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## The Impact of Intellectual Capital Management and Organizational Trust on Entrepreneurship Strategy in at the Korek Telecom Company (KTC)

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## Abstract

This study aimed to evaluate the level of the correlation between organizational trust (OT) and intellectual capital management (ICM) and how it affects achieving the goals of an entrepreneurial strategy (ES). In order to fulfill the requirements of ES (which are creative abilities, entrepreneurial culture, and risk-taking), the relationships between the dimensions of the ICM variables (structural capital, customer capital, and human capital), and OT (integrity, benevolence, and ability) were considered in the design of the study model. A survey questionnaire was used to gather data for this study from a number of managers that were randomly selected at the Korek Telecom Company (KTC). The quantitative data analysis was conducted using the SPSS.

However, the findings of this study show that KTC has the necessary human resources with a variety of skills, competence, and knowledge, and its employees use a variety of techniques to enhance and develop their creative capacities to meet the requirements of its entrepreneurial strategy.

Keywords: Intellectual Capital; Organizational Trust; Entrepreneurship Strategy



مجلة الكتاب للعلوم الإنسانية KJHS

أثر إدارة رأس المال الفكري والثقة التنظيمية على استراتيجية ريادة الأعمال في شركة كورك للاتصالات



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# المستخلص

تسعى هذه الدراسة إلى تقييم مستوى الارتباط بين الثقة التنظيمية وإدارة رأس المال الفكري وكيف تؤثر على تحقيق الأهداف الاستر اتيجية لريادة الأعمال. من أجل تلبية احتياجات القدرات الإبداعية ، وثقافة ريادة الأعمال ، والمخاطرة ، والعلاقات بين أبعاد المتغيرات (رأس المال الهيكلي ، ورأس مال العميل ، ورأس المال البشري) ، و (النزاهة ، والإحسان ، والقدرة). تم استخدام استبيان استقصائي لجمع البيانات لهذه الدراسة من عدد من المديرين الذين تم اختيار هم بشكل عشوائي في شركة (KTC) (KTC) وأظهرت نتائج هذه الدراسة أن مدينة المعرفة الكمية باستخدام تطبيق SPSS وأظهرت نتائج هذه الدراسة أن مدينة المعرفة والكفاءات والمعرفة ، ويستخدم موظفوها مجموعة متنوعة من التقنيات لتعزيز والكفاءات والمعرفة ، ويستخدم موظفوها مجموعة متنوعة من التقنيات ليزيز

الكلمات المفتاحية: رأس المال الفكري- الثقة التنظيمية استر اتيجية -ريادة الأعمال

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### Introduction

To have employees with abilities that are superior to those of the competitors, organizations need to make the essential investments in intellectual assets. This will support the organizations to struggle in the competitive business environment of today. As per Ali et al. (2018), employees in today's firms must transition from the traditional employment to knowledge work, where their duties are more extensive and varied. one of the significant sources of competitive edge for modern organizations is intellectual capital management (ICM).

Mohammedamin et al. (2018) noted that the presence of employees with a variety of attributes, such as continuous fulfillment, high confidence, performance skills, and work commitment, is necessary for the firms to continue determining their policies and achieving their strategic objectives. In any firm, organizational trust is an important variable in the coordination of people's efforts toward accomplishing the set organizational objectives; hence, Karim et al. (2016) considered it a vital tool in maintaining the importance of human capital in any business. The existence of ICM and OT can be viewed as having a high degree of relative stability in the firm, which plays a key impact on the employee's actions and behavior and helps the firm achieve its strategic goals. In an organization, competent managers are those that establish the organization's strategic goals using a variety of trusted sources and methodologies in addition to a dependence on ICM. Based on the foregoing, this study aims to examine, from the viewpoints of a sample of Korek Telecom Company's managers, heads of departments, and supervisors, the relationship between OT and ICM and its impact on fulfilling the requirements of ES.

