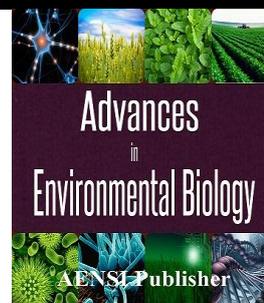




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The Relationship between Intellectual Capital Reporting and Universities Performance

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ABSTRACT

Today, the performance cannot be evaluated and judged based solely on financial measures. That, since research has shown, the market value of firms and financial institutions, primarily asset. The nonfinancial in tangible assets or intellectual capital refers to their substance is determined. Intellectual capital(IC) is organisational intangible asset which is frequently associated with performance.(IC) is commonly categorized into three core component: human capital, structural capital and relational capital. Recently the role of intellectual is becoming very important inside small and medium enterprises, the main reason is because of their influence in formulation and implementation of strategies in these enterprises. The research included Islamic Azad University Qorveh professors are the number of samples to 112 people. Distribute and collect the questionnaires it was found that the intellectual capital reporting on university performance (financial performance, Educational performance and research function) has a positive effect.

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INTRODUCTION

Intellectual capital (IC) is an important intangible asset in today's business, particularly in current knowledge intensive economy which also relies heavily on technology. IC has been frequently recognized as invaluable intangible asset which is managed and utilized to stimulate innovativeness, creativity, competitive edge, value creation and boost corporate performance [5]. In the face of progressing globalization and liberalization processes in the world economy, the chance for countries or regions to get a competitive advantage is to take advantage of their endogenous growth factors. Wisely constructed regional development policy is considered as a defense tool against the possible threats made by globalization. The competitiveness of countries in attracting foreign investors is more often determined by their specific and unique intangible resources. Intangible investments in research and development and innovation are viewed as the most important sources of performance. The development potential of any kind of organization is embedded in its knowledge-based assets. Knowledge is considered as a basic resource for value creation both at the corporate and regional level. For the last decade, the corporations all over the world have been implemented new knowledge management systems. One of the main objectives of a company manager is to maximize company value. Company value is at the center of corporate finance, however, calculating a value for a company is not easy. First, different companies should be valued differently (for example, public company vs. private company). Second, company value depends on the aim of the valuation as well (one company can have several values, depending on the method). The last two decades have seen a stream of innovation in financial markets, yet corporate valuation methods have not changed significantly. Traditional corporate valuation methods include discounted cash flow valuation, liquidation and accounting valuation, relative valuation and contingent claim valuation. The bulk of these methods reflect historical performance, while it is necessary to also take in to consideration the value which is off-balance-sheet and possible growth. Traditional corporate valuation methods are based on balance sheet, income statement or cash flow statement; however, intellectual capital is an asset as well. Yet it is valued at zero on the balance sheet. Large differences exist between company market and book

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value, and a part of this can be explained by intellectual capital. Even though there is no universal definition of intellectual capital, its information provides an indication about the future potential of a company.

Intellectual capital & IC measurement models:

Measuring intellectual capital became a main research area in the 1990. The importance of intellectual capital comes from the fact that traditional accounting systems do not reflect reality for managers or investors in such a way that they understand how their resources – many of which are intangible – create value in the future. Sustainable competitive advantage and intellectual capital plays an important role in creating a superior financial performance that is accepted in all circles and research [1] J.K. Galbraith in 1969 used the concept of intellectual capital, in the present-day organizational sense which later T. Stewart [16] defined as operation that provides a competitive advantage in the market, the sum of all things known to employees as described. Stewart [16] published his book in the intellectual capital "Welfare use of intellectual material to create wealth, knowledge, information, intellectual property, and a combination of experience. IC is defined by Roos *et al.* as all non-monetary and non-physical resources that are fully or partly controlled by the organization and that contribute to the organization's value creation. IC is commonly classified into three components three components:

(i) Human capital which includes knowledge, professional skills and experiences, expertise, educational level and creativity of employees.

ii) Structural capital which includes innovation capital, databases, software systems, distribution networks, organizational charts, corporate culture, strategies and policies.

