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THE RELATIONSHIP BETWEEN INTELLECTUAL CAPITAL AND FINANCIAL PERFORMANCE: A CASE STUDY OF KURDISTAN REGION OF IRAQ

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Abstract

Intellectual capital is primarily based on knowledge and useful information. Intellectual capital plays a vital role in creating value through a combination of tangible and intangible assets to improve organizational performance. This study provides further insight into the role of IC in organizational performance, especially financial performance through a descriptive analysis of the questionnaire that have distributed among employees of Halabja Co. in Kurdistan Region of Iraq (KRG)/ Sulaimani city. Findings from this study indicate that the relationships between intellectual capital and financial performance is significant for achieving the company's competitive advantages and maximizing profits. The findings suggest that the performance of a company's intellectual capital can explain profitability and productivity.

Key words: *Intellectual Capital, Financial Performance, Profitability, KRG.*

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1. Introduction

The rise of the "New Economy" one principally driven by information and knowledge is identified by the Organization for Economic cooperation and development (OECD) (2000) as explaining the increased prominence of IC as a business and research topic. There is scant agreement as to what extent our current understanding of IC is new (Horney, 1999). Yet, IC, in one form or another, is implicated in recent economic, managerial, technological and sociological developments in a manner previously unknown and largely unforeseen (Guthrie, 2001: 28).

Intellectual capital is becoming the preeminent resource for creating economic wealth. tangible assets such as property, plant, and equipment continue to be important factors in the production of both goods and services (Demir et al., 2021). However, their relative importance has decreased through time as the importance of intangible, knowledge-based assets has increased. This Shift in importance has raised a number of questions critical for managing intellectual capital. How does an organization assess the value of such things as brand names, trade secrets, Production processes, distribution channels, and work-related competencies? What are the Most effective management processes for maximizing the yield from intellectual assets?

Virtually every sector of the economy has felt the impact of increased intellectual capital. In the steel industry the labor cost per ton of steel has been reduced significantly. In the airline industry reservation systems have become a major source of revenue. In manufacturing, product design is handled on computers without the need for drawings or markups. The list goes on and on. In addition, intellectual capital has contributed to the creation of whole new types of businesses and ways of doing business. In fact, many companies rely almost completely on intellectual assets for generating revenues. For example, the software industry is primarily knowledge based with most products never taking a tangible from; being created and delivered electronically.

The critical competitive importance of intellectual capital in today's economy indicates a need for high performance systems to manage them (Rashid et al., 2020). Recent advances associated with total Quality management, reengineering, learning organization, and other initiatives have accomplished much. However, the management of intellectual capital is, at best, ad hoc in most organization. One reason is that traditional accounting systems are not well equipped to measure or monitor most elements of intellectual capital. Another reason is that

the management of intellectual capital is considered by many as synonymous with workforce management. However, intellectual capital encompasses more than people and, therefore, requires a more comprehensive approach (Luthy ,1998: 2).

The conceptual framework of this research was built by adopting some of the results from previous studies. The formulation of the problem in this study is: What is the impact of Intellectual capital and financial performance? Nowadays despite the increasing importance of intangible assets, especially intellectual capital in the companies; the majority of the traditional accounting systems are unable to calculate the intellectual capital properly. Thus, the main objective of this study is to examine the relationship between intellectual capital and financial performance.

2. Theoretical Background

2.1 Intellectual capital

Relational capital area. Intellectual capital report analysis shows that some firms used initially used the term customer capital. Customer capital is the knowledge embedded in the marketing channels and customer relationships that an organization develops through the course of conducting business (Bontis, 1999). However, firms replaced this term with the term relational capital later. It is a broader term that encompasses not only the value of customer relationships but also the value of relationships with shareholders, government, partners and so (De pablos, 2003 :70)

The reason why Skandia started to focus on intellectual capital was, among other things, a need for a new logic regarding the development of knowledge intensive services. This is based on the very simple metaphor of a tree with fruit as well as roots. For the long-term sustainability of an organization, it is much more important to focus on nurturing the roots than harvesting the fruit as well as roots. For the long-term sustainability of an organization, it is much more important to focus on nurturing the roots than harvesting the fruit. the long-term idea might even be to get a new balance with a leadership focus on how the tree is flourishing. A focus on intellectual capital provides an effective instrument to manage and develop the company. It will also serve as a useful indicator when benchmarking the company against other companies. It will stimulate renewal and development. It is also a better tool for evaluating the soft assets of the organization.

Therefore, in the final analysis, intellectual capital becomes at least as important as financial capital in providing truly sustainable earnings (Edvinsson,1997:366). Within Skandia AFS, intellectual capital was initially defined as "the possession of knowledge, applied experience, organizational technology, customer relationships, and professional skills that provides Skandia AFS with a competitive edge in the market" the value of intellectual capital was determined by the extent to which these intangible assets would be turned into financial returns for Skandia AFS as a whole. According to the CEO of Skandia AFS, the aspiration was to have an accelerated, steep learning curve that would rapidly integrate corporate knowledge into tangible assets and enable AFS to apply it with maximum competitive effect, thereby turning AFS into both a learning and a teaching organization. This was refined later on into the concept of an intelligent organization. The key point in this is that the lead time between learning and teaching should be as short as possible. This ratio might nowadays be measured as organizational float. (Edvinsson, 1997) In 1992, Skandia AFS started a stock-taking of these hidden values. This led to a very long list of items that were valuable, but not disclosed in traditional accounting systems.

