



## **IMPACT OF INTELLECTUAL CAPITAL ON INTRAPRENEURSHIP DEVELOPMENT IN FEW SELECTED IT FIRMS OF NORTHERN INDIA**

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### **Abstract**

*The Present study aims to find out the impact of Intellectual capital On Intrapreneurship development in top 20 selected IT firms of northern India. In this study the three dimensions of Intellectual capital is used namely: human capital, structural capital and relational capital. The four (4) hypotheses were developed based on the dimensions of the study as well as relevant literature. A questionnaire consisting of (71) questions covering the dimensions and hypotheses of the study were designed in order to collect the required data for examining hypotheses and reaching conclusions. The standardized questionnaire used in this study to find the relationship between the two said variables. The data was collected from 638 respondents out of 638 respondents 603 were found to be useful. A stepwise multiple regression was used to find out the impact of relevant dimension of intellectual capital on intrapreneurship development, it was found that only structural capital has strong and significant impact on intrapreneurship development. This implies that 71.9% variance is explained by structural capital and 73.4% variance is explained by intellectual capital.*

### **INTRODUCTION:**

Knowledge has turned out to be the new engine of commercial expansion, leading it to be one of the greatest clichés of modern times. There is no doubt that successful firms tend to be those which continually innovate, rely on new technology, skills and knowledge of their employees rather than just focusing upon assets such as plants or machinery. Every business aims at performing and developing effectively, which is influenced by various internal and external environmental factors. Intellectual capital is one of the dimensions of the internal environment of the business and is therefore an important factor in strategic management.

Intrapreneurship is considered as a special type of entrepreneurship. This concept focuses on the employees of a firm who possess various traits of an entrepreneur. Intrapreneurship is a recent concept which throws light on the behavioral characteristics of the employees such as newness, taking initiative and pursuit of opportunity.

While studying the relevant literature it is evident that very few studies have been done on all the three variables that have been included in this research study. Also, the past studies were done on human capital and other two variables rather than intellectual capital itself.

Knowledge is considered as a unsurpassed economic resource. It is slowly substituting physical and financial assets to become the most critical capital in the new economy. It is said to be based on the three pillars- (i) knowledge is what we buy, sell and do, (ii) knowledge based assets have become more important to firms, (iii) to make new management techniques flourish, new technologies and strategies are needed to explain knowledge based assets. Therefore, to make firms prosper intellectual capital management is inevitable. From the review literature it is evident that intellectual capital is not covered wholly in most of the studies, therefore, leaving ample scope for further development in the literature by covering all the three broad dimensions i.e. human, relational and structural capital.

The development of organization as well as the economy is substantially dependent upon entrepreneurship. The importance of intrapreneurship has been mostly revealed with respect to large corporations in developed economies. In a developing country like India, there is need to develop intrapreneurship which is usually called corporate entrepreneurship or corporate venturing. It is a special type of entrepreneurship by which employees in the organization undertake new business activities and develop strategies to implement change. Many studies have been done to identify the role of different entrepreneurial eco-systems and moreover, both state and central government has taken number of initiatives to promote entrepreneurship. But few studies have been conducted in the field of intrapreneurship. Intrapreneurs constitute of the backbone of any organization, as a result, the prosperity of business depends upon the intrapreneurship development. Moreover, the study will explore the experience of entrepreneurs in the organization

Information Technology industry is one of the fastest growing industry in India. The origin of the IT industry in India dates back to 1974, when Tata Consultancy Services, the Indian sales agent was asked by the mainframe manufacturer, Burroughs, to export programmers for installing system software for a U.S. client. The Indian IT and ITES industry is divided into four major segments – IT services, Business Process Management (BPM), software products and engineering services and hardware.

With high gamut of opportunities in the Indian IT sector, the impact of intellectual capital on intrapreneurship development becomes more important. This is because the employees' needs and the environment in which the firms operate are ever changing.

