

A Methodological Framework for Assessing Intellectual Capital's Impact on Innovation and Business Performance

MSc. Bledi Bezo¹, Assoc Prof. Dr. Ina Pagria²

¹ Department of Finance and Accounting, Faculty of Economy Law and Social Sciences, University College of Business, Albania

² Department of Mathematics and Informatics, Faculty of Economy and Agribusiness in Agricultural University of Tirana, Albania

E-mail: bledibezo@gmail.com

Abstract

Intellectual capital in nowadays is considered the engine and key to the success of businesses around the world. For Albania, the notion of intellectual capital in local businesses is often a term that is confused with human capital, but this notion is broader. According to the research done in relation to this notion in our country, there are only superficial writings about this notion, its components, but there is no concrete analytical study to see the effect of intellectual capital on businesses.

This is the reason that led us to focus on a very current approach to the global economy and conduct a concrete study on how intellectual capital affects the innovation in our businesses and how these businesses perform in the market. Specifically, this paper was carried out as part of doctoral research to see the methodical approach of how will be treated the effect of intellectual capital on medium and large businesses in Tirana.

The concept of intellectual capital is currently at the center of academic and practical discussions regarding the competitiveness of businesses. In the context of knowledge-based economies, the importance of intangible assets exceeds that of traditional material resources, becoming determinants for the creation of value and competitive advantage. Intellectual capital is seen as the core of organizational capabilities, which empowers performance growth, process improvement and the ability to adapt to the challenges of the global market.

In this paper, will be treated three main moments on the basis of which the methodological approach will be analyzed to see the role of intellectual capital in the targeted businesses. In the first moment, will be an introduction to the methodology in which will be described the importance of scientific research. The second moment has to do with the research strategy, while the third moment will be the data collection based on the questionnaire distributed in businesses.

Keywords: *methodology, research, strategy, Intellectual capital.*

1. Introduction

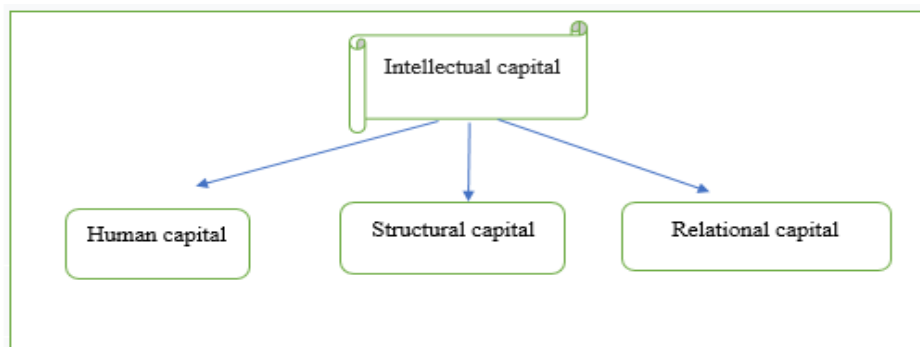
In Albania, the notion of intellectual capital in local businesses is often a term that is confused with human capital, but this notion is broader. According to the research done in relation to this notion in our country, there are only superficial writings about this notion, its components, but there is no concrete analytical study to see the effect of intellectual capital on businesses.

This is the reason why intellectual capital and its constituent elements will be at the heart of the of this paper analysis, as well as the methodical approach on how to measure the effect of intellectual capital on innovation and on the way how perform businesses in Tirana.

In the analysis made about intellectual capital, there have been made many contributions which have provided different frameworks for the classification of the constituent elements of intellectual capital ([Ramezan, 2011](#)).

Despite the lack of a common definition for intellectual capital, many researchers agree that there are three main categories of intellectual capital such as human capital, structural (or organizational) capital and relational (social or consumer) capital. ([Beattie & Thomson, 2007](#); [Wall, 2005](#); [Kim et al., 2010](#); [Rudez & Mihalic, 2007](#); [Chu et al., 2006](#); [Tai & Chen, 2009](#); [Torres, 2006](#)). More specifically, they are reflected in the figure below.

Figure 1. The main elements of intellectual capital



Source: ([Beattie & Thomson, 2007](#); [Wall, 2005](#); [Kim et al., 2010](#); [Rudez & Mihalic, 2007](#); [Chu et al., 2006](#); [Tai & Chen, 2009](#); [Torres, 2006](#))

However, in addition to the three main pillars of intellectual capital, there are other components that are included in it, such as: process capital, research and development capital ([Tai & Chen, 2009](#); [Meca & Martinez, 2007](#)), the final capital with customer relations and non-final capital with customer relations ([Rudez & Mihalic, 2007](#)), strategic capital ([Meca & Martinez, 2007](#)), etc.

