

# INTELLECTUAL CAPITAL CREATES VALUE FOR THE ORGANIZATION – WHAT ABOUT OTHER STAKEHOLDERS?

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## **Abstract**

The ever-increasing market turbulence has turned today's corporate landscape more competitive and complex. Particularly during the last two decades, the increased utilization of ICT systems and technologies globally transformed the services sector in terms of ease of business processes and improved client service delivery. However, in the current knowledge-based era, ICT-enabled systems and tools would only be meaningful if these are appropriately utilized by the knowledgeable and skilled workforce. However, leveraging these necessitates a knowledge-enabled work culture and recognizing that people are crucial to building a robust Intellectual Capital (IC) that is central to achieving long-term market competitiveness. IC comprising of intangible assets and knowledge resources is central to value creation for the firm as evident from the growth of the knowledge-based industries. Nevertheless, the true potential of IC for deriving value advantage for diverse organizational stakeholders has not been fully utilized. Hence, by conducting 12 face2face interviews with the senior executives within Australian Professional Service Firms (PSFs), this study offers renewed approach to IC valuation by introducing 'Triple Value Bottom-line' perspective in PSFs. The results highlight that the IC offers enormous potential towards deriving broader value outcomes for multiple organizational stakeholders.

**Keywords:** Professional Service Firms, Intellectual Capital, Multi-stakeholder Value Creation, Triple Value Bottom-line, Knowledge-Based Competitive Advantage.

## **1. Introduction**

During the last decade, organizations have recognized the significance of managing their intellectual assets by emphasizing on building empowered work culture, renewing KM strategies, promoting brands and improving relationships with the stakeholders as the means to attain and sustain a corporate advantage (Jennex, 2020; Bchini, 2015; Kannan and Aulbur, 2004). In the current knowledge age, organizations can't manage to view their workforce as a mere factor of production to be utilized and eliminated, but should be considered a strategic asset (Nazari, 2010; O'Driscoll, 1998). The contemporary consulting firms such as: legal, audit, accounting, telecommunications, IT and other engineering firms have phenomenally contributed to the growth of service sector in the global knowledge economies (Fu et al., 2017). Moreover, this ever-increasing global competitiveness has enhanced the significance of Intellectual Capital as an inevitable source of long-term advantage and industry competitiveness (Kannan and Aulbur, 2004; Quinn, 1992). These days, what is at the heart of knowledge-based innovations is the ability of the firms to hire, train and then optimally utilize the skilled and knowledgeable staff in a way to differentiate from the competitors and create value for the clients and customers (Bchini, 2015; Youndt et al., 2004; Stewart, 1997).

While managers believe that Intellectual Capital (IC) is primarily meant to drive value for the organization, the potential to create value for other organizational stakeholders has always been overlooked (Aminoff et al., 2016). Resultantly, unlike other financial and physical organizational assets and resources, the true potential of IC couldn't be fully utilized as a strategically valuable asset (Rehman et al., 2019; Miller, 2016). Thus, unleashing the untapped IC potential could help derive triple value bottom-line for multiple organizational stakeholders as prospective beneficiaries to the maximized value outcomes. In this direction, the extant research lacks as such an empirically-tested value creation framework or even a theoretical mechanism that could capture and strategically guide service firms on

how to maximize and optimally utilize IC assets and resources in the wake of the firm's existing business strategies so as to leverage the value out of these resources and build unique core competencies (Rehman et al., 2019). Consequently, in the wake of enormous role of IC as competitive value driver, the underpinning question arises – *how managers in service firms can best utilize their intellectual capital to reap optimal value benefits for multiple organizational stakeholders?* Accordingly, this research qualitatively explores how managers can effectively measure, manage and utilize their IC for deriving triple value bottom-line in PSFs.

The rest of this paper is structured in a manner that the Section-2 gives comprehensive insights on the literature review. Section-3 justifies the use of research methodology and data-analyses approaches that appropriately support the investigation of underlying research problem. Section-4 gives a thorough understanding on the qualitative data analyses and discussion of the results. Section-5 discusses the results and additionally presents a qualitative framework that pictorially guides on the linkage between IC and Multi-stakeholder Value Creation. Section-6 presents theoretical and practical contribution of the research followed by conclusion and limitations in the Section-7 and 8 respectively.