### **Study Problem**

To develop performance and achieve efficiency in a setting marked by technological acceleration, and the demands of entrepreneurial strategy, business organizations must overcome numerous obstacles that result from the

relationships between organizational trust and investments in ICM. This process creates a barrier to the strategic role that policies play in the engagement of the workforce and their contribution to meet the objectives of the entrepreneurship strategy. Adopting complex policies is necessary to achieve the aforementioned capabilities in a firm. This objectives can be achieved by establishment of an effective human element considering the nature of the function of service and development in delivering services to people in line with these organizations' missions and goals. These call for concentrating on investments in ICM to strengthen the organization's capacity to accomplish its goals; this is possible by working to obtain the necessary standards, especially given that telecommunications businesses work hard to deliver excellent performance and keep striving in a competitive environment (Freeman and Edward 2010). Given these, the following research questions have been drafted to be addressed in this study:

- i. What level of ICM dimensions exists at Korek Telecom Company (KTC) from the perspective of the sampled respondents in this study?
- ii. What level of OT dimensions exist at KTC from the perspective of the sampled respondents in this study?
- iii. What level of ES dimensions is achievable at KTC from the perspective of the sampled respondents in this study?
- iv. What is the relationships between intellectual capital management and organization trust?
- v. What is the relationships between intellectual capital management and entrepreneurship strategy?

## Literature Review

Among the administrative concerns raised by contemporary administrative literature and pinpointed by scholars at the start of the 1990s is the topic of ICM.

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[A2]: تعليق عليه

[A1]: Which means by this? تعليق عليه

Numerous issues in the literature have challenged the conventional understanding of capital and profitability. The traditional notion of capital has changed over time as the true capital of firms today is their human resources, which determine whether they are successful in achieving their goals or not. The concept of intellectual capital (IC) has expanded beyond the scope of IC possessed by a few persons that is still incomplete. As a result, it is challenging to discern an integrated concept on it. Meanwhile, an examination of the existing literature on this issue reveals that several contributions from researchers have been made. According to Brooking (1996), "intellectual capital" is a specialized word for the collection of intangible assets that allow the company to carry out its operations. As per Bassi (1997), it is the organization's knowledge value, which is made up of customer capital, human capital, and structural capital. It is intellectual content made up of knowledge, experiences, information, and skills with economic worth that may be applied to real-world situations to generate income. This idea holds that IC is comprised of knowledge, experience, information, and skills. Awad & Ghaziri (2004) defined IC as a group of people who use their intelligence to solve a specific problem or produce value because they have the experience, creativity, values, and culture to do so.

To increase the effectiveness of commercial organizations, the interactions between the knowledge and experiences of all human resources are necessary to create IC. Among the important metrics and criteria frequently used to quantify intangible assets is intellectual capital (Hellstrom & Husted, 2004). Given these, the researcher defines intellectual capital as a mental capacity necessary for the creation of novel, pertinent, and workable ideas that can integrate and harmonize many components to achieve the intended goals.

Scholars in the field of organizational behavior have turned their attention to the issue of organizational trust owing to the significance of the topic and its close connection to a wide range of organizational factors that have an impact on an

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organization's success, development, and capacity to accomplish goals in an efficient manner. Trust is a phenomenon that occurs at the personal level; the transition of trust from the individual to the organizational level lacks precision and clarity as it often refers to individuals rather than organizations (Nielsen, 2004). According to Lewicki et al. (2006), trust is described as positive when it has met the expectations of other people's behavior, while mistrust is the anticipation of conviction about another person's negative behavior. According to Bidault et al. (1998), organizational trust is the belief that others will not act opportunistically and as a result will not do something bad to others. It refers to the extent to which supervisors delegate certain duties and responsibilities to subordinates with the understanding that they will be completed (Straiter, 2005). It is a strategic concern that could give a sustainable firm a competitive advantage. Hence, Bagraim & Hime (2007) considered it essential for the development and sustainability of human relationships. According to Yeh (2009), it is a person's faith in the objectivity of the policies and decisions of the firm reflecting the commitment and satisfaction of the individual to the firm.