2. Methodology

The methodological approach that will be carried out in this work to see the role of intellectual capital will be dealt with in three main moments. In the first moment will be described an introduction to the methodology and the importance of scientific research. The second moment has to do with the search strategy, while the third moment will be the collection of data based on the questionnaire distributed in businesses.

2.1. Introduction in methodology and the importance of research

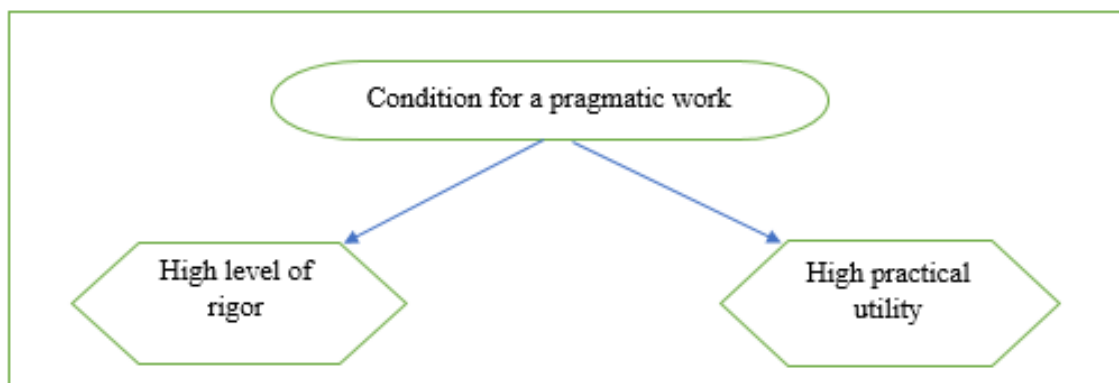
In this topic, the focus is on the importance of research and the way in which this research should be done. In order to carry out a scientific research work, it is necessary to follow the most appropriate research approaches and methods in relation to the research field and the research questions of the study.

It is necessary to plan the research, making coherent choices for all the components that make up the study. Designing research is similar to designing a business. According to Taylor, in the management sciences, there is no single accomplished way to understand research (Taylor, 1997). For this reason, it is necessary to take into consideration all possible methods before determining the study method, which will have a significant impact on the research result (Saunders et al. 2007).

Carrying out the study requires the mastery of some philosophical assumptions such as the recognition of reality and how new knowledge can be generated through this research. The totality of these components and the method of how the research will be conducted constitutes the methodology of the study.

For this reason, the choice of methodology is dependent on both the aforementioned components and the field of research (Gitto, 2011). To enable a pragmatic research work, it is not enough just to affirm it, but it is necessary to meet two basic requirements such as a high level of rigor and high practical utility (Gibbons et al. 1994) which are clearly reflected in the scheme of below.

Figure 2. Condition for a pragmatic work



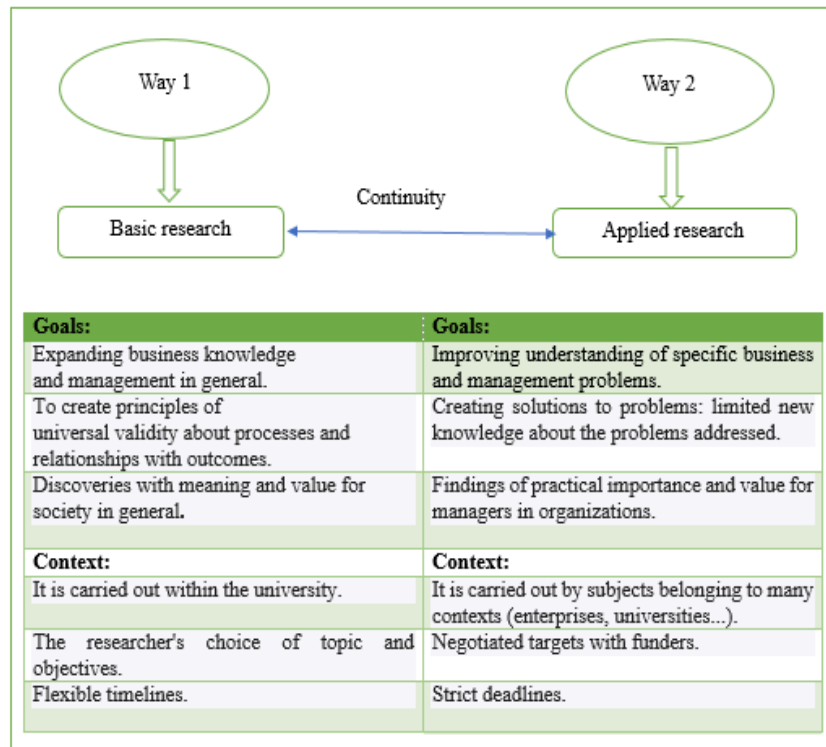
Source: (Gibbons et al. 1994)