## **2. Literature Background**

### **2.1. Intellectual Capital**

Given the increased global market competitiveness and continuous expansion of service sector economies where conventional work approaches and routines systems are being replaced by knowledge-based work approaches and sophisticated systems, the firms that continually create new knowledge and apply in product and service innovation are the only ones able to achieve long term market sustainability ((Jennex, 2020; Dyakona, 2015; Petrides, 2004). In this regard, organizational knowledge, information and intellectual property that mainly represent a firm's intellectual capital are considered the most valuable assets (Fareed et al., 2016). In the context of the modern economy of his time, Kenneth Galbraith (1977) was the first to coin the idea of "Intellectual Capital" as intellectually purposefully knowledge to be utilized by the knowledge-intensive organizations with an aim to maximize profits (Dyakona, 2015).

There are varied anecdotal opinions by the scholars who define IC concept in their own unique way. Stewart (1997) defines IC concept as a collective sum of intellectual materials and mental energies that involve an organization's culture, work structure, use of information technologies and brand image that collectively enable market competitiveness. Brooking (1998) views IC as intangible assets consisting of acquired human skills and abilities, physical infrastructure, intellectual property and other accumulated stock of knowledge. These aggregated knowledge assets translate into IC only when these are capable enough to successfully generate profits (Bchini, 2015; Petrides, 2004). Yet another viewpoint considers IC as a company's collective brain comprising of individual knowledge, abilities and skills including the assets that take the form of organizational culture, communication, accumulated experience, intellectual property, firm market image and company relations with external business network such as clients, partners etc. (Lentjušenkova and Lapina, 2016; Stevens, 2012). When it comes to IC classification, a number of prior scholars have worked on proposing IC dimensions. However, most of the scholars and research institutions such as Bontis (2002), Meritum Project (2002), IFAC (1998), Stewart (1997), Edvinsson and Sullivan (1996) have built consensus on Human, Structural & Relational Capital as IC dimensions.

- *Human Capital:* An organization's human capital primarily represents knowledge, abilities and skills imbedded in the mind of its individuals (Youndt et al., 2004; Bontis, 2002; Sveiby, 1997). Other common examples include: individuals' experience and creativity, innovation capability, teamwork, flexibility, loyalty, learning capacity etc. (Meritum Project, 2002). While some of the individuals' knowledge could be common and some exclusive to them, nevertheless their knowledge can't be retained by the organization as the individuals take with them once they quit. This downside of the human capital makes its management exceptionally critical among the other IC assets.
- *Structural Capital:* An organization's structural capital mainly includes the knowledge that is inherent in the organizational culture, information systems, databases, routines and processes (Youndt et al., 2004; Meritum Project, 2002; Roos et al., 1998; Stewart, 1997). In fact it provides an infrastructure to support the functions of human capital. The structural capital also incorporates organizational policies, procedures and intellectual property like patents, R&D systems, customized softwares that collectively enhance its innovation capabilities and augment the delivery of quality products & services (Rehman et

al., 2020; Kannan and Aulbur, 2004). Some of the structural capital assets are able to be lawfully protected and retained by the organization after becoming its intellectual property (Meritum Project, 2002).

- *Relational Capital*: It denotes knowledge ingrained in the relations with the external stakeholders and partner networks (Bontis, 2002; IFAC, 1998; Edvinsson and Malone, 1997). Meritum Project (2002) defines it as a set of resources utilized in maintaining firm's relationships with external agents that include customers, partners and suppliers. It also includes firm's image perceived by the external stakeholders. In the words of Kannan and Aulbur (2004), it represents the collective value of the customer market and industry relationships. In particular, it covers customer aspects like confidence, trust, loyalty, satisfaction brand image, negotiating capacity that help maintain long-term associations and links with suppliers and partners.

## **2.2. Value Creation**

In an organizational context, the value-creation concept is extremely useful and involves use of intangible and tangible assets that derive benefit for an organization. Nazari (2010) argue that an effective value-creation strategy necessitates a shifting focus from tangible assets to intangible assets that are inherent in its people, organization innovative capabilities, customer loyalty, brand image etc. This is because the value created by intangible assets is always indirect and also not visible in the company balance sheet. According to Kaplan and Norton (2003), alignment of these intangible assets with value creation goals represents a firm's corporate strategy and capitalizing on these assets offers indirect rather than direct benefits (Meritum Project, 2002). Thus, redirecting the organizational resource focus would help attain sustainable value-creation goals.

