowledge are very different from an ordinary goods and services. The creation, distribution and application of knowledge are the bases of the knowledge economy (Hogan, 2011). A knowledge based economy is defined as 'an economy that is capable of knowledge production, dissemination and use: where knowledge is a key factor in growth, wealth creation and employment, and where human capital is the driver of creativity, innovation and generation of new ideas, with reliance on information and communication technology (ICT) as an enabler ([www.jeg.org.sa/data/modules/contents/uploads/infopdf/1820.pdf](http://www.jeg.org.sa/data/modules/contents/uploads/infopdf/1820.pdf)). In literature the main knowledge economy variables are listed as: ICT readiness, electronic government index, the capacity of internet infrastructure and usage, investment on R&D for organizations, etc.

Knowledge based economy have several characteristics:

- It is focus on intangible resources rather than tangible resources (Edvinsson and Malone,1997)
- Rapid growth of information technology
- It is stimulated by the rapid growth of information technologies (ITs) with telecommunication and networking
- Knowledge has become an independent force and the most decisive factor in social, economic, technological and cultural transformation (UNECE, 2002).

Asgeirsdottir (2006) emphasized four important factors that need to be taken into account when countries and their institutions want to promote their knowledge economy: stable macroeconomic policies, knowledge based economic activities, globalisation and new organisational form based on investing high information and communication technology (ICT) and respond customer demand. Much of the macroeconomic research on the knowledge economy has focused on the linkage between technology and labour productivity, defined as the amount of output given a unit of labour input (Powel and Snellman, 2004). Economic growth and greater productivity can be achieved when the intellectual capital accumulated. In the knowledge based economy, intellectual capital is a core factor (Seon, Joung, Bum, Byoung, Lee and Ho, 2006).

Intellectual capital (IC) was originally used by Skandia (1996) in knowledge management literature. Scandia

Download English Version:

<https://daneshyari.com/en/article/980577>

Download Persian Version:

<https://daneshyari.com/article/980577>

[Daneshyari.com](https://daneshyari.com)