The aim of this paragraph is to reduce the distance between the world of research and the world of practice where the goal is to realize pragmatic research. There are two known ways of producing knowledge: *Way 1 and Way 2*.

According to Way 1, the questions and objectives of scientific research are raised on the basis of academic interests, where the emphasis is on basic (theoretical) research and not on applied (practical) research. According to the Way 2, it is guided and directed by practical problems, underlining the importance of cooperation between the academic world and professionals in the relevant fields (Starkey and Madan, 2001).

Applying one method instead of the other will lead to knowledges that are diametrically opposed which stands as two extremes as shown in the figure below which is a binary scheme of research typology, but which is actually more correct to be understood as a continuum between basic research and applied research.

Figure 2. Main characteristics of basic and applied research

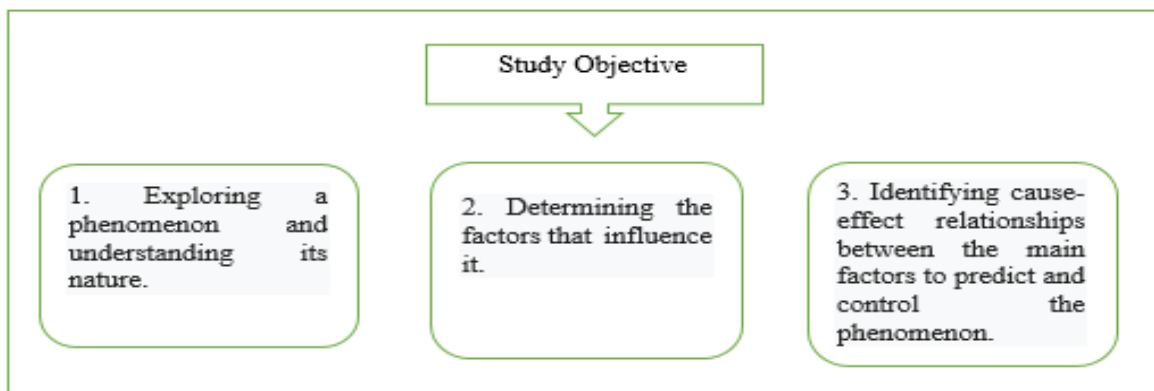


Source: Saunders et. al., 2007

3. Research Strategy

After introduction to methodology, it is necessary to continue with the design of the research strategy. The research strategy consists in choosing the set of methods that make up the research plan in which it is intended to achieve the research objectives and to answer the research questions raised for the case study (Robson, 2002). Designing a research strategy should take into consideration the objective of the study. The general objective of a study is to:

Figure 3. Objective structure



Source: Robson, 2002

The aforementioned objectives should be accompanied by research questions and descriptive analysis, ([Robson, 2002](#)). In the same study, there may be multiple objectives such as exploratory and explanatory, or a single objective may evolve over time, passing from a descriptive to an exploratory objective ([Robson, 2002](#)).

Based on the knowledge of the objective of the study, it is important to choose the most appropriate research method. According to Robson, exploratory studies seek new understandings, ask questions, and provide assessments of the phenomenon from a different perspective. The purpose of this study is to research the phenomenon in a new perspective, that is, the importance of intellectual capital in innovation and competitiveness of Albanian businesses, by analyzing cause-effect relationships.

The purpose of the study is clear and on the one hand seeks to deepen the knowledge on the subject of the study to fill the identified scientific gap, and on the other hand to support businesses in the study area in Tirana, by proposing techniques and ways of evaluating intellectual capital to influence the innovation and competitiveness of businesses in the market. The exploratory nature of the research is reflected in the characteristics that the research method must have to bring results ([Saunders et al., 2007](#)).