### **2.2.1. Multi-stakeholder Perspective In Value Creation – Revisiting IC**

Given the intensely competitive business landscape, managers nowadays find it difficult to effectively align organizational resources and activities with its competitive strategies in a manner to serve the value-creation needs of multi-stakeholders to the organization (Miller, 2016; Nazari, 2010; O'Driscoll, 1998). However, managers have begun to realize that traditional IC management approaches are unable to achieve the sustained value outcomes for diverse organizational stakeholders in the current globally-competitive knowledge age (Rehman et al., 2019). As a result, people have become the principal source of sustainable knowledge-based advantage. This ever-increasing knowledge-based nature of work has insisted today's workforce to use their mind over muscles. Accordingly, the knowledge workers of today must be capable enough to tactfully manage, utilise and communicate key information and knowledge coupled with an ability to think creatively and solve complex problems (Jennex, 2020; Fu et al., 2017; Youndt et al., 2004). These trends overall suggest an increasingly competitive business environment where key to achieving organization value bottom-line requires recognizing intangible knowledge as new organizational currency and that people as opposed to machines are key to sustainable value creation in the current knowledge age (Rehman et al., 2019).

## **2.3. Professional Service Firms (PSFs)**

The PSFs entail highly-skilled and competent individuals that assist these firms in providing customized client solutions (Empson, 2007; Morris, 2001). The common examples of PSFs include audit, finance, legal, engineering, management and IT consulting firms (Von Nordenflycht, 2010; Hitt et al., 2006). Unlike conventional business and manufacturing firms, the nature of work in PSFs is knowledge-intensive – having knowledge, expertise and intellect of professional staff as the only inputs that are translated as outputs in the form of personalized client services and solutions (Hitt et al., 2006; Greenwood et al., 2005). PSFs attain a sustainable market advantage by capitalizing on their tangible and intangible resources that take the form of staff knowledge and expertise, organizational routines, systems & infrastructures and long-term associations with the external stakeholders. Nevertheless, the extant research lacks an important context on how to optimize employee performance in PSFs and therefore requires comprehensive investigation of the issue. These days, PSFs continue to maintain important market position not just because of their unique characteristics but also due to their ever-increasing contribution towards the advancement of the global services sector (Rehman et al., 2020).

### *2.3.1. Intellectual Capital in Professional Service Firms*

IC assets of a firm in particular the human, structural and relational capital are extremely indispensable for PSFs as the provision of value-added client services necessitates careful utilization of these assets to the optimal capacity (Von Nordenflycht, 2010; Anand et al., 2007). As PSFs compete based on knowledge and intellectual competencies of their staff, hence PSFs was chosen as the relevant sector to evaluate the effectiveness of IC and how it leads to multi-stakeholder value creation in these firms. In addition, PSFs also offer a right context for suggesting a framework that qualitatively examines how IC derives organizational multi-stakeholder value bottom-line by utilizing human, structural & relational capital assets.

### *2.4. Intellectual Capital for Multi-stakeholder Value-Creation*

As such, IC embraces all assets and resources of intangible nature that are either formally owned or externally acquired by the firms. IC has not just to do with mere use of cumulative knowledge of its three constituent dimensions (i.e. human, structural & relational), in fact its true potential lies in meaningfully identifying and maximally utilizing the inherent tacit & explicit knowledge in the creation of value-based advantage for multiple organizational stakeholders (Rehman et al., 2019). This, however, requires establishing an appropriate connectivity between the employees, knowledge resources and activities (Jennex, 2020; Meritum Project, 2002).

- *Human Capital for Multi-stakeholder Value-Creation:* Literature suggests that IC generates value by reducing costs, enhancing performance and maximizing customer benefits. In this regard, organization's human capital forms the basis of sustained business competitiveness by reducing cost and enhancing operational efficiency which eventually translate into higher customer benefits (Youndt and Snell, 2004). Higher human capital also results in better planning and increased problem solving abilities (Kannan and Aulbur, 2004). In today's organizations, creative workforce is at the heart of product & service innovation. This creativity is enabled through workforce flexibility that plays an instrumental role in improving product & service delivery and efficiently meeting customer needs, thereby leading to increased customer value (Rehman et al., 2019).
- *Structural Capital for Multi-stakeholder Value-Creation:* Structural capital that represents the knowledge institutionalized by an organization also plays an important role in creating increased benefits for the organization by enhancing process automation and eliminating redundant activities, thereby cutting on unnecessary costs (Lentjušenkova and Lapina, 2016; Youndt and Snell, 2004). Moreover, by enabling the utilization of organizational information systems and communication technologies, the structural capital facilitates smooth flow of information and speedy exchange of knowledge among the individuals (Rehman et al., 2019). Overall, these activities support the effective utilization of the structural knowledge base within the organization (Youndt and Snell, 2004).
- *Relational Capital for Multi-stakeholder Value-Creation:* In the same way as human capital, the relational capital also supports organizations in cutting costs and building relations (Lentjušenkova and Lapina, 2016). Moreover, the knowledge in-built in the relationships with the clients, customers, partners and suppliers boost organization's problem solving ability, operational & process efficiency and brand innovation (Rehman et al., 2019; Miller, 2016). In particular, the relational capital likely enhances customer value through better identification of customers' idiosyncratic needs as well as by enabling organizations to provide reliable and better quality products & services to the customers (Youndt and Snell, 2004).

