Chapter 9
Intellectual Capital:
A New Process of Sustainable Value Creation for the Corporation

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ABSTRACT

Many businesses select business sustainability to satisfy the needs of the environment, society, and economy in order to be optimal in the long run. To do this, businesses must fully and efficiently utilize their resources. Intellectual capital, which increases market value and establishes long-lasting competitive advantages, is one of their most precious resources. This research advances the growth of two distinct but related fields of study: sustainability and intellectual capital. Purpose of the study is to comprehend the notion in its whole and how each component of intellectual capital contributes to a company's sustainable growth. The realization in an organization occurs at every level of management, whether on the basis of interactions with people, human resources, or effective life cycle processes or structures, as we have seen in all prior researches. A crucial or significant part of intellectual capital is played in the long-term sustainability of corporations. Intellectual capital boosts market value and solidifies long-lasting competitive advantages.

INTRODUCTION

The fundamental presumptions of how to point the way into the future are being rethought by a growing number of organizations today. The majority of Executives are already aware that metrics for the corporation's current state include profitability, market share, and even customer satisfaction. Simply said, current product-market pairings are poor indicators of where to make the most money in the future. Corporations must investigate the more subtle and less obvious drivers of future profits in order to determine the best guidelines for future action (Capital, T. I. 1998).Since the second half of the 1980s,

DOI: 10.4018/978-1-6684-6815-9.ch009

professionals and academics have been motivated by the successes of knowledge- and innovation-based enterprises to develop unique methods for measuring a company's worth and to understand the peculiarities of this novel value generation process. In order to explain the persistent creation of wealth and economic growth in organizations, endogenous and firm-specific factors have received primary responsibility (Barney, J. B., 2001; Dierickx et al., 1989; Grant, R. M., 1991). The development of the resource-based view theory and the knowledge-based view theory in the 1990s suggested that access to intangible assets, which are comparable to commodities, rather than just material resources, which are analogous to commodities, was what gave organizations a sustainable competitive advantage (Pedrini, M. 2007). Intangible resources are now considered to be a better "weapon" than actual resources for firms to achieve higher performance, allowing them to increase their competitive edge (Agostini et al., 2017; Yusoff et al., 2019). Intangible assets are becoming more important to businesses than ever before (Hansen, M. T. et al., 1999; Lev, 2001). According to a number of authors, businesses nowadays are more likely to focus on intangible assets than on tangible ones in order to gain a competitive advantage (Bontis, 1996; Martn de Castro et al., 2004). According to Edvinsson, L., and Malone, M. S. (1997), these intangible resources are assets that are not immediately visible on a standard accounting balance sheet but nevertheless boost the value of the firm. Intangible assets are all the components of a company firm that exist in addition to working capital and tangible assets, according to Smith et al. (1994). After working capital and tangible assets, these are the components that support the operation of the business and are frequently the main sources of the company's revenue. Their ability to survive depends on the availability or anticipation of income. Sullivan, P. H. (2000) Intangibles are described as "knowledge that can be transformed into profit". Businesses get value from the profit they make from the sale of their products or services. To assure recurring business, businesses rely on intangibles like reputation, customer loyalty, brand recognition, leadership, and standard-setting, all of which are critically dependent on human capital. In 1998 Nahapiet, J., & Ghoshal, S. refer IAs are described as "knowledge and knowing capabilities of a social collectivity, such as an organization, intellectual community, or professional practice". Hall, R. (1992) "Intangible assets are value generators that turn functional resources into assets with additional value". An intangible asset, according to Lev, B. (2001), "is a claim to future benefits... yet it does not have physical substance." Additionally, he offers a revised definition of assets that excludes financial assets like stocks and bonds from its purview. He claims that innovations, human capital, organizational capital, knowledge, etc. are all components of IAs.

Businesses that foster learning have switched their strategic focus from managing financial assets to managing intellectual capital, an intangible asset (Leliaert wt al., 2003; Rexhepi et al., 2013). One of these intangible resources that stands out is intellectual capital (IC) (Vale et al., 2022), and firms with high IC are more likely to survive (Hormiga et al., 2011).

On the other hand, "sustainable growth" is currently the most crucial worldwide concern. From the economic development model to the recently emerging paradigm of sustainable growth, sustainability is now being prioritized. This is increasingly elevating to the position of a top corporate priority. In today's highly competitive and dynamic environment, a mere concentration on growth maximisation would not lead to the beneficial and desired wealth maximization (Mukherjee, T., & Sen, S. S. 2019). Businesses that actively engage in sustainability (such as environmental management, green innovation, etc.) can not only increase productivity but also improve their corporate images and gain a competitive advantage given the trends of widespread consumer sustainability consciousness and strict international regulations (Chen at al., 2006; de Leaniz et al., 2013). According to Edvinsson, L. 1997 and Chen et al. (2005), intellectual capital (IC) is crucial for corporate sustainability since it offers companies a

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