According to researchers, exploratory research has as its main advantage flexibility and adaptability to changes and requires a flexible method which can change direction during data collection and analysis ([Adams et al., 1991](#)). According to [Adams and Schvaneveldt](#), the flexibility of the study method does not entail a lack of direction or orientation of the research. It implies that the focus may not initially be detailed, but as the research continues it becomes more specific and the method determined for the research should enable progressive focus of the study, ([Cully et al., 1999](#)).

From the above it emerges that the continuous change of an exploratory research objective is in accordance with the inductive approach defined for this case study ([Adams et al., 1991](#)). The method chosen for the case study research should be flexible, appropriate to the research objective and to the topic of the study in order to ensure effectiveness in the results, ([Saunders et al., 2007](#)). For the above, the research strategy should enable a complete analysis of the study topic. It is important to note that the role of intellectual capital in the innovation and competitiveness of Albanian businesses is a subject to the influence of many variables.

Therefore, to study the influence of these variables and the relationships between them, it is necessary to choose the most appropriate research tools. From the above, the choice of the case study strategy was deemed inappropriate for the research objective ([Robson, 2002](#)). Robson interprets the case study method as "a research strategy that involves an empirical investigation of a particular contemporary phenomenon within a real-life context using various sources of evidence". Researchers highlight the importance of context, adding that within a case study, the boundaries between the objective of the study and the context in which the latter takes place are not well defined ([Yin, 2003](#)).

According to Morris and Wood, the choice of case study strategy is easily used in cases where it is necessary to obtain a complete and detailed picture of a phenomenon, ([Morris et al., 1991](#)). The appropriateness of a case study strategy in relation to the research topic and objective becomes even clearer when compared to another strategy, in this case quantitative surveys. In fact, even according to this strategy the study can be developed, but the ability to research would be limited by the number of variables, the size of the sample, and the data necessary to ensure the results.

A case study can consider four different variants based on two characteristic dimensions, ([Millward et al., 1992](#)). It is necessary to make a distinction between:

- One case study and several case studies: depending on the number of real cases considered.
- Holistic and incorporated case: depending on the level of used analysis.

The holistic case considers the business as a single reality to be analyzed. In the incorporated case, the context is the same but the level of analysis is more detailed, organized in the ranks of different departments, different offices, etc. (Yin, 2003). Yin does not recommend using the single-case strategy because he sees it as appropriate only in critical or unique cases. Based on the topic of the study, it is more appropriate to use the case study strategy because the topic of the study is not presented as a unique case, since intellectual capital is a typical and critical element for all businesses in Tirana and not only.

The research in our case study is based on over 200 large and medium-sized businesses operating in Tirana. Data analysis will be developed for each business separately, and within each business will be developed a series of other analyzes necessary for the case study.

This data analysis is appropriate for several reasons:

- It allows us to highlight the role of intellectual capital in innovation and competitiveness of businesses in the study area.
- It allows us to highlight the way each business uses the skills acquired over time of its intellectual capital.

Based on the research questions and the research objective, will be verified the importance of intellectual capital in innovation and competitiveness of medium and large businesses in Tirana. From the above, it is concluded that the most appropriate research strategy for this case study is the case study. This study will be carried out for three years in such a way as to have the necessary time for the development of a detailed analysis. This will be made possible by the well-defined organization of data collection phases, referring not only to current data, but also to previous business data.

4. Data collection

The methodology of this paper will be based on primary and secondary data. Primary data will be obtained through interviews and questionnaires carried out in different businesses. Descriptive statistics analysis will be used, where through graphs and tables processed with the SPSS program, the various questions that will be contained in the questionnaire will be reflected and analyzed, which will be distributed to different businesses. An important moment of the methodology is also the use of econometric models where through the EVIEWS program, after the data have been collected and processed, the appropriate econometric models will be used to reflect the relationships between the variables taken in the study and the testing of the relevant hypotheses.

RESULTS

The analysis made above in this paper clearly shows the importance of intellectual capital in the development of innovation in Albanian businesses. As mentioned above, it is noted that this paper is an integral part of a doctoral thesis focusing on the role of intellectual capital in the creation of innovation in businesses. The pillar of this paper is the methodological approach that will be used in the study, starting with an introduction to methodology and the importance of scientific research. It

is analyzed in details which are the main characteristics of basic research and applied research. Another important thing mentioned above is the strategy through which the paper will proceed, distinguishing between a case study and several case studies, as well as the difference between a holistic case and an incorporated case. The third phase of the methodology of this scientific paper deals precisely with data collection through questionnaires that will be developed and the processing of the results to determine the role of intellectual capital and its components in creating innovation and business competitiveness.

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