### *2.5. Knowledge Based View – Linking IC and Multi-stakeholder Value-Creation*

The Resource Based View (RBV) underscores that firms' achievement of competitive advantage primarily lies in how efficiently and to what extent they are able to utilize resources that are exclusive, inimitable and unique to them (Barney, 1991). In extension of RBV, the Knowledge Based View (KBV) theory was propounded by Grant (1996). It takes into account knowledge as an 'intangible' and the most critical firm asset from the strategic viewpoint. The reason as to why a firm's intangible knowledge resources are capable of delivering a competitive advantage is owing to their being socially-complex and firm-specific, hence making their replication extremely difficult for the competing firms. In the context of Professional Service Firms, KBV highlights tacit knowledge capabilities imbedded in the staff coupled with the use of organizational infrastructure and systems to support knowledge exchange and relationship building activities so as to consequently create value out of these unique knowledge resources (Fu, 2010).

### 3. Research Methodology

#### 3.1. Samples and Data Collection

This study was conducted at Australian Professional Service Firms (PSFs). A total of 12 participants were invited for the face to face interview. The participants for this research included senior executives, project leaders and managers from the areas like Engineering, IT, Technology, Marketing, Finance, HR etc. The data collection was done from January-April 2019. To maintain the privacy and anonymity of the participants, they were assigned with a unique code. The permission to record interview was also sought from the participants. In the next step, the transcribed recordings were analyzed using NVivo-12 software package. The specific details of the participating firms along with demographic information of the participants are given below.

Table 1. Participant's Demographics and Type of PSF

S #	INDUSTRY/ SECTOR	TYPE OF PSF	INTERVIEWEE POSITION/ DESIGNATION	FIRM SIZE	GENDER	AGE GROUP	TYPE OF FIRM	EDUCATION	WORK EXPERIENCE	FIRM IDENTIFIER CODE	INTERVIEWEE IDENTIFIER CODE
1.	Engineering	Telecom Services	National Technology Lead	Large	Male	36-45	International	Master Degree	Over 15 Years	Firm A	I <sub>1</sub>
2.	Transport & Logistics	Shipping & Cargo Handling Services	Senior Consultant (Software Development)	Large	Male	26-35	National	Master Degree	7-10 Years	Firm B	I <sub>2</sub>
3.	Information Technology	IT & Technology Services	Senior Technology Lead	Large	Male	26-35	International	Master Degree	11-15 years	Firm C	I <sub>3</sub>
4.	Accounting & Audit	Accounts & Audit Services	Audit Manager	Large	Male	26-35	International	Master Degree	7-10 Years	Firm D	I <sub>4</sub>
5.	Accounting & Audit	Accounts & Audit Services	Employee Engagement Manager	Large	Male	26-35	International	Master Degree	4-6 Years	Firm D	I <sub>8</sub>
6.	Engineering	Energy Efficiency Services	Technical Services Manager	Medium	Male	26-35	International	Master Degree	7-10 Years	Firm E	I <sub>13</sub>
7.	Digital Media	Digital Marketing Services	Senior Manager/ Head of Finance	Small to Medium	Male	26-35	International	Master Degree	7-10 Years	Firm F	I <sub>6</sub>
8.	Engineering	Telecom Services	Head of Market Research for Brand & Advertising	Large	Male	Above 45	International	Master Degree	Over 15 Years	Firm G	I <sub>7</sub>
9.	Engineering	Telecom Services	Agile Project Manager	Large	Male	36-45	International	PhD	Over 15 Years	Firm G	I <sub>11</sub>
10	Information Technology	IT and Management Consulting	Project Manager	Small to Medium	Male	26-35	National	Master Degree	4-6 Years	Firm I	I <sub>9</sub>
11	Higher Education	Education, Research and Training Services	Deputy Director (HR)	Large	Female	Above 45	National	Master Degree	Over 15 Years	Firm J	I <sub>10</sub>
12	Medical & Healthcare	Sports Technology & Injury Prevention Services	Chief Technology Officer and Sports Scientist	Small to Medium	Male	36-45	National	PhD	11-15 Years	Firm K	I <sub>14</sub>

