

## What is Intellectual Capital?

**Intellectual capital** is a fancy term (jargon) that economists and accountants use to describe **knowledge**. While one can deplore the growing use of confusing jargon, one can also be welcome the fact that simpler models of the economy, in which information was assumed to pass instantaneously and costlessly among buyers and sellers in a "perfect" market have been replaced by more sophisticated and realistic versions in which the stickiness of knowledge, and the difficulty and costs of its transfer, are explicitly recognized.

Like knowledge, intellectual capital is the fact or condition of knowing something with familiarity gained through experience or association. It is also the ideas or understandings which an entity possesses that are used to take effective action to achieve the entity's goal(s). This intellectual capital is specific to the entity which created it.

The introduction of the concept of intellectual capital enables economists and accountants to make an explicit distinction between intellectual capital (knowledge) and **information**. In everyday language, it has long been the practice to distinguish between information — data arranged in meaningful patterns — and knowledge (intellectual capital) — which has historically been regarded as something that is believed, that is true (for pragmatic knowledge, that works) and that is reliable.

However the possibility of distinguishing knowledge and intellectual capital does not necessarily result in knowledge and intellectual capital being distinguished in practice. A notorious example of the confusion is the opening statement of the World Development Report on *Knowledge for Development (1998-1999)*, a document written principally by economists, which begins with the extraordinary and false assertion that knowledge travels at the speed of light. In fact it can be extremely easy and quick to transfer information from one place to another, intellectual capital (knowledge) is often very difficult and slow to transfer knowledge from person to another.

### **References :**

Stephen Denning, *The Springboard: How Storytelling Ignites Action in Knowledge-Era Organizations*. Boston, London, Butterworth Heinemann, October 2000.

*World Development Report: Knowledge for Development* (World Bank, 1998-99, Washington D.C).

Source: [http://www.stevedenning.com/what\\_intellectual\\_capital.html](http://www.stevedenning.com/what_intellectual_capital.html)