## **REVIEW OF LITERATURE:**

The study of intellectual capital (IC) also known as intangible assets (IAs) has been going on since the early 1990s (Marr & Chatzkel, 2004). However, the wide collection of studies across various disciplines has created a plethora of definitions, resources, properties and attributes that can be considered as intellectual capital or intangible assets.

- **Vasile (2008)** “Intellectual capital is used information and knowledge to generate value.”
- **Kim, Yoo & Lee (2011)** described intellectual capital as “a non-monetary asset that eventually reaped economic benefits.”
- **James chen (2019)** defined intellectual Capital as “the sum of organizational processes, employee expertise and other intangibles that contribute to a firm's bottom line.”

Many researchers have developed numerous number of model and elements of Intellectual Capital but these are classified into Human, Relational and Structural Capital.

The concept of Intrapreneurship Development has taken from entrepreneurship, basically Intrapreneurship is corporate entrepreneurship.

Intellectual capital is “the possession of the applied experience, organizational technology, knowledge, professional skills and customer relationships that provide a business with a competitive edge in the marketplace” (Edvinsson and Malone, 1997; Bontis, 2009). The most common and standard conceptualization divides Intellectual Capital into three broad dimensions, i.e. human capital, structural capital, and relational capital, which refer to knowledge embedded in people; organizational structures, processes and systems; and relationships and networks respectively (Kianto et al., 2017). Monna Varian and Ashena (2009), Behnoosh (2012), Alipour et al. (2012), Sajadi et al. (2017) have shown link between Intellectual Capital and Intrapreneurship. The findings of Alipour et al. (2012), KIA Et Al. (2013), Sajadi et al. (2017) stated a significant impact of intellectual capital on intrapreneurship development.

**Monna Varian & Ashena (2009)** conducted an empirical study to find out the relationship of entrepreneurship with social capital and was found that the structural dimension of social capital had stronger relationship with entrepreneurship than cognitive dimension. It was suggested that organisations with entrepreneurship orientation were more likely to grow than organisations that were low characteristics. **Ghaderi (2013)** conducted a study to find out the relationship between of intellectual capital and organisational entrepreneurship of

government agencies in the city of Sanandag. Structural equation model was used to test the hypothesis and find out the relationship between the two variables. The model's final estimate indicated a positive impact of the three components of intellectual capital on organisational entrepreneurship. **Sajadi et al. (2017)** conducted a study to find out the relationship between intellectual capital and organisational entrepreneurship in physical education department at Universities in Kerman. A standardized questionnaire filled by 103 respondents was used to find out the relation between intellectual capital (human, structural, relational) and intrapreneurship. To analyse the data, SPSS and Smart PLS, descriptive and inferential statistics were used. The results revealed that the intellectual capital explained 65% of variance in organisational entrepreneurship of the staff. The study also revealed by using the Pearson's correlation co-efficient that there was significant correlation between the components of intellectual capital and organisational entrepreneurship.

### **Methodology:**

The current study focuses on intellectual capital and intrapreneurship development in IT Sector. The sampling frame comprises of employees at the managerial level engaged in this sector. Thus, it becomes important to study managerial employees in an organization to foster the success of the firms in the IT sector. The scope of study is confined to the IT Sector in the northern part of India. The geographical frame comprises the states of North India including Punjab, Haryana, Himachal Pradesh, NCR-Delhi and Union Territory-Chandigarh. The study further aimed to include the responses of 30 managerial employees from each of top 20 selected organizations. The standardized questionnaire was used to find out the impact of Intellectual capital on Intrapreneurship development in top 20 IT firms of Northern India, A step wise multiple regression was used to find the impact.

### **OBJECTIVES AND HYPOTHESES:**

The main objective of the study is to examine:

- the impact of Intellectual capital on Intrapreneurship Development
- the impact of dimensions Intellectual capital on Intrapreneurship Development

Based on the research Objectives following are the hypotheses:

**H1.** Intellectual Capital has significant Impact on Intrapreneurship Development in selected IT firms of Northern India.