#### 3.2. Data Analysis Approach

This study involved the use of 'Thematic Analysis' technique for the analysis of qualitative data. This involved systematically identifying, arranging and generating patterns with an aim to draw insights and meanings out of the data (Braun and Clarke, 2006). This study applied theory-driven coding technique (DeCuir-Gunby et al., 2011) also known as 'deductive a priori codes analysis' (Fereday and Muir-Cochrane, 2006). Using this method, we developed a coding manual guided by existing theory and concepts on IC and value creation. We ensured reliability of analysis process by generating potential codes from the existing literature. The coding manual was reviewed by four academics having relevant expertise in the field and was initially tested on three interview transcripts before being applied to all other transcripts.

### 4. Analyses and Results

#### 4.1. Intellectual Capital

While exploring IC, we focused on its three dimensions with an aim to identify patterns, themes and common experiences. We found that structural capital contributed up to 46%, followed by relational capital at 33% and lastly the human capital at 21%.

- *Human Capital*

We identified four themes describing human capital resources in PSFs i.e. employee experience, skills and expertise (n=17 mentions), competencies for creativity & innovation (n=3 mentions), creating & sharing organizational knowledge (n=4 mentions), and using employee knowledge to support decision-making (n=1 mention). The interviews demonstrated that the firms were well-cognizant about the significance of their employee skills and competencies as critical elements of IC resources. It was also found that the firms encouraged knowledge sharing practices among the employees in order to build and enhance their intellectual competencies. In this regard when asked about the state of human capital in their firm, one respondent recalled the role of employee knowledge and explained: *“Employee knowledge competencies are very important because our company can’t perform without employee skills. Building employee skills is the responsibility of a firm, even though it is also a responsibility of an individual as well. So what exactly we try to do, as I told you previously, we capture the knowledge by putting in place online repository and all things that keep our skills up-to-date at all times” (Senior Technology Lead at Firm-C).*

- *Structural Capital*

Structural capital was the most commonly quoted IC dimension. Participants mentioned seven themes pertaining to structural capital i.e. use of data, information and knowledge (DIK) systems (n=17 mentions), use of collaborative technologies (n=3 mentions), development of IT capabilities (n=15 mentions), technology-enabled innovations (n=5 mentions), research & development focus (n=4 mentions), protection of intellectual property (n=6 mentions), and application of standardized practices (n=2 mentions). In particular, the interviewees emphasized on the role of technology-enabled innovations in sales and marketing operations aimed at sustaining a market edge. In this regard, one respondent stated: *“As mentioned it’s a very competitive market, so if we are not innovating, we will not be there in the market anymore. So one important aspect is to understand the new technologies and tools and at the same time the market needs through our sales and marketing teams. So it’s very important that we understand our competitors and market. Based on the competitor intelligence, our company creates new service offerings in the market” (Agile Project Manager at Firm-G).*

- *Relational Capital*

The themes pertaining to relational capital demonstrated that most of the firms recognized the role of stakeholder relationships, engagements and collaborations. We identified four themes that included: firms engage and build working relationships with external stakeholders (n=20 mentions), firms identify and utilize opportunities for collaboration with potential partner firms (n=6 mentions), firms build brand image and client loyalty programs as an aspect of their relationship building strategy (n=5 mentions), and firms create a platform for supplier & customer input for enhancing service quality (n=2 mentions). In support of this, a respondent while expressing the role of building partner and supplier relationship in driving strategic outcomes mentioned: *“We literally won’t function without suppliers as we are mainly dependent on them. So in our case, for example, if we are doing a brand strategic project, we would need suppliers to do some research and give their expertise. It is literally critical if we can’t do all research ourselves. So I guess supplier relationship is very critical. I have been keen to give them a forum to express their ideas and input. I might not listen to them but at least, they feel valued and heard. In terms of partners, we have different partners in the organization who are helpful to us at different times” (Head of Market Research at Firm-G).*

#### **4.2. Multi-stakeholder Value-Creation**

We asked respondents whether their firms’ IC created value for the organization and other stakeholders viz. their customers, partners and suppliers besides their own employees. We accordingly coded and categorized responses on how PSFs created value for various stakeholders. Notably, besides creating value for the firm (n=37 mentions, 28%), IC resources were leveraged to create value for other key stakeholders such as employees (n=42 mentions; 32%), customers (n=38 mentions; 29%) and supplier- partner (n=14 mentions; 11%). We found that the maximum value was created for employees (32%), followed by the customers (29%), organization (28%) and supplier-partner (11%).

