

The Motivation to Invest in Intangibles: Conceptual Model

Eva Marčič

University of Ljubljana, School of Economics and Business, Slovenia

eva.erjavec@ef.uni-lj.si

Abstract. Intangible capital, comprises (Corrado et al., 2009) (1) computerized information, (2) innovative capital and (3) economic competencies. The literature offers significant evidence of the impact of intangible capital on productivity growth (C. Corrado, Haskel, and Jona-Lasinio 2016; C. Corrado, Hulten, and Sichel 2009b; Carol Corrado et al. 2016; Irina 2018; Ji 2018; Jona-Lasinio and Meliciani 2018; Li and Wu 2018; Lopez and Olivella 2018; Piekkola 2011, 2018; Roth and Thum 2013; Tahat, Ahmed, and Alhadab 2018; Vrh 2018; Yang and Shi 2018), but is focusing primarily on the estimation of the actual impact on productivity, firm and sector performance, financial markets and other development indicators.

The evidence on the actual motivators or determinants of intangible investment in firms is scarce and lacks evidence of “comprehensive governance of intangibles” at firm level. The purpose of the paper is to conceptualize a model of investment into intangible capital at firm level following the approach by (Sánchez, Chaminade, and Olea 2000) which, is explaining differences between firms and sectors. It attempts to close the gap between the observed level of intangible investments and their impact. The model presents a bridge between the economic and management literature, which last, also provides important managerial implications. The purpose of the paper is to conceptualize a model of investment into intangible capital at firm level starting from firm strategic development goals, which call for different investments.

The paper discusses evidence on potential determinants and how they could be relevant for investment in intangible assets, along the following categories: (1) motives to invest, (2) barriers to invest, (3) internal conditions and factors and (4) external conditions and factors (5) expected outcomes and (6) actual outcomes of investments in intangibles. Methodologically, the paper applies mixed-methods approach, from standard literature review to the development of comprehensive model analyzing factors that determine investments in intangibles.

Keywords: intangible capital, firm level motivation, firm performance, theoretical model

References

- Corrado, C., J. Haskel, and C. Jona-Lasinio. 2016. *Intangibles, ICT and Industry Productivity Growth: Evidence from the EU*. Cambridge University Press. <https://www.scopus.com/inward/record.uri?eid=2-s2.0-85021216847&doi=10.1017%2f9781316534502.009&partnerID=40&md5=c0f90a1bea94201a1366b003bc7f621e>.
- Corrado, C., C. Hulten, and D. Sichel. 2009a. “Intangible Capital and U.S. Economic Growth.” *Review of Income and Wealth* 55(3): 661–85.
- . 2009b. “Intangible Capital and U.S. Economic Growth.” *Review of Income and Wealth* 55(3): 661–85.
- Corrado, Carol, Jonathan Haskel, Cecilia Jona-Lasinio, and Massimiliano Iommi. 2016. *Intangible Investment in the EU and US before and since the Great Recession and Its Contribution to Productivity Growth*. European Investment Bank (EIB). <https://ideas.repec.org/p/zbw/eibwps/201608.html> (October 26, 2018).

- Forbes, Naushad, and David Wield. 2000. "Managing R&D in Technology-Followers." *Research Policy* 29(9): 1095–1109.
- Irina, C. 2018. "The Influence of Intangible Assets on the New Economy at European Level." In *Proceedings of the 32nd International Business Information Management Association Conference, IBIMA 2018 - Vision 2020: Sustainable Economic Development and Application of Innovation Management from Regional Expansion to Global Growth*, ed. Soliman K.S. International Business Information Management Association, IBIMA, 506–14. <https://www.scopus.com/inward/record.uri?eid=2-s2.0-85063051255&partnerID=40&md5=1a489a332e5e53816ccae3261267a38f>.
- Ji, H. 2018. "The Value Relevance and Reliability of Intangible Assets: Evidence from South Korea." *Global Business and Finance Review* 23(2): 98–107.
- Jona-Lasinio, Cecilia, and Valentina Meliciani. 2018. "Productivity Growth and International Competitiveness: Does Intangible Capital Matter?" *Intereconomics - Review of European Economic Policy* 2018(2): 58–62.
- Li, Q., and Y. Wu. 2018. "Intangible Capital in Chinese Regional Economies: Measurement and Analysis." *China Economic Review* 51: 323–41.
- Lopez, J.I., and V. Olivella. 2018. "The Importance of Intangible Capital for the Transmission of Financial Shocks." *Review of Economic Dynamics* 30: 223–38.
- Piekkola, H. 2011. "Intangible Capital: The Key to Growth in Europe." *Intereconomics* 46(4): 222–28.
- . 2018. "Broad-Based Intangibles as Generators of Growth in Europe." *Economics of Innovation and New Technology* 27(4): 377–400.
- Prašnikar, J., ed. 2010. *The Role of Intangible Assets in Exiting the Crisis*. Ljubljana: Časnik Finance.
- Roth, F., and A.-E. Thum. 2013. "Intangible Capital and Labor Productivity Growth: Panel Evidence for the EU from 1998-2005." *Review of Income and Wealth* 59(3): 486–508.
- Sánchez, P., C. Chaminade, and M. Olea. 2000. "Management of Intangibles – An Attempt to Build a Theory." *Journal of Intellectual Capital* 1(4): 312–27.
- Tahat, Y.A., A.H. Ahmed, and M.M. Alhadab. 2018. "The Impact of Intangibles on Firms' Financial and Market Performance: UK Evidence." *Review of Quantitative Finance and Accounting* 50(4): 1147–68.
- Vrh, N. 2018. "What Drives the Differences in Domestic Value Added in Exports between Old and New E.U. Member States?" *Economic Research-Ekonomska Istrazivanja* 31(1): 645–63.
- Yang, S., and X. Shi. 2018. "Intangible Capital and Sectoral Energy Intensity: Evidence from 40 Economies between 1995 and 2007." *Energy Policy* 122: 118–28.