(iii) Relational capital which includes marketing channels, customer relationships, relationships with suppliers, customer loyalty, governmental and industrial networking, intermediaries or partners. Brooking, defined intellectual capital, "to sustain the business activities of all intangible assets" known as the first professional manager of intellectual capital L. Edvinsson and Skaikh have used intellectual capital as "value of information can be converted to". According to the traditional accounting sense, intellectual capital and goodwill (goodwill) corresponds to the concept of representing the difference between book value of the enterprise market with recognized market value [1]. Ulrich intellectual capital, talent and commitment of employees to identify the product, Rastogi and Mouritsen owned the business and assets of the organization see it as a meta-capability. Marr and Moustaghfir, intellectual capital is defined as to create value for the future, gained through experience and learning can be used to achieve the strategic objectives of all kinds of intangible assets (Intangible assets). Swart the intellectual capital, products and services throughout the enterprise market thinks of as a physical output. All of these definitions can be defined as taking in to account the intellectual capital, which directly affect the success of current and future business that provides competitive advantage, create added value, knowledge of the essence, to the whole business of intangible assets owned by organization. As you can see the intellectual capital, the hidden assets of a company's balance sheet is a collection of unseen and the most important source of competition. There are many corporate valuation methods. Nevertheless, studies find contradictory results, and the corporate finance community is not even close to a universal methodology of company valuation. Different methods have different advantages in different situations, and some capture important aspects of valuing a business, which are not recognized by others. Traditional company valuation methods pay more attention to either historical figures (based on the balance sheet, income or cash flow statement) or inexact forecasting [for example, free cash flow and weighted average cost of capital (WACC) for subsequent periods]. These methods are mostly taking into consideration the physical assets of the company, while in the knowledge-based economy more emphasis is put on employees and intellectual capital. Therefore, afore mentioned corporate valuation methods are not suitable in today's world. In a knowledge-based economy, one must take into consideration not only the traditional ways to measure the company value, but it is necessary to recognize intellectual capital as well. Traditional measures of a company's performance, which are based on conventional accounting principles, may be unsuitable in the knowledge-based economy which is driven by intellectual capital. Although intellectual capital and knowledge assets are difficult to discern and quantify, their results will nonetheless be reflected in the company's greater productivity, efficiency, and overall profitability. The limitations of financial statements in explaining company value underline the fact that the source of economic value is no longer the production of material goods, but the creation of intellectual capital [3]. Intellectual capital is intangible and cannot be accurately measured. For example, Frykman & Tolleryd define intellectual capital as all non-financial assets of a company that are not reflected in the balance sheet. Yet Tawy & Tollington have observed that there is no universal definition for intellectual capital and the cause and effect relationship between intellectual capital and value creation is, at best, indirect. Bayburina & Golovko (2009) emphasized that intellectual capital is the "intangible safety - cushion", which can be used only by companies who have created it years before. Therefore it is necessary to focus on sustainable development. The panel data analysis of before mentioned study revealed that the human capital can be considered the key factor of the long-term growth of BRIC companies. Brown *et al.* emphasize that intellectual capital has ascertainable monetary value, provides a company with a competitive edge, and enables it to differentiate itself from its competitors. The

intangible elements or invisible assets, which cause the gradual extension of the difference between the market values and book values of companies and create values for their companies, are called the new wealth of companies in today's information society [16]. Neither the financial assets such as inflated bank accounts, nor physical assets such as large landed properties and numerous buildings reflect the value of the company. Reflecting a considerable percentage of the market value of companies, assets are intangible intellectual components and it is constantly discussed that it is required to measure these components objectively, disclose in activity reports of companies to be presented to related interest groups. Display them in financial statements or present as a separate intellectual capital statement. The intellectual capital is defined as intangible critical assets, which cannot precisely be disclosed in the financial statement of a company but reflect the real value of the company and are based on knowledge. According to Roos *et al.*, [14] considering the modern accounting techniques, the intellectual capital includes the processes that are not disclosed in the financial statement and intangible assets (copyright, patent, trademark). According to Sullivan on the other hand, the intellectual capital is information that could be converted into profit. There is no universal classification regarding the components of the intellectual capital; however, according to Sveiby, intellectual capital has 3 components as human capital, internal structure and external structure. According to Roos and Roos [14] on the other hand, the intellectual capital is consisted of components such as human capital, structural capital and customer capital. Human capital is the personal information stock of the company that is represented by employees and the source of invention and strategic innovation and is comprised of elements such as the education, skill, experience, business knowledge, creativity, and satisfaction of employees. Structural capital is the whole organisational capabilities, which are owned by the business and enables the company to meet the market requirements and involves elements such as culture, intellectual property, system and processes that are kept within the enterprise when the employees go home in the evening. Customer capital is information, which is grounded within market channels, which are developed by a company through business relations, and customer relations [1] and involves elements such as brands, customers, customer satisfaction, and relations with customers state that it is unlikely that accounting, as it has traditionally been understood, is capable of meeting new challenges of intellectual capital. At the very least, it seems desirable to continue to promote combinations of numbers in order to take into account the intellectual capital. Similar conclusions are made by Gowthorpe intellectual capital accounting does not fit successfully into the traditional model of financial accounting and reporting. The results of study by Cronje & Moolman also indicate that accounting should be modified to ensure a standardized and comparable approach on intellectual capital. Undeniable is the fact that intellectual capital is an asset of the company and an increase in intellectual capital should increase the value of the company as well. Yet empirical results of intellectual capital and value are inconsistent. Some studies find positive correlation between intellectual capital and company value, while others do not find any relationship. In addition, there is a bulk of studies, which find a connection between value components and market value. Certainly, the subject of intellectual capital and its impact on value is topical and more research is necessary. Currently there are a variety of proposals for models, highlighting the importance of intellectual capital and to quantify the value of many of these data being experimental and thus some inherent shortcomings. In other words there is no generally accepted theoretical model for measuring intellectual capital of an organization. Research to evaluate intellectual capital of organizations have resulted in the emergence of a large number of models and proposed procedures. Some models focus primarily on financial metrics and offer a restricted notion of knowledge assets. Others take a more holistic view but require subjective judgment in determining a composite index that may be used for objective comparisons. The most popular measurement models as well as the most widely used or just the easiness of their applications of all nonfinancial measurement methods are: Balanced Scorecard, Skandia Navigator and Intangible Assets Monitor.