- *Employee Value-Creation*

The majority of the respondents revealed myriad ways IC created value for the employees in their firms. These included: enabling career & professional development (n=9 mentions), creating ways for promotion and better compensation packages (n=5 mentions). Firms also created employee value by developing ways

that enabled employees to perform their duties (n=3 mentions), and creating an exciting and motivating working environment (n=4 mentions), which in turn created a supportive work culture (n=3 mentions). In some uncommon instances, we found that employee value creation emerged through building social and professional networks (n=1 mention) as well as encouraging a work-life balance (n=2 mentions). According to the respondents, the firm's structural capital was the key enabler of employee value as compared to other IC components. A respondent accordingly expressed: *“Our employees feel very motivated and excited about the new challenges that they are given. It adds a lot to the resume wherein they can mention several capacities and different levels they have worked being part of the company and the exposure that they get because we kind of keep rotating people and we don't have like set boundaries for people to be within their own specialised area. So in that way, we feel we are making them multi-skilled and we are enhancing their skills because we collaborate well and take their inputs and feedback in improving our business processes on a regular basis” (Project Manager at Firm-I).*

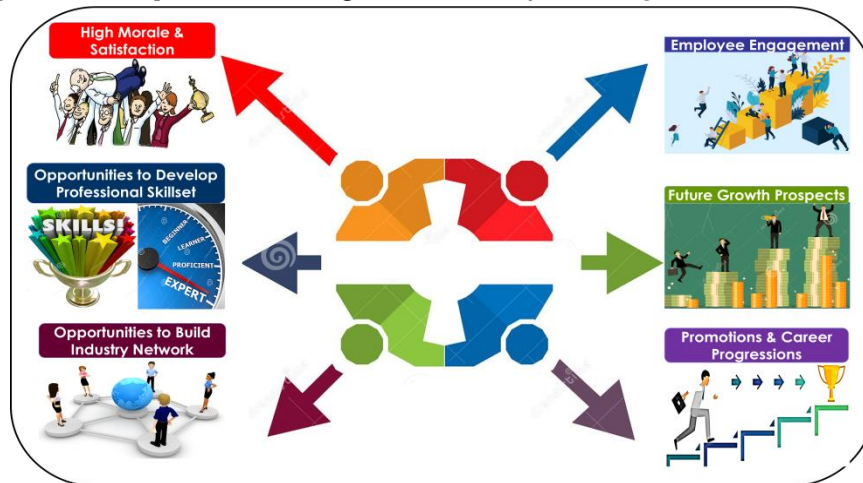


Fig 1. Employee Value Creation at a Glance

• *Organization Value-Creation*

Participants revealed several ways how IC created organizational value such as improved profitability and financial sustainability of firm (n=9 mentions) and IC enabled firm industry competitiveness (n=5 mentions). Participants also viewed organizational value in terms of building reputation particularly through relational capital of firm (n=2 mentions). Additionally, participants attributed enhanced innovation & creativity (n=5 mentions), and enabled organization-wide transformations in structures and operations (n=4 mentions) as an indicator of organizational value creation. A respondent specifically quoted in this regard: *“So the intellectual capability and capacity of our organization wouldn't be useful if it isn't translated into the financial gains. As I mentioned earlier, we are using data analytics tools and a lot of other things just to understand how we are performing in terms of our products and services, which again translates back into financial outcomes. If we are growing, it means our products and services are selling more and people like it, want to stay with us and then new customer are joining us. These are the milestones which again translate back into the financial terms” (Agile Project Manager at Firm-G).*

