A revised definition of intangible capital – the role of trust and fear within organizational capital[1]

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Recent attention to the concept of intangible capital has been growing within economics. This paper aims to give an overview of the existing definitions of intangible capital in the literature, here in particular the one used by Corrado, Hulten and Sichel in their most recent work. The paper aims at revising their definition by stressing on their concept of organizational capital, trying to extend it with the notion of social capital and trust within organizations. As trust seems to be curvilinear related to economic performance the concept of fear is introduced. Theoretical channels will be discussed how far the use of intangible capital is in particular beneficial within service sectors.

1. Introduction

The shift towards the knowledge economy has altered the economic system in highly developed countries and the input of intangible capital has become an important asset for the competiveness of their economies (Corrado, Hulten and Sichel 2005; World Bank 2006), respectively the competiveness of their firms (Teece 1998, Youndt et al. 2004; Subramaniam et al. 2005; Lev and Radhakrishnan 2003, 2005). In this incidence a report from the World Bank highlights that 78% of the world's wealth is due to intangible capital. Stressing on the firms level the European High Level Expert Group on the Intangible Economy (HLEG) concludes that "today, a firm's intangible assets are often *the* key element in its competitiveness" (Eustace 2000: 6). But what does intangible capital comprise off, or better how is it defined? Although there exist various definitions of intangible capital (Teece 1998; Youndt et al. 2004; Subramaniam et al. 2005; Lev and Radhakrishnan 2003, 2005) interestingly the notion of intangible capital is strongly associated with the work of Corrado, Hulten and Sichel (CHS 2005) (see here for instance Iommi, Jona and Roth 2009; Marrano and Haskel 2006). This paper aims at revising the definition of CHS (2005, 2006) by extending their concept of organizational capital, one of the most important dimensions within the intangible capital framework, by including the notion of

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social capital and here especially of trust within organizations. As there are several empirical studies that highlight the curvilinear relationship between trust and productivity (Roth 2009, Bidault and Castello 2009, Butler et al. 2009) the fear factor within organizations seems to be worth analyzing (Layard et al. 2005, Roth 2007). The paper will discuss how these factors might be in particular affect the service sector.