The list consisted of items such as trademarks, concessions, customer databases, fund management systems, IT systems, core competencies, key persons, partners and alliances, as well as about 50 more items. The list was too long and unwieldy. It was therefore reduced, based on the major decisive characteristics. This led to the simplified definition of intellectual capital as follows:

Human capital + Structural capital = Intellectual Capital

This definition emerged out of the insights gained when AFS was starting new units around the world. These new units represented mainly human capital, while in those units which had already been in operation in the market for some time had something else as well as human capital. Those dimensions beyond human capital were left behind when the staff went home. they were, for example, the customer database, the concessions, the IT systems, etc. So, what was learned from this was that out of human capital grows some kind of structural capital. Metaphorically speaking, this could even be compared with a tree trunk which shows a number of year rings. For every year, the organization adds something beyond the staff. more and more structure is emerging. So, a key role of leadership is the transformation of human capital into

structural capital. furthermore, the human capital cannot be owned, it can only be rented. The structural capital can, from a shareholder's point of view, be owned and traded.

Therefore, human capital is much more volatile, and structural capital can be used as a leverage for financing corporate growth. Consequently, the banks and venture capitalists, amongst others, are more interested in structural capital. Unfortunately, neither the human capital nor the structural capital is visible in the traditional accounting system. Skandia AFS initiated efforts to change this. to be able to disclose these structural capital assets, it was necessary to develop a reporting system. Some of the areas on which information was now required were, for example, customer relations, distribution channels, structural development, human resources, it and innovation. All this was assimilated into a report, and the idea was to try to get all the information on one page. The ambition was to have a simple overview of financial as well as non-financial data. Such a one-page report was presented to the board of Skandia AFS in 1993. The reception was enthusiastic and encouraging. the completion of this very first blueprint report was a part-time effort by the Director of Intellectual capital and Deputy Controller, Mr Ake Freij. To be able to develop this type of reporting further it was evident that a supplementary function had to be created. This led to the recruitment of the first IC Controller. Mrs. Elisabeth Gemzell-Mikkelsen, in 1993. (Edvinsson, 1997:369)

Intellectual capital is becoming the preeminent resource for creating economic wealth. Tangible assets such as property, plant, and equipment continue to be important factors in the production of both goods and services. However, their relative importance has decreased through time as the importance of intangible, knowledge-based assets has increased. This shift in importance has raised a number of accounting questions critical for managing assets such as brand names, trade secrets, production processes, distribution channels, and work-related competencies. This paper develops a working definition of intellectual capital and a framework for identifying and classifying the various components of intellectual capital. In addition, methods of measuring intellectual capital at both the individual-component and organization levels are presented. This provides an exploratory foundation for accounting systems and processes useful for meaningful management of intellectual assets (Luthy,1998: 1)

There is a growing literature on managing, measuring and reporting intellectual capital and financial performance (Rashid, 2020). Information deficiencies arising from shortcomings of the traditional accounting System to reflect the value of intangible assets. Bassi and McMurrer (1999) point Out that when human capital investments are recognized in the financial accounts

Is it usually in the form of expenditure rather than as an asset on the balance sheet. Much of the discussion on reporting of intellectual capital deals with difficulties in, and methods of, measuring intellectual capital. Developments in reporting intellectual capital have occurred on an ad hoc basis. A number of individual researchers have spearheaded developments in reporting intellectual capital in individual companies. In 1993 Leif Edvinsson, in a supplement to Skandia's Annual Report, used for the first time the words "intellectual capital " instead of the accounting term "intangible assets" (Edvinsson and Malone, 1997). Skandia AFS, a Swedish financial services company, was one of the first companies to report the "hidden" intellectual capital assets of the business. Skandia went on to develop one of the most important models for managing intellectual capital, the Skandia Navigator (Brennan, 2001: 426).

The value platform or the intellectual capital Model, as it is known, was developed in a collaborative effort which includes Edvinsson (Skandia), Onge (The Mutual Group) and Petrash (Dow Chemical) (Petrash,1996). Few researchers have examined in a systematic way how intellectual capital is currently being reported in annual reports, in the absence of accepted measurement methods and guidance from standard setters. An exception is a team of Australian researchers who have studied the reporting practices of the top 20 (by market capitalization) Australian public companies from six industry groups (Guthrie et al, 1999: Guthrie and Petty, 2000). The find little reporting of intellectual capital, rather "a lot of empty rhetoric" Also cite a similar study on reporting intellectual capital in Sri Lanka by Abeysekera (2000). Study of current reporting practices is relevant, as a debate Is beginning on whether there should be an accounting standard on this topic, and whether such a standard would be mandatory (Brennan, 2001:427)

Edvinsson and Malone (1997) and Brooking (1996) are pioneers in working with intellectual capital. Their views are complementary even though not identical. Differences in their views are easily reconciled when the objectives of the writers are understood. Edvinsson and Malone’s objective was to explain the importance of intellectual capital in organizations including its key features, measures, and management approaches. They view management of intellectual capital as a vital step in building a wealth-enhancing and value-sustaining organization. Brooking has many of the same objectives in writing as Edvinsson and Malone except that she views the components of intellectual capital for audit purposes. Brooking emphasizes the processes of identifying, documenting, and measuring intellectual capital. She describes an audit methodology for helping organizations achieve their goals through proper

management of intellectual assets. The remainder of this section contains a more detailed discussion of the components of intellectual capital as viewed by these writers.

