

The Financial And Intellectual Capital Structure's Implication Of Pursuing a Strategy of Innovation

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Abstract

Recently the experimental effort has protracted the variety of approaches interrelated with Leverage and make a sound strategy to find the relation of company innovation with Leverage. The firm that recently established in the market is highly dependent on the innovation and the competition in the market requires a solid innovation strategy to sustain in the market. Therefore, innovation importance can't be neglected at any phase of business life. At the same time, employees also play a major role to identify the best strategy that can increase company innovation as well as their performance. The key complication that a company faces today is innovation is highly interconnected with the Leverage of the firm.

The modern studies show that more the company's managers are vigilant by setting their capital structure the more innovation business will produce so human capital play a vital role to implement strong innovation strategy. The financial slack of a company highly emphasizes on the firm's innovation. Our research is to find out the relationship of innovation with capital strategy. However, innovations affect intellectual capital while observing the impact on company's profitability. Therefore, this Research study is the illumination on innovation impacts on company capital structure and intellectual capital that company either invests owner equity or takes debts to boost innovation.

We take 100 innovative companies from Forbes innovative firms as our sample and drive R&D intensity ratio (research and development) as substitute of innovation and applied regression by taking dependency of these companies on Leverage ratio and Intellectual Capital. This Research Study will help entrepreneurs to jump into the market with some logical thinking and this model will guide that how the market's most innovative firms are acting.

This Research Study shows a strong response that a company financial strategy is an important part of the company to create innovation.

Keywords: Leverage, Research and Development intensity, Intellectual Capital, Profitability, Forbes 100-Index

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Chapter 1

INTRODUCTION

1.1 Background of the Study

It is extensively known that a firm's financial behavior is always based on the concept that how a manager can take the firm's leverage decisions. That's why company's manager needs to focus on developing a strong financial strategy that produce favorable results for the company. Capital structure vigilant strategies have motivated a surprising number of researchers to research within the ground of finance and still a lot of effort can be accompanied in this field. This research study deals in three assistances to the practical argument on the structure of an innovative firm and its possessions to the organization's long term progress and how intellectual capital takes a strong part in this. The additional importance of the topic is that it provides a comprehensive description of possible immediate designs and models, which can increase company's innovation with the effect of company financial structure and intellectual capital.