

THE DETERMINANTS OF INTANGIBLE ASSETS IN MANUFACTURING FIRMS: EVIDENCE FROM ITALY

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Abstract

The positive impact of intangible assets on several measures of economic performance is well documented in the literature. Less clear is what leads firms to invest in intangible assets in the first place. The latter is particularly important since, at least for the Italian manufacturing sector, firms exhibit very strong heterogeneity in their level of intangible asset investments. In line with the capability-based theory of the firm we argue that the firm's propensity to invest in intangible assets can be explained by factors that are internal and specific to the firm. Making use of a rich dataset we test and provide support for our hypotheses. In particular we find that the propensity to invest in intangible assets increases with the firm's size, human capital and organizational complexity and with the past level of intangible assets. This points toward the existence of a cumulative dynamics in the process of intangible assets accumulation that may account for most of the heterogeneity observed in the data. The paper adds to the previous literature in two ways: first it highlights the existence of a strong intra-industry heterogeneity in intangible assets investments; and second, it offers an explanation for such heterogeneity.

Key words: intangible assets, human capital, firms heterogeneity, organizational complexity, complementarity, knowledge economy, organizational capabilities

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