According to Edvinsson and Malone, intellectual capital takes three basic forms: human capital, structural capital, and customer capital. Human capital includes knowledge, skills, and abilities of employees. Human capital is an organization's combined human capability for solving business problems. Human capital is inherent in people and cannot be owned by organizations. Therefore, human capital can leave an organization when people leave. Human capital also encompasses how effectively an organization uses its people resources as measured by creativity and innovation (Budur, 2018; Poturak et al., 2020). Structural capital is everything in an organization that supports employees (human capital) in their work. Structural capital is the supportive infrastructure that enables human capital to function. Structural capital is owned by an organization and remains with an organization even when people leave. Structural capital includes such traditional things as buildings, hardware, software, processes, patents, and trademarks. In addition, structural capital includes such things as the organization's image, organization, information system, and proprietary databases. Because of its diverse components, Edvinsson and Malone classify structural capital further into organizational, process and innovation capital. Organizational capital includes the organization philosophy and systems for leveraging the organization's capability. (Luthy,1998:4). Process capital includes the techniques, procedures, and programs that implement and enhance the delivery of goods and services. Innovation capital includes intellectual properties and intangible assets. Intellectual properties are protected commercial rights such as copyrights and trademarks. Intangible assets are all of the other talents and theory by which an organization is run. Customer capital is the strength and loyalty of customer relations. Customer satisfaction, repeat business, financial well-being, and price sensitivity may be used as indicators of customer capital (Budur et al., 2018; 2019). The notion that customer capital is separate from human and structural capital indicates its central importance to an organization's worth. The relationship with customers is distinct from other relationships either within or outside an organization. (Brooking:1996,13)

Market assets consist of such things as brands, customers, distribution channels, and business collaborations. Intellectual property assets include patents, copyrights, and trade secrets. Human-centered assets include education and work-related knowledge and competencies.

Infrastructure assets include management processes, information technology systems, networking, and financial systems (Luthy,1998:5)

Brings together many answers and studies such as the study of Zuhairi (2011) and the Morsi study (2013) that the importance of intellectual capital stems from being the most valuable asset of the current century and in The knowledge economy has strayed as al-Ajami (2010) considers it to be the most important source of competitive advantage for contemporary organizations, and this is because it achieves excellence only from the misguidance of creative intellectual outputs and when the effective management of intellectual capital is considered the final d performance The organization that wishes to succeed in the environment of contemporary works and studies confirm that the neglect of capital leads to a series of losses to the organization of the non-cost allocation of resources resulting in the inability of the intellectual may of the organization to determine its ability and build by its future work (Hamed, 2017: 41; Mohammed et al., 2020) And also mentioned in The Qur'an the importance of the site of the owners of minds and heart, as mentioned these words in (61) distributed over (43) Sura Karima, i.e. 38% of the total of the Holy Quran wall is very much counted (114Surah), which is not a small percentage indicating the importance of the role it performs and the amount of responsibility placed on them by the religion and the world (Adel, et al ,2007: 55)

At the beginning of the 1990s, some organizations began to think about how to identify ideas and innovations that had not been seen in the past, choosing to develop some of them, which had the potential to increase and maximize the organization's profitability. There are two different paths, but they are linked to each other in their view of intellectual capital. The first path was knowledge and strong mentality focuses on creating and expanding the knowledge field, while the second track is the entrance to reliance on resources, and it is concerned with how to create profits from the distinctive mix of material and intellectual resources of the organization (Hopkins,2006:101)

2.2 Measuring intellectual capital

There are two general methods for measuring intellectual capital. The first method is to do a component-by-component evaluation. This includes using units of measure appropriate for each component. For example, market share, the value of patents, and the number of work-related competencies each have unique units of measure. In addition, different measures have

different relevance and usefulness at different levels in an organization. For example, quantity measures are usually more relevant at the work unit level and financial measures are usually more relevant at the organization level. To be effective, all of these measures, whatever the unit of measure or wherever used in an organization, must be aligned so they reflect a common understanding of purpose and direction when looking at the organization as a whole. The second method is to measure the value of intellectual assets in financial terms at the organization level without reference to individual components of intellectual capital. Shareholder value is a key indicator in today's economy of how effectively managers employ intellectual and other assets. Therefore, measures expressed in financial terms that take into account the synergistic effect of intellectual assets at the organization level provide a key measure of progress and value. (Luthy,1998:5,6)

Explored previously in this paper are two ways to classify the components of intellectual capital. These classification models are the basis for two component-by-component measurement approaches discussed in this section of the paper. The Edvinsson/Malone model is the basis for the Skandia "Navigator" approach to measurement. This approach is illustrated with information published in a supplement to Skandia's annual report to shareholders. The brooking model is the basis for the "Dream Ticket" and Target approach that is illustrated as part of an intellectual capital audit. The business literature contains several other performance evaluation models that relate to the measurement of intellectual capital. These models include the "balanced scorecard" developed by Kaplan and Norton (1996) and the "dashboard" reported by the Conference Board (1997). Discussion of these and other approaches to performance evaluation as they relate to intellectual capital is beyond the scope of this paper. (Luthy,1998:6)

2.3 Intellectual capital components

2.3.1 The human capital

The human dimension defines the human capital in intellectual capital. The human capital is the most important asset in this organization, because this asset is the source of creativity. Implicit knowledge assets of the employees in the organization are one of the most crucial elements that affect the work performance of the company. However, only the existence of implicit knowledge is not enough for the performance of the organization. The aim is to make the implicit knowledge of the employees an explicit knowledge in all organizational levels. In

