



1st International Conference on Applied Economics and Business, ICAEB 2015

The impact of intellectual capitals of pharmaceutical companies listed in Tehran Stock Exchange on their market performance

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Abstract

The present study examines the effect of intellectual capital on the performance of pharmaceutical companies listed in Tehran Stock Exchange. To assess intellectual capital, the Pulic value added intellectual capital (VAIC), and to evaluate the performance of market value, market value measure to book value of the of assets (M / B) and Q tobin ratio are used. This research, in an analytic and separately, studies the effects of each of VAIC components on market performance value of 26 companies active in the pharmaceutical industry and listed in the Tehran Stock Exchange during 2008 to 2012 using multivariate regression based on panel. The results show that VAIC coefficient has a significant impact on market performance variables of pharmaceutical companies accepted in Tehran Stock Exchange, and among its components employed or physical capital has the greatest impact on market performance variables.

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Peer-review under responsibility of SCIJOUR-Scientific Journals Publisher

Keywords: Intellectual Capital; Value Added Ratio of Intellectual Capital; Performance; Book Value; Market Value; Q tobin ratio.

1. Introduction

A review of the literature of intellectual capital confirms the huge interest in measuring valuation and reporting it. For strategic survival, companies should consider competitive advantage and as markets, products, technology, competition and regulations are changing quickly in society, improving knowledge and continuous innovation will

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make them able to maintain a sustainable competitive advantage (Nonaka, 1995). Thus, nowadays, managers consider the knowledge and ability to create and apply knowledge as the most important sustainable competitive advantage. Because knowledge is regarded as an asset and the attempt in knowledge management and applying intellectual property has been of great success in guiding the organization. Nowadays, by knowledge based economy growth, intangible assets of companies and their intellectual capital are the keys to achieve sustainable competitive advantage (Teece, 2000). Research in recent years show that growth in corporate value is more than their book value growth. In fact, although traditional financial reporting contributes to an understanding of the business, it cannot calculate the real value of the companies and just suffices to measure short-term financial balance and tangible assets.

It should be noted that tangible assets can easily be copied or be traded in a free market, so they cannot be a company's strategic assets, on the contrary, intellectual property are usually created internally, and they are usually hidden in employees' skills and experience. These properties are unique and exclusive and cannot be copied or imitated, so they are valuable for companies and can create future competitive advantage. Intellectual and knowledge properties are much more exposed to this threat that because of the intangible nature, their impact on various performance measures is ignored and information usefulness power significantly reduces for decision-makers. Measuring and considering the true value of intangible and knowledge assets in financial statements of company improve the quality of decision-making in the users, improve internal management, improve external reporting, improve trade in and out of the company and improve accounting performance. (Pour Zamani et al., 2012).

Evaluation of corporate performance indicators has great importance in financial decision-making and is the most important factor in decision-making of aware investors. There are a lot of different criteria for classification and evaluation of corporate performance, and there are various methods for each of these criteria, but choosing an appropriate measure from among the existing criteria and a way to fits the criteria is a subject that has created many studies in financial literature in the world. In our country, especially in recent years with the development of the capital markets and the expansion of scientific publications, some steps have been taken in this regard. In the current business structure efficiency of intellectual capital used is much more important than the financial return on capital used. This means that in contrast to the intellectual capital, the importance of financial assets in determining sustainable profitability is significantly decreased. Due to the increasing relative importance of intellectual capital (an important part of the company's total assets) in a sustainable long-term profitability, most companies are trying to find answers for this question that whether statistically, intellectual capital, has no effect on firms listed in Tehran Stock Exchange? And whether the use of models based on intellectual capital can help the shareholders and investors in their future decision making? And whether the use of this model leads to a higher net profit for the company?

2. Theoretical principles and develop of hypotheses

Many theorists and researchers in describing the features of the new economic environment believe that the economy has got a global and inclusive shape, and is formed form intangible assets, and intangible complex incomes which are mixed together in a particular way. In this environment productivity and competitive advantage of firms depends on production capacity, processing and application of knowledge has been sustainable in global range.

2.1. Intellectual capital

What all authors agree on is that intellectual capital is a form of knowledge which creates competitive advantage and displays the intangible value of a company. In initial impression, intellectual capital may be defined as the set of all knowledge which has been possessed by the employees and the company and creates a competitive advantage or in other words they have defined the intellectual capital as intellectual circuits such as knowledge, information, and analysis of intellectual property, which through them companies can benefit of in order to create a fortune (Bontis, 2000). Bontis in 2000 has defined intellectual capital as a concept that classifies intangible resources and their interrelation; so, managers need to be able to measure the effect of knowledge management efforts on the performance of their organization. In this study, the three components of intellectual capital, including human capital, structure and communication is used.

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