**H1a.** Human Capital has significant Impact on Intrapreneurship Development in selected IT firms of Northern India.

**H1b.** Structural Capital has significant Impact on Intrapreneurship Development in selected IT firms of Northern India.

**H1c.** Relational Capital has significant Impact on Intrapreneurship Development in selected IT firms of Northern India.

**DATA ANALYSIS:**

The step wise method of regression analysis is conducted to study the impact of intellectual capital and its dimensions on intrapreneurship development in selected IT firms of northern India. The model summary in Table 1.1 shows the strength of relationship between the human capital and entrepreneurship development.

**Table 1.1 Regression Model summary of Human capital and Intrapreneurship Development**

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.722 <sup>a</sup>	.522	.521	.34589	1.665

a. Predictors: (Constant), ICHCM

b. Dependent Variable: IDM

Results show that the coefficient of determination,  $R^2$  is .522. This implies that human capital explained 52.2% of the variance in intrapreneurship development in the IT organizations.

The model summary in Table 1.2 shows the strength of relationship between the structural capital and intrapreneurship development.

**Table 1.2 Regression Model summary of Structural capital and Intrapreneurship Development**

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.848 <sup>a</sup>	.719	.718	.26533	1.818

a. Predictors: (Constant), ICSCM

b. Dependent Variable: IDM

Results show that the coefficient of determination,  $R^2$  is .719. This implies that human capital explained 71.9 % of the variance in intrapreneurship development in the IT organizations.

The model summary in Table 1.3 shows the strength of relationship between the relational capital and intrapreneurship development.

**Table 1.3 Regression Model summary of Relational capital and Intrapreneurship Development**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.712 <sup>a</sup>	.507	.506	.35116	1.711

a. Predictors: (Constant), ICRCM

b. Dependent Variable: IDM

□

Results show that the coefficient of determination,  $R^2$  is .507. This implies that relational capital explained 50.7 % of the variance in intrapreneurship development in the IT organizations.

The model summary in Table 1.4 shows the strength of relationship between the intellectual capital and intrapreneurship development.

**Table 1.4 Regression Model summary of Intellectual capital and Intrapreneurship Development**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.826 <sup>a</sup>	.683	.682	.28170	1.803

a. Predictors: (Constant), ICM

b. Dependent Variable: IDM

Results show that the coefficient of determination,  $R^2$  is .683. This implies that intellectual capital explained 68.3 % of the variance in intrapreneurship development in the IT organizations.

The value of Durbin Watson test lies between 1 to 3, in all the regression models, it is acceptable and fulfills the assumption that there is no autocorrelation found in the data.

From the above results it can be concluded that hypotheses:

**H1.** Intellectual Capital has significant Impact on Intrapreneurship Development in selected IT firms of Northern India. – **Accepted.**

**H1a.** Human Capital has significant Impact on Intrapreneurship Development in selected IT firms of Northern India. – **Accepted.**

**H1b.** Structural Capital has significant Impact on Intrapreneurship Development in selected IT firms of Northern India. – **Accepted.**

**H1c. Relational Capital has significant Impact on Intrapreneurship Development in selected IT firms of Northern India. – Accepted.**

A stepwise multiple regression was used to find out the impact of relevant dimension of intellectual capital on intrapreneurship development, it was found that only structural capital has strong and significant impact on intrapreneurship development. This implies that 71.9% variance is explained by structural capital and 68.3% variance is explained by intellectual capital.

**FINDINGS AND DISCUSSIONS:**

It can be rightly said that intellectual capital played an important role in today's organizations in determining the relationship with intrapreneurship and has a significant impact on intrapreneurship development. The impact on intrapreneurship development influenced the growth and performance of companies which can be through intellectual capital which is one the invisible asset of the organization used for generating the knowledge.

Thus results supports the findings of Gadheri (2013), Kia et al. (2013), Sajadi et al. (2017) stated a significant impact of intellectual capital on intrapreneurship development.

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