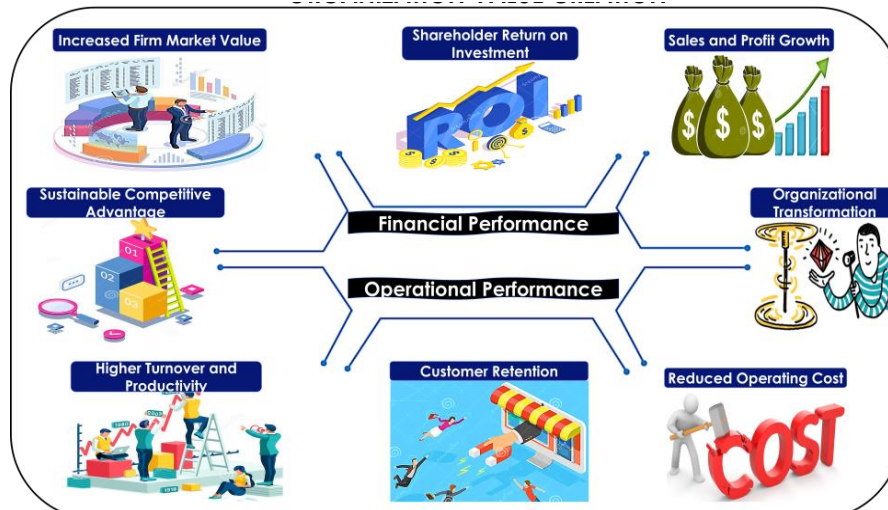


Fig 2. Organization Value Creation at a Glance

- *Customers Along With Suppliers & Partners Value-Creation*

According to the data gathered from interview respondents, PSFs created customer value in many ways. These included: improving service quality (n=7 mentions), enabling customer knowledge and customer support (n=6 mentions), and increased customer satisfaction (n=6 mentions). Additionally, firms created customer value by offering cost-effective services (n=4 mentions), outsourcing for customized services (n=4 mentions), and offering relevant services (n=4 mentions). In case of some respondents, building customer relationships (n=1 mention) and working with a prestigious firm (n=1 mention) were also considered indicators of the value created for customers. This was stated precisely by one participant as: “I would divide this into two main benefits. The first one is the service. The clients pay more as compared to our competitors but they will get a better service quality. Other one is the prestige and reputation. I give you one specific example. If a company wants to get a large bank loan, one of the requirements is that a reputable firm must perform its audit or review its books so that’s where our customers benefit from the name of our firm, they benefit from the firm’s prestige and that can translate to the service as well. There is a great focus that we should be providing constant customer value so that the recommendations of our clients go beyond what we are contracting with them. And that’s the benefit client company gets. So there is an element of value being created or taken away here” (**Audit Manager at Firm-D**).



Fig 3. Customer Value Creation at a Glance

## 5. Discussions

An inevitable corporate reality these days is that the world has transitioned from an industrialized economy that mostly relied on use of material resources to knowledge-based economy where competitive advantage is linked to the acquisition and utilization of the intellectual knowledge assets. The primary aim of this qualitative research inquiry was to suggest Multi-stakeholder Value Creation Framework for service firms coupled with renewed approaches/mechanisms on how to carefully identify, measure, manage, utilize and control their intangible IC assets. Based on literature review and gap analysis, the extant research suggests a need to have an integrated framework and newer approaches to IC management. Hence, the renewed approaches presented in the next section would assist in the effective measurement and utilization of individuals, infrastructures and technologies and how these collectively amplify the corporate value bottom-line in PSFs. In view of the proposed framework and renewed approaches to IC management suggested herein, it is believed that these would enable PSFs managers to carefully harness and nurture IC in a more purposeful and proactive manner.