this way, it will be possible to create an organizational value. The human capital is composed of a mixture of employees' occupational or general knowledge accumulation, the leadership abilities, risk-taking and problem-solving capabilities (Budur and Poturak, 2021). It is really difficult, even impossible to define the human capital in a definite framework, also makes it difficult to measure the human capital. The human capital in a company enhances the operational activity of tangible assets (tools and equipments) and activates intangible assets (Fitz-enz, 2001). It is true that successful companies make investments in their employees in order to increase their visions, capabilities and experiences for the global working environment (Ulrich, 1997). Increasing the employees' capabilities has a direct effect on the financial results of the company (Becker et al., 2001; Budur et al., 2020; Demir and Budur, 2022). For these reasons, it can be claimed that the human capital has a direct relationship with the performance of the company (Budur, 2020). The problem here is to define the company performance. The company performance can be defined in two ways: qualitative and quantitative. When we define the firm performance as qualitative, it is difficult to collect data about it and to relate it with a financial value. On the other hand, as it is defined as being quantitative, financial data are used generally. It is obvious that data like the most commonly used market value, market/book value rate, cash flow, and profitability are affected by various factors. However, due to the inadequacy of the data and the undeveloped standards in Turkey, the research field is limited. Therefore, in Turkey, it would be more appropriate to use market/book values. For these reasons, we can defend the following hypotheses. (Bozbura,2004:358).

2.3.2 Structural capital

The organization itself embodies structural tacit knowledge, which exists in the myriads of relationships that enable the organization to function in a coordinated way [but] are reasonably understood by [at most] the participants in the relationship and a few others" This means that "the organization is accomplishing its aims by following rules that are not known as such to most of the participants in the organization" (Winter, 1987, p. 171). This construct deals with the mechanisms and structures of the organization that can help support employees in their quest for optimum intellectual performance and therefore overall business performance. An individual can have a high level of intellect, but if the organization has poor systems and procedures by which to track his or her actions, the overall intellectual capital will not reach its fullest potential. An organization with strong structural capital will have a supportive culture that allows individuals to try things, to fail, to learn, and to try again. If the culture unduly

penalizes failure, its success will be minimal. Structuring intellectual assets with information systems can turn individual know-how into group property (Nicolini, 1993 and Sabir, 2022). It is the concept of structural capital that allows intellectual capital to be measured and developed in an organization. In effect, without structural capital, intellectual capital would just be human capital. This construct therefore contains elements of efficiency, transaction times, procedural innovativeness and access to information for codification into knowledge. It also supports elements of cost minimization and profit maximization per employee. Structural capital is the critical link that allows intellectual capital to be measured at an organizational level. Point B in Figure 2 illustrates the structural ties or links of human capital nodes that are required to transform human capital into structural capital. The arrows within structural capital represent the focus of intellectual capital development from the nodes into the organization's core. The essence of structural capital is the knowledge embedded within the routines of an organization. Its scope lies internal to the firm but external to the human capital nodes. It can be measured (although it is difficult) as a function of efficiency (i.e., an output function per some temporal unit). Organizational processes (such as those found in structural capital) can eventually be codified. (Bontis,1998:66).

2.3.3 Customer capital

The main theme of customer capital is the knowledge embedded in the marketing channels and customer relationships that an organization develops through the course of conducting business. Customer capitals represent the potential an organization has due to ex-firm intangibles (Bontis,1999).

Although originally conceptualized by Hubert Saint-Onge while at CIBC, more recent definitions have broadened the category to include relational capital which in effect encompasses the knowledge embedded in all the relationships an organization develops whether it be from customers, from the competition, from suppliers, from trade associations or from the government (Bontis,1999).

One manifestation of relational capital that can be leveraged from customers is often referred to as "market orientation". There is no consensus on a definition of market orientation, but Kohli and Jaworski (1990) define it as the organization-wide generation of market intelligence pertaining to the current and future needs of customers. Ultimately, the dissemination of this intelligence must be done horizontally and vertically within the organization so that a

competency in organization-wide action or responsiveness to market changes can be developed.

Recent work in the service profit chain has emphasized the causal relationships among employee satisfaction, customer satisfaction, customer loyalty and financial performance (Kaplan and Norton,1996). For example, it is also clear that companies often have difficulty in retaining employees because they have not put enough time and energy into ensuring that the mission and values are truly shared (Senge,1990). Further research shows that "customer" loyalty can be predicted by measuring "employee" loyalty (Horibe,1999). These studies provide further evidence of the importance that customer capital represents as a unit of an organizations overall intellectual capital (Bontis, et al,2000:88).

2.4 Financial performance

Financial performance is a broad term that describes a company's overall fiscal health. when you hear that a business has strong financial performance, that often means it has growing revenues, manageable debt, and a healthy amount of free cash flow. However, financial performance is subjective, and it can't be gauged with a single metric. financial performance matters to investors, who make decisions about whether to buy or sell a company's stocks and bonds based on this information (Rashid, 2018). But investors aren't the only ones who care about financial performance. Managers use this information to determine how to allocate company resources. Analysts use financial performance data to make forecasts about future earnings and growth. Lenders use this information to assess whether a company is creditworthy (Hartil,2021 and Rashid, 2018). Financial measurement systems are a classification system for all IC measurement techniques that address financial contributions made through IC assets Conventional cost accounting shows the costs of individual production operations without connection to other activities, e.g. marketing, service, etc. As production was the dominant activity, the results of all other activities in a company were not registered separately, rather they were considered general (indirect) costs. A small shift was made when activity-based costs (ABC) were introduced (Sabir *et al.,* 2011). This represented certain advancement, as costs per individual activity could be controlled in a better way and provided some sort of connection with the whole (Mustafa *et al.,* 2022). Regardless of this, the measuring system based on cost accounting has proved totally inadequate for contemporary circumstances.