Balanced Scorecard (BSC):

After a multi year, multi-company study sponsored by Harvard Business School, Kaplan and Norton suggested that managers need a multi-dimensional measurement system to guide their policy making and proposed using what they called a balanced scorecard approach to performance measurement. It was the first time that the company was encouraged to measure financial and non-financial factors, including the customer perspective groups, the internal business process and the learning and growth perspective, and to link all these measures in a coherent system [1]. Over the past decade, the balanced scorecard has evolved from being a measurement framework to being a strategy implementation tool. It represents a set of cause-and-effect relationships among output measures and performance drivers in the four perspectives [9]:

- Financial measures: how do we look to shareholders, for example, cash flow and profitability.
- Customer measures: how do our customers see us, for example, price as compared with competitors and product ratings.
- Internal process measures: what must we excel at, for example, length of cycle times and level of waste.
- Learning and growth measures: can we improve and create value, for example, percentage of sales derived from new products.

Today, Kaplan and Norton stress the importance of visualizing causal relationships of measures and objectives. These are essentially communication tools that visualize an organization's strategy and the processes and systems needed to implement it. Although Kaplan and Norton insisted that companies should select their own measures, many have criticized the BSC model for being too limited. The BSC, however, considers employees as unimportant, overlooking the significance of knowledge management as a critical success factor of the new economic entity and as the key to its long-run survival. The BSC is merely supplementary in balancing the traditional perspectives by adding non financial perspectives.

Skandia Navigator:

Skandia appointed Leif Edvinsson as director of Intellectual Capital. Edvinsson developed a dynamic and holistic IC reporting model named the Navigator. It reflects four key dimensions of its business:

- Financial focus
- Customer focus
- Process focus
- Renewal and development focus.

At the heart of these is human focus, which drives the whole Skandia Navigator mode. is an important tool. Other companies have relied extensively on Skandia's Navigator to value their R&D and patent process. However, because it relies on a balance sheet to reflect the monetary value of a company's IC, Skandia Navigator neglects many contents of IC which play important roles in creating value, such as a company's culture, organizational learning and an employee's creativity.

The importance and necessity of research:

With the arrival of knowledge economy, knowledge-driven companies compared to other factors of production such as land and Capital and machinery and has a higher priority, it's the economy Knowledge as the most important factor of production is considered as the most important competitive advantage Organizations are called. The expansion of knowledge-based activities and technological revolution has led to the economic transformation materials and labour but mainly the capability to create and utilise knowledge resources. As Bounfour points it out, the Smith model, improved by Taylor, is no longer relevant under different angles, especially the economics of scale and standard isation [2]. Post-Capitalist Society by Peter Drucker writes that the successor tool of knowledge, capital, raw materials and labor Physical trading activities will be. In other words, an economic advantage Longer ependent on physical capital such as land, equipment or facilities will be produced and On organizations create value through intangible assets that intellectual capital is the result of an interview. Detection and management of intellectual capital of a country or an economic organization requires a system Based on variable factors that help to detect and identify intangible assets. Philosophy Inventory Turnover organizations and social institutions, especially informal organizations to achieve the goals that the Order have been established. Organizations the tools to meet the needs of society, hence the There is an expectation that they are in a sensitive position. Institutions and communities now and in the future will benefit from intellectual capital. What In the future, not the creator of economic value of oil and gas, and the like, but the wise child Scientific knowledge and love of every nation. One of the indicators developed countries according to the Manpower is. Today, any organization, regardless of staffing and constructive role in Services are not able to survive. Given the international coordination of labor productivity Organization and human resources to adopt common goals and ensure the achievement of organizational goalsandre sources Creates human. Organizations that work in today's competitive environment variable can is necessary to be effective and the level of their intellectual capital to identify, assess and Their valuation. In today's knowledge-based natural environmental capital, intellectual capital is not only the most important Is an organization, but also provides a sustainable competitive advantage for organizations, managers Not only have they increased their knowledge in the field of intellectual capital, it must be through the strengthening Component (human capital, structural capital and relational capital) to develop and expand the scope The organization's activities. Effectiveness and efficiency than ever before thanks to the attention to knowledge and capital. The mind and the nature and methods of measuring and valuing It may be possible Planning, optimization, control and supervision provided by the organization.