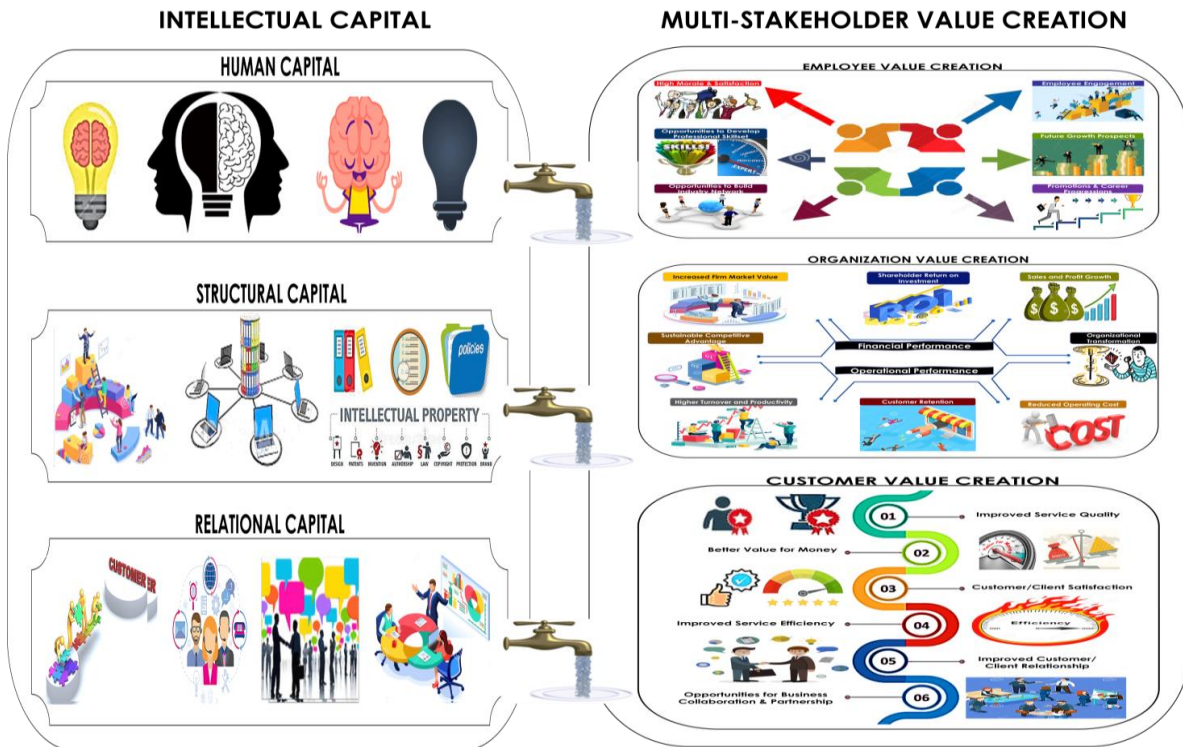


Fig 4. Multi-stakeholder Value Creation Framework

## 6. Research Implications

### 6.1. Theoretical Implications

The paradigm shift towards knowledge-based economies has changed the business model of the modern service firms. Hence, service firms today are striving hard on how to fully capitalize on their intangible resources in their pursuit to reap maximum value. However, the measurement and management of intangible IC resources on the basis of which these firms innovate has persistently remained a complex process. Having this in mind, while IC is viewed as a key driver of strategic innovation, an effective management of IC assets and continuous monitoring of KM activities could result in long-term market gains. Consequently to assist in this regard, this research suggests an empirically-corroborated Multi-stakeholder Value Creation Framework that qualitatively explores how IC can be optimally measured, managed and effectively utilised for deriving value outcomes for multi-stakeholders in the service firms.

### 6.2. Practical Implications

These days, achieving triple value bottom-line in PSFs relies on how effectively they implement best practices and renew competitive strategies and align these strategies with organizational knowledge assets, resources and activities to guide strategic knowledge-based advantage. Accordingly, PSFs desiring to maximize the potential of IC-derived triple value bottom-line should particularly execute following renewed approaches towards the effective measurement, management and utilization of IC assets.

- PSFs must set benchmarks to track the performance of their IC assets and success of KM initiatives. For that reason, conducting a review of how staff members create, share and apply knowledge & information would help determine effectiveness of the firm's overall KM efforts in achieving prospective value benefits for the "Employees" such as employee satisfaction, prospects for promotions, career growth, professional skills development etc.
- In their quest to innovate and outperform their competitors, PSFs should continually monitor the use and ensure optimum utilisation of their in-house information systems, knowledge assets and intellectual property as part of their renewed IC management strategy. While this knowledge audit involving evaluation of the firm's resource usage is indeed a challenging task, it however offers opportunities to retrofit, reintegrate and put-to-use these resources in line with their strategic IC and KM focuses in order to reap sustainable value outcomes for the "Organization" such as reduced operating cost, performance effectiveness, improved firm market value and sustained industry competitiveness.

- PSFs, in view of maintaining and enhancing the strengths of their external relations, should continually review how collaborative, shared and synergetic their relationships with the customers, clients, suppliers and partners are. However, PSFs must rethink the way they engage with external stakeholder network in line with the revisited focus of their IC strategy so as to maximize value created for the “Customers and Clients as well as Suppliers & Partners” such as: improved service quality, higher value for money, improved customer relationship, new strategic partnerships etc.

## 7. Conclusion

In today’s turbulent market environment, be it market competitiveness, customer needs, advent of new technologies or continuous desire for innovation – nothing is static. In addition, technological advancements, globally-connected societies and growth of knowledge-based economies have compelled service firms to perpetually create new knowledge and build intellectual competencies in order to drive creativity of their workforce. Consequentially crucial for the service firms is to rethink their competitive IC priorities governing effective utilization of their intangible assets in the best attainment of IC triple valuation goals.

## 8. Limitations and Future Directions

It goes without saying, the proposed Multi-stakeholder Value Creation Framework endeavors to guide on maximizing the use of IC as an intangible asset for deriving triple value bottom-line in PSFs, it however should be considered as one of the few qualitative studies in this direction. Future scholars are therefore encouraged to evaluate multi-stakeholder value concept in more detail and accordingly put forward additional empirical evidence through the application of suitable research methodologies.

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