Financial statements fail to measure and show the "most significant building blocks of business", which is the human capital, organizational capital, and customer capital. As a result, these financial statements fail to communicate about the state of the business in terms of IC development to the management and investors. The current accounting framework, which is transactional, and realization based, only recognizes the existence of an item when transactions with third parties take place (Brennan, 1999). This does not hold good for IC measurement. Intangibles such as staff competencies, customer relationships, business models, and computer and administrative systems receive no recognition in the traditional financial and reporting model. Interestingly, even traditional intangibles like brand (Kannan & Aulbur, 2004:391).

Financial statements are prepared in conformity with standards that have been established over the years called generally accepted accounting principles (GAAP) (Rashid, 2019 and Sabir, 2022). Rarely, if ever, would you come across financial statements of a business prepared according to accounting methods other than GAAP. The minor exceptions to this general comment are not worth mentioning. (Financial statements of non-profit organizations and government entities follow somewhat different accounting principles and practices). audits by independent certified public accountants (CPAs) are precisely for the purpose of making sure than GAAP have been followed in preparing the financial statement. In short, anytime you pick up the financial report of a business you are entitled to assume that its financial statements have been prepared according to GAAP (Rashid 2017, and Tracy,1999:110)

2.4.1 Type of financial statements

Income statement: An income statement is one of the three important financial statement used for reporting a company's financial performance over a specific accounting period, with the other two key statements being the balance sheet and the statement of cash flows. Also known as the profit and loss statement or the statement of revenue and expense, the income statement primarily focuses on the company's revenues and expenses during a particular period. the income statement focuses on four key items revenue, expenses, gains, and losses. It does not differentiate between cash and non-cash receipts (sales in cash versus sales on credit) or the cash versus non-cash payments/disbursements (purchases in cash versus purchases on credit) (Rashid, 2020). It starts with the details of sales, and then works down to compute the net income and eventually the earnings per share (EPS). Essentially, it gives an account of how the net revenue realized by the company gets transformed into net earnings (profit or loss) (Chen,2020).

Balanced sheet: The Balanced sheet retains the financial perspective as the ultimate objective for profit-maximizing companies. Financial performance measures indicate whether the company's strategy, implementation, and execution are contributing to bottom-line improvement. financial objectives typically relate to profitability-measured, for example, by operating income and return-on-investment. The company's financial performance can be improved through two basic approaches- revenue growth and productivity. Profitable revenue growth can be achieved by deepening relationships with existing customers, such as selling them additional products and services beyond the first product or service they purchase. This will be appropriate evidence for external auditors as a main user of financial statements (Rashid, 2017 and Jaff *et al.,* 2021). (Staples sells to small businesses, as well as retail customers) and in new markets (expanding from domestic sales to international sales). Productivity improvements can occur in two ways. First, companies reduce costs by lowering direct and indirect expenses. Such cost reductions enable a company to produce the same quantity of outputs while spending less on people, materials, energy, and supplies. Second, by utilizing their financial and physical assets more efficiently, companies reduce the working and fixed capital needed to support a given level of business (Rashid, 2020). For example, through just-in-time approaches, companies can support a given level of sales with less inventory. By reducing unscheduled downtime on equipment, companies can produce more without increasing their investment in plant and equipment (Atkinson, et al,1995:360).

Cash flow statement: Like the income statement, the cash flow statement covers a specific period, but it differs by listing the actual cash received and paid out. The income statement, by contrast, lists the amounts incurred. For example, if we sell goods for 10,000$ but are paid only 8,000$ immediately, with the other 2,000$ to be paid to us next month, the income statement would record the sale of 10,000$ but the cash flow statement would record only the cash event of the receipt of 8,000$. For the time being, however, we should note that the cash flow statement is usually regarded as a more reliable statement of activity in that it deals only with actual cash in and out, and those cash flows are normally an objective fact. The sale recorded in the income statement, by contrast, is less objective since it inherently contains an element of uncertainty (Rashid, 2020). a cash flow statement is a summary of what cash flow actually occurred during the past accounting period. It is a record of what happened, prepared primarily for those outside the business. It would therefore normally be regarded as part of financial accounting. The cash flow forecast is an educated, structured guess about what we think the cash flows will be in the next accounting periods. It is mainly prepared for managers, to help

them plan the activities of the organization in the future. It is thus probably best classified as management accounting. (Britton & Waterston, 2006 :8).

3. Literature Review

The aim of the study is that the element of knowledge should be treated as an important asset and recognize its importance in corporate institutional arbitration processes and should be focused on it because it is considered one of the most important elements of achieving the objectives of corporate governance and one of the most prominent results of this study was that companies possess this unique element that guarantees their competitive advantage in the financial markets , and also must understand how to renew it all the time and place, and to explain his own strategies to contribute to the goals of institutional governance. Comparative study between Algeria communications (AT) Orascom Algeria (OTA), mangester Letter, prepared by student Mohamed Habina, Department of management sciences faculty of economics and management sciences, University of Alnalyda 2006/2007.

The study dealt with the foundations and advantages of intellectual capital within the framework of the management of the business of knowledge as well as addressed intellectual capital and the competitive advantage of the modern institution , among the findings of the study the need for institutions to pay attention to their intellectual capital for its critical role in achieving the competitive advantage of the institution over the competing institutions , as well as the need to motivate and encourage workers to innovate and bring new ideas. The study aimed to demonstrate the impact of intellectual capital as an influential forgetting force in the performance of institutional companies. Where I addressed a model of companies operating in the Middle East test five factors linking the performance of institutional companies to knowledge management, and these factors are: the knowledge of the human element, the growth of market information strategic alliances flow knowledge and information decision-making. The study found that all these factors are appropriate and propose to be adopted to improve the institutional and cognitive performance of the company and consider knowledge of the human element and its growth and strategic alliances and the flow of knowledge to make decisions the most important conditions for the success of institutional performance at various levels. This study aimed to see a number of models designed to measure brands, specifically models designed by some of the leading consulting firms in this field such as (Damodaran, Houlihan Valuation, Young & Rubicam, Financial Worlds Market Facts). The study in depth analyzed one of the brand's measurements Coca-Cola which showed the brand's value at 24.6

billion dollars in 1993 and 102.6 billion dollars in 1993. The researcher deliberately included this study in its similar from almost entirely, because of the importance of the topic, and the lack of dealing with it in this detailed form, and this is convinced that Islam always has answers to all the questions and obstacles facing the world. Thus, the following hypothesis have formulated:

H1: There is significance relationship between Intellectual capital and Financial Performance in Sulaimani - Halabja Group Company.

