

# Intellectual capital, sustainable economic and financial performance and value creation in emerging markets: the case of Brazil

Intellectual capital

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## Abstract

**Purpose** – The purpose of this paper is to analyze the influence of intellectual capital (IC) on sustainable economic and financial performance (EFP) and value creation (VC) in Brazilian companies.

**Design/methodology/approach** – Based on finance and accounting theories, a quantitative and descriptive long-term study was carried out in the companies listed on the Brazil Stock Exchange and Over-the-Counter Market (B3), covering 20 years period.

**Findings** – The results indicate that IC positively influences profitability, corporate return and organizational value sustainably; the most intangible-intensive Brazilian companies listed on B3 presented more robust results than the least intangible-intensive; and IC contributes to a systematic increase in EFP and VC over time.

**Research limitations/implications** – Using a well-established metric, the IC-INDEX, the IC and its effects were measured, obtaining theoretical contributions (expanding the understanding of the IC influence in sustainable EFP and VC from a long-term perspective – one subject still unexplored in the literature); and

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empirical (increasing the understanding of the IC's role as a driver of competitiveness, performance and organizational value).

**Practical implications** – This study increases the understanding of the theoretical and practical effects of IC, also providing a competitive benchmarking process to access sustainable EFP and VC of companies and their industries.

**Originality/value** – The originally applied and validated proposal extends existing theory by offering a set of indicators to scale the contribution of IC to competitiveness from the perspective of long-term (historical) corporate outcomes.

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**Keywords** Sustainability, Intellectual capital, Brazil, Emerging markets, Value creation, Economic and financial performance

**Paper type** Research paper

### Introduction

In the knowledge-based economy, issues involving intellectual capital (IC) have been gaining prominence in the academic, legal and business communities because IC is increasingly recognized as the main element for improving competitiveness, innovation and value creation (VC) for organizations (Xu and Liu, 2020; Jordão and Novas, 2017). The international literature (Xu and Liu, 2020; Nadeem *et al.*, 2019; Dumay, 2009) clarifies that the study of IC and its measurement represents one of the most challenging and complex areas of finance, accounting, law and economics, whether in theoretical or practical terms.

According to Jordão and Almeida (2017), the challenge of understanding the extent to which IC influences sustainable (long-term) economic and financial performance (EFP) – in terms of profitability and corporate return – and VC is yet to be examined, especially in complex emerging economies such as Brazil.

Recognizing and exploring this research gap, this paper analyzes the influence of IC on sustainable EFP and VC in Brazilian companies, through a study that was carried out in the companies listed on the Brazil Stock Exchange and Over-the-Counter Market (B3, former BM&FBovespa), covering 20 years.

The research justification is given to the extent that its results contribute to a substantial segment of society, as advocated by Jordão *et al.* (2014). In this sense, the research contribution is threefold. First, the contemporary managerial, economic, political and social relevance of the theme is highlighted by Li *et al.* (2021), Xu and Liu (2020); Lee and Wong (2019), Nadeem *et al.* (2019); and Pedro *et al.* (2018), who noted the vital importance of measuring IC as a means of promoting the competitiveness, innovation, sustainability, wealth and performance of organizations. A recent study by Ocean Tomo (2021), for example, has confirmed that intangible assets accounted for 17% of the market value of the S&P500 in 1975, rising to 68% in 1995, 84% in 2015 and reaching more than 90% in 2020. In this sense, research on the subject becomes paramount. Second, this research offers impactful theoretical contributions, reducing the aforementioned gap and broadening the understanding of the theme from a long-term (historical) perspective – an unexplored issue in the literature. Additionally, the proposal originally applied and validated expands on the existing theory, offering a set of indicators for dimensioning the IC's contribution in long-term corporate results.

Third, significant implications for management practice are also highlighted, elucidating the role of IC as an element of business differentiation from the perspective of the firm's performance, competitive strategy and value, providing a competitive benchmarking process for a wide range of stakeholders interested in assessing EFP from a long-term holistic perspective, also offering contributions to the theories of shareholders and