The goal of the entrepreneurial strategy is to approach business ventures strategically. In addition to identifying opportunities, the business also concentrates on creating opportunities in the external world through creativity (Sadq, 2019). To achieve their goals, organizations must collaborate in order to create opportunities and successful innovations (Ferreira, 2002). It is only through innovation and development that an organization can stand out among equals (Philippi, 2003). Businessmen can identify differences in people's capabilities and potential through the integration of strategic management and leadership expertise. They can identify ways of putting these opportunities into practice in order to produce something novel and beneficial (Ireland et al., 2003). It is the ability to create new business opportunities within the organization's current operations (Rensburg, 2013). Entrepreneurship strategy was defined by

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Lassen (2007) as the capability and willingness to take action and realize potential. According to the experts, an organization's capacity to take risks in order to realize its goals through the exploitation of organized resources is reflected in its entrepreneurial approach. Organizations can make a difference in their business environment by exploiting the opportunities in their business environment; organizations must strategically allocate available resources to gain a competitive edge (Tantau, 2008). Kyrgidou & Hughes (2010) ascertained that the entrepreneurial strategy of a firm is the actions that result in management efforts towards assessing the potentials that will match the available resources with the optimal rate of benefits and return before putting them to use through strategic tasks. According to Sirmon et al. (2003), it is a process that incorporates research behavior for both immediate and advantageous prospects.

## **Study Significance**

This study makes the following contribution to knowledge:

- 1. The variables in this study are critical to the concept of management as it focused on the examination of the relationship between ICM and OT in order to meet the needs of the ES. The study focuses on 3 key parameters that have a substantial impact on business performance at the organizational level.
- 2. The study presents a conceptual and intellectual discussion on the issue of administration in a bid to support researchers and organizations that may be interested in the concepts of ICM, organizational trust, and theoretical supervision.
- 3. The study makes a scientific contribution to KTC and other public companies on how to foster employee trust. A further advantage of the structure of ICM is that it helps people improve their abilities, which can help them meet the demands of an entrepreneurship strategy.

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## **Study Objectives**

- i. To illustrate and make clear the basic ideas of ICM, building organizational trust, and meeting entrepreneurship strategy requirements.
- ii. To assess the level of ICM in accordance with the guidelines of the study sample with the possibility of accrediting KTC employees who can be trusted in their interactions. Additionally, it seeks to investigate how building trust inside firms could increase workers' commitment to their jobs.
- iii. To assess the level of OT based on the viewpoints of the study sample and to look into the potential benefits of the connection between the ICM and organizational trust in attaining the objectives of an entrepreneurial strategy.
- iv. Examine the relationships and effects among the research variables to help develop a list of specific suggestions that will strengthen the link between effective ICM and organizational trust. This could help and assist in achieving the requirements of ES.

### Study Model and hypotheses

The main dimensions of this study (which are ICM, OT, and ES) were the basis for the design of the theoretical framework in this study. The proposed framework of the interactions of these main dimensions is shown in Figure (1).

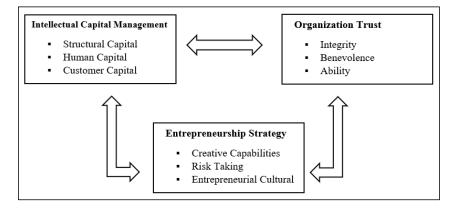


Figure 1: The framework of the proposed interactions

### Study Hypotheses

H1: Intellectual capital management (ICM) has a positive and significant correlation with organizational trust (OT).

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- H2: ICM has a positive and significant correlation with entrepreneurship strategy (ES).
- H3: Organizational trust (OT) has a positive and significant correlation with OT and ES.
- H4: ICM has a significant impact on ES.
- H5: OT has a significant impact on ES.

## Methodology:

This study is built on a descriptive-analytical methodology; the study's main and supporting variables were described using the descriptive methodology. The data from the questionnaire were analyzed using an analytical technique in order to establish the level of study variables in accordance with the expectations of the study sample. Additionally, the relationship and effect between the factors in the study were looked at. The data and information for this study were gathered using two different types of approaches. First, secondary data was gathered; the researchers used various sources (including books, articles, studies, and university theses), which dealt with the topic of the study, to cover this component of the study. For the practical aspect of the study, primary data was collected based on the developed survey questionnaire for the study. A Likert scale with points 1 = strongly disagree to 5 = strongly agree was used in the questionnaire to ensure that relevant data are gathered to address the research objectives and test the developed hypotheses. Table 1 provides more information about the aspects of the questionnaire.