H2: Intellectual capital has a positive relationship with Financial Performance.

4. Methodology and Findings

This chapter mentions the result data and statistic analyzing for responses questionnaire. Also, showing the relation between our variables and describe each table and figure their result and showing the correlation and regression for the variables.

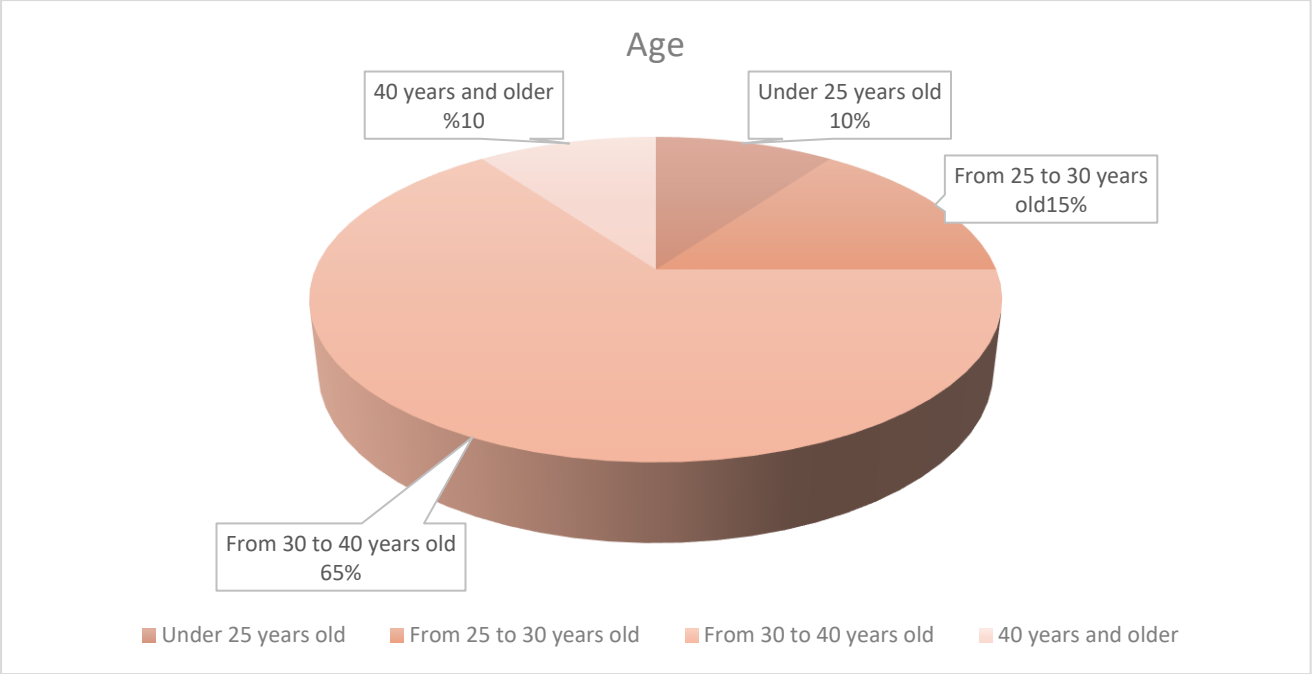
Demographic analysis

1- Age

Table (1) below shows the age group of the sample of the study. The table shows that the age group (30-40 years) of the study sample came first in the rank with a percentage of 65%. In the Second place was the age group (25-30 years) which was (15%). In the third place were the age group (Under 25 years) and the age group (Above 40 years) by (10%).

Table number (1) of the percentage of the type of Age

Category	Number	Percentage
Under 25 years old	2	**10%**
From 25 to 30 years old	3	**15%**
From 30 to 40 years old	13	**65%**
40 years and older	2	**10%**
Total	20	**100%**