Research Methodology:

This study uses questionnaire survey as the data collection method. A self-administered questionnaire survey was mailed to the respondents which requires them to rate their opinions based on given statements using a 5-point Likert Scale ranging from 1 (strongly disagree) to 5 (strongly agree).The present study due to take To examine the relationship between intellectual capital and organizational performance in terms of practical purpose, and the manner

Collecting and analyzing the data in this study is a descriptive survey and the analysis assumptions Solidarity is also the time when the study is cross-sectional. Find answers and solutions to selected problems in any research that requires access to data through.

They hypothesize that could be temporary as possible answers to the research questions are

The test. Typically, there are four main instrument for data collection are

Review of documents, observation, interview and questionnaire data collection in Various stages of this research is different. The population of this research Islamic Azad university Qorveh Branch professors.

Research hypotheses:

This research consists of the following three hypotheses:

Hypothesis 1. the measurement and reporting of intellectual capital and financial performance of universities, there is a significant positive relationship.

Hypothesis 2. the measurement and reporting of intellectual capital and educational performance, there was a significant positive relationship.

Hypothesis 3. the measurement and reporting of intellectual capital and university research performance and a significant positive correlation.

Research Findings:

Table 1: Pearson Correlations between IC and financial Performance.

The first hypothesis	Dependent variable	Independent variable	R	R Square	Standardized coefficient beta	T-test	sig	Result
	financial performance	intellectual capital	0/40	0/16	0/40	6/151	0/000	Confirm the hypothesis

As shown in Table1,the regression coefficients for the variables independent (Beta=0/40)As shown in Table significance level of less than 0/05(Sig=0/000<0/05), then we can say that the first hypothesis is confirmed. In other words, a significant positive relationship between intellectual capital and financial performance there.

Table 2: Pearson Correlations between IC and educational Performance.

The second hypothesis	Dependent variable	Independent variable	R	R Square	Standardized coefficient beta	T-test	sig	Result
	educational performance	intellectual capital	0/440	0/194	0/440	5/146	0/000	Confirm the hypothesis

As it can be seen in Table2,the regression coefficients for the variables independent (Beta=0/440)As shown in Table significance level of less than 0/05(Sig=0/000<0/05), then we can say that the Second hypothesis is confirmed. In other words, a significant positive relationship between intellectual capital and educational performance there.

Table 3: Pearson Correlations between IC and research Performance.

The third hypothesis	Dependent variable	Independent variable	R	R Square	Standardized coefficient beta	T-test	sig	Result
	research performance	intellectual capital	0/793	0/629	0/793	13/655	0/000	Confirm the hypothesis

As shown in Table3,the regression coefficients for the variables independent (Beta=0/793)As shown in Table significance level of less than 0/05(Sig=0/000<0/05), then we can say that the three hypothesis is confirmed. In other words, a significant positive relationship between intellectual capital and research performance there.

Discussion and Conclusion:

Recently the role of intellectual is becoming very important inside small and medium enterprises, the main reason is because of their influence in formulation and implementation of strategies in these enterprises. Intellectual capital is one of the key drivers of the important factors affecting the organization and gain a competitive advantage and superior financial performance of the companies are considered. Today, the performance can not be evaluated based solely on financial measures. Because research has shown that the market value of the assets of non-financial firms that are largely invisible assets or intellectual capital is said to be determined. In the new economy, intellectual capital has been described as intangible assets when it can be used as a source of sustainable competitive advantage components of intellectual capital in interactions that lead to value creation. Previous studies showed significant positive correlations between intellectual capital and organizational performance are presented. The findings of this study can be proved that intellectual capital is significantly associated with academic performance. In this study, the hypothesis that the first, second and third,

respectively:0/40,0/440,0/793 which represents the correlation coefficient between the dependent variable and the independent variable is positive and significant.

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