Table (1) questionnaire instrument					
Study variables	Questions	Source			
Intellectual capital					
Human capital	X1 - X5	(Bontis, 2002), (Sadq et al, 2020).			
Structural capital	X6 - X10				
Customer capital	X11 – X15				
Organizational trust Integrity					
	Y1 - Y5	(Mayer, & Allen, 2004), (Mayer			
Benevolence	Y6-Y10	et al., 1995)			
Ability	Y11 – Y15				
Entrepreneurship strategy					
	Z1 – Z5	(Kyrgidou & Hughes, 2010),			

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Creative capabilities		
Risk taking	Z6 – Z10 Z11	(Dess, et al, 2007), (Chang, et .al.
Entrepreneurial Culture	– Z15	2013).

The researchers used a range of statistical methods using the SPSS program in order to analysis data such as the mean and standard deviation to identify the reactions of the study sample to the study variables included in the questionnaire. Pearson correlation coefficient was used to identify the correlation between the study variables. Finally, the stepwise coefficient regression was used to determine the effect between the study variables.

The telecommunications sector was chosen to apply the practical section of this study. The study population represents all managers of Korek Telecom Company that are currently operating in Iraq. The study sample composed of 64 managers and supervisors who filled out the questionnaire and the returned questionnaires were used for the statistical analysis.

## 4. Results and Outcomes

#### 4.1 Reliability of the questionnaire:

Cronbach Alpha analysis was used for the purpose of verifying the reliability coefficient of the questionnaire. The value of the Cronbach Alpha is acceptable when these values are greater than 0.60 (Sekaran, 2005). The total value of the questionnaire' questions is (.895), intellectual capital (.832), organizational trust (.849), entrepreneurship strategy (.827). These results show that the reliability of the questionnaire has a high degree of reliability.

Variables	No. of questions	Cronbach Alpha value		
Whole questionnaire	45	.895		
Organizational trust	15	.832		
Intellectual capital	15	.849		
Entrepreneurship strategy	15	.827		

Table (2) results of Cronbach Alpha value

### 4.2Descriptive analysis of the variables

A descriptive analysis was then conducted to describe the general customer perception of the Intellectual capital, Organizational trust, and Entrepreneurship Strategy in Korek Telecom Company in Iraq context. As can be seen in Table3,4,5, the mean and standard deviation of the constructs were reported. For ease of interpretation of the five point Likert scale anchored by 1 (strongly disagree) to 5 (strongly agree).

## 4.2.1 Intellectual capital:

Table (3) shows the general average means of intellectual capital that reached (4.12). As shown, there is a high level in the general averages of all intellectual capital dimensions. Its each five questions of human capital, structural capital, and customer capital questions reflect a high general mean of (4.29), (3.98), and (4.11) respectively. These results indicate that the intellectual capital dimensions receive a high level of attention at the Korek telecom Company.

	Intellectual capital questions	Mean	St. Deviation
X1	The company has human resources with diverse skills, expertise and knowledge.	4.54	.502
X2	The company's management develops its human capital through various methods such as training and development.	4.22	.670
X3	The company pays attention to human resources who have the ability to innovate.	4.28	.545
X4	The company has human resources with intellectual and mental abilities that make them distinguished in their performance.	4.10	.781
X5	The company's management is working hard to retain human resources with diverse skills and knowledge.	4.33	.660
Gener	al average of Human capital	4.29	.631
X6	The company is keen to have a good reputation through its outstanding scientific product by distinguished human resources.	3.91	.996
X7	The company has the latest information technologies such as computers, accessories and communication technologies.	3.78	1.027
X8	The company has a scientific staff specialized in the field of information systems and technologies.	4.30	.759
X9	The company adopts an organizational structure in line with modern scientific and administrative developments.	4.04	.976
X10	The management of the company provides a guide to describe the functions of administrative staff in order to achieve the best achievement and