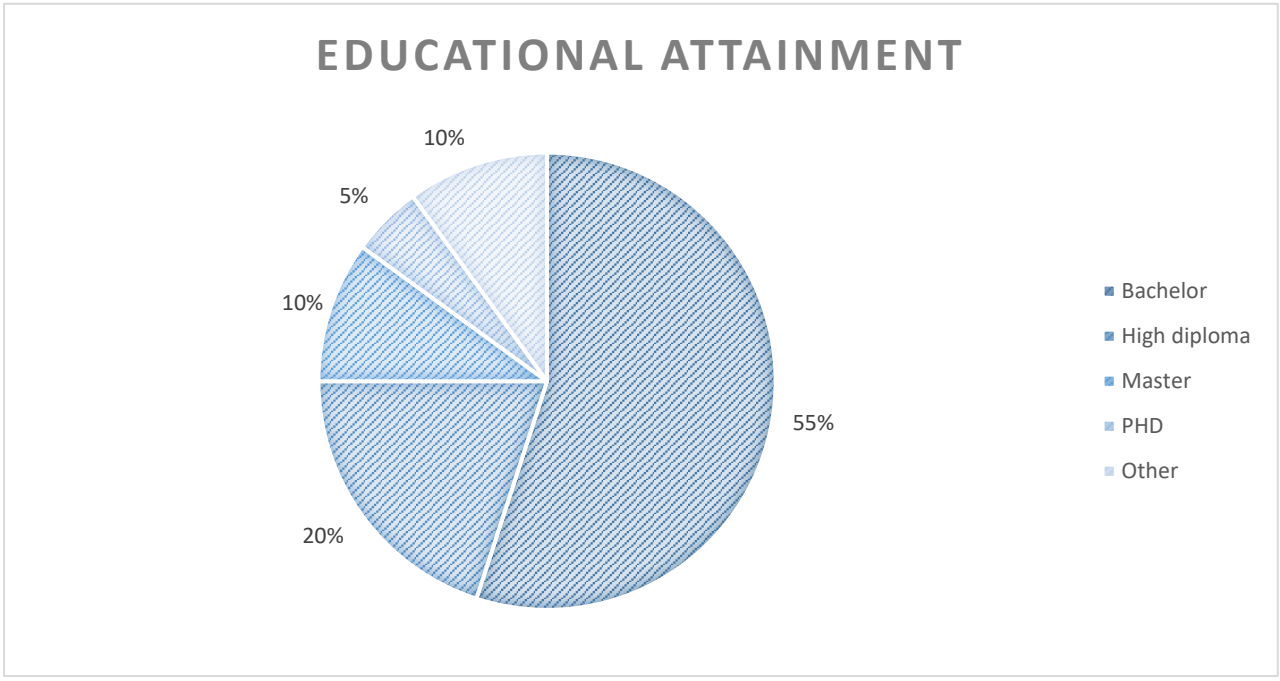
2- Educational attainment

Table (2) shows educational background of the study sample. The highest rate of the educational background of the study was bachelor's degree which was 55% of the study and the lowest educational background was PHD and other which was 10%.

Table number (2) your educational attainment

Category	Number	Percentage
Bachelor's	11	**55%**
High diploma	4	**20%**
Master	2	**10%**
PHD	1	**5%**

Other	2	**10%**
Total	20	**100%**



3- Specialty

Table (3) shows Specialty of the study sample. The highest rate of the specialty of the study was Accounting which was 65%.

Table number (3) your specialty

Category	Number	Percentage
Accounting	13	**65%**
Administration	0	**0**
Statistic	2	**10%**
Audit	4	**20%**
Other	1	**5%**
Total	20	**100%**

4- Years of service

Table (4) shows years do service in the company of the study sample. The highest rate of them was (more than 10 to 15 years) which was 40% of the study and the lowest service years in company of the study sample was (more than 20 years) which was 10%.

Table number (4) years of service at work

Category	Number	Percentage
Less than 5 years	3	**15%**
More than 5 to 10 years old	7	**35%**
More than 10 to 15 years old	8	**40%**
More than 20 years	2	**10%**
Total	20	**100%**

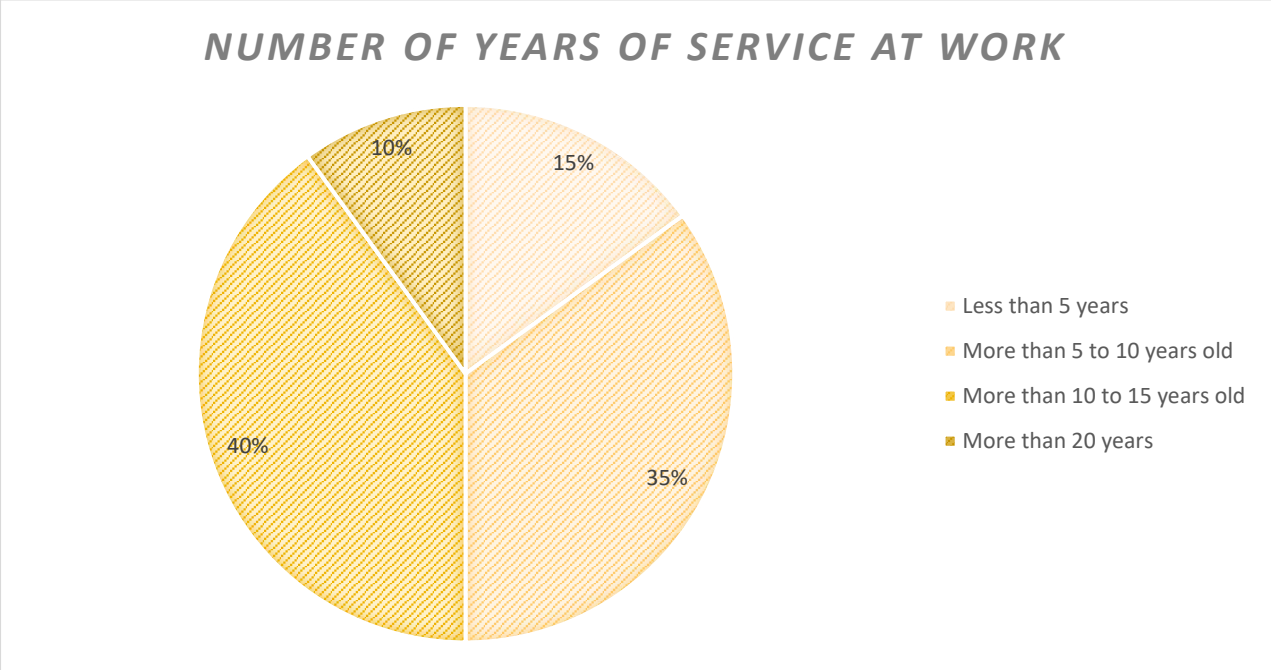


Table (5) data for repetitive sales, percentages, computational communities and standard deviations of variable paragraphs indicate (intellectual capital) measured using (7) terms. As the responses of the members of the search sample for paragraphs (X1-X2) were obtained in the middle of my calculation of (3.82) and a standard deviation of (0.947) neighborhood, the proportion of people who answered (I fully agree) by (28%), Those who were to agree (43.42%), who were to me (I can't determine) by (14.86%) and the percentage of individuals who did not agree with the paragraphs was (13.73%).

Table (5) description of variables

Axis	Scale	I don't Quite agree	I don't agree	I can't Say	I agree	I totally agree	Average	Standard deviation	Result
X1	Reiteration	1	3	0	14	7	3.92	1.077	I agree
	Ratio	4	12	0	56	28			
X2	Reiteration	0	0	2	13	10	4.32	0.627	I agree
	Ratio	0	0	8	52	40			
X3	Reiteration	0	4	4	11	6	3.76	1.012	I agree
	Ratio	0	16	16	44	24			

X4	Reiteration	0	2	4	9	10	4.08	0.945	I totally agree
	Ratio	0	8	16	36	40			
X5	Reiteration	0	1	2	12	10	4.24	0.779	I agree
	Ratio	0	4	8	48	40			
X6	Reiteration	6	6	5	7	1	2.64	1.254	I agree
	Ratio	24	24	20	28	4			
X7	Reiteration	1	0	9	10	5	3.72	0.936	I agree
	Ratio	4	0	36	40	20			
Total	Reiteration	8	16	26	76	49	3.82	0.947	I agree
	Ratio	4.58	9.15	14.86	43.42	28			

Table (7) data on repetitive sales, percentages, computational communities and standard deviations of variable paragraphs indicate their impact on the performance assessment of business organizations measured using (8) phrases (Rashid, 2019). As the answers of the search sample members for paragraphs, (X1-X8) obtained a median calculation of (3.62) and a standard deviation of (0.97). Live the proportion of people who answered (I fully agree) was

(16.5%), Those who were (I agree) by (0.46%), who were to me (I can't specify) by (23.5%), while the percentage of individuals who did not agree with the paragraphs was (13.5%).

Table (6) Description of variables

Axis	Scale	I don't Quite agree	I don't agree	I can't say	I agree	I totally agree	Average	Standard deviation	Result
X1	Reiteration	2	5	6	9	3	3.24	1.165	I agree
	Ratio	8	20	24	36	12			
X2	Reiteration	1	2	2	19	1	3.68	0.852	I
	Ratio	4	8	8	76	4			agree
X3	Reiteration	2	0	9	13	1	3.44	0.917	I
	Ratio	8	0	36	52	4			agree
X4	Reiteration	0	3	8	13	1	3.48	0.77	I
	Ratio	0	12	32	52	4			agree
X5	Reiteration	2	1	12	7	3			I
	Ratio	8	4	48	28	12	3.32	1.030	agree
X6	Reiteration	1	3	2	10	9			I
	Ratio	4	2	8	40	36	3.92	1.152	agree
X7	Reiteration	0	3	3	9	10			I
	Ratio						4.04	1.020	Totally

		0	12	12	36	40			agree
X8	Reiteration	0	2	5	13	5			
	Ratio	0	8	20	52	20	3.84	0.850	agree
Total	Reiteration	8	19	47	93	33			I
							3.62	0.97	agree
	Ratio	4	9.5	23.5	46.5	16.5			

5. Discussion and Conclusion

The insight offered in this paper is that the traditional frameworks used to manage, measure and report IC need to be transformed and the one size fits all approach to IC is unlikely to provide any more answers than it already has. This is because of the inability of contemporary measures of IC to reduce the ambiguity between the interaction of intangible resources and value creation at a specific point in time. What has been demonstrated in this paper is the ability to view both the research and application of IC measurement differently by examining how IC is constructed in an organization so that there is the potential to reduce the ambiguity between the intangible resources of an organization and the ability to create value. Thus, trying to "fit" contemporary frameworks to gather IC measurements to specific settings within organization may have no relevance to understanding their value creation process. It is this paper's argument that it is appropriate for a more critical view of IC measurement to be taken in both research and practice. As a result of the investigation of IC measurement in this paper, the ability to break free from an "accounting" of IC that to date only seems to have raised the awareness of IC and not the praxis of IC is explored. The measurements of IC interactions outlined here are remarkably different from the IC measures found in contemporary performance management reports and IC measurement frameworks. By learning and utilizing new skills and understandings, managers can make better decisions about how IC can be utilized, this is in opposition to attempting to "fit" a specific IC context into one of the contemporary IC measurement frameworks. Thus, the ability to apply alternative modes of investigating IC by

utilizing other techniques shows that practitioners and researchers need to acquire and develop new skills in order to break free from the constraints of the current domination of contemporary accounting-based frameworks of IC measurement.

Recommendations and further research development

Organizations should take care of intellectual capital, as the first determinant of their survival. Besides, in an age of united knowledge, accelerated scientific research, intellectual capital has become the most important thing that organizations can have, which suggests the need to pay more attention to human elements. Likewise, Organizations should attract the best human elements, with outstanding intellectual abilities, because this is an opportunity to distinguish the organization. Hence, the need to develop incentives, rewards, such as encouraging the introduction of new, creative, useful ideas for the organization. Also, organizations should work to empower their human resources, which increases their commitment to the organization and then work to provide them with the best. Furthermore, the need to adopt methods to help create and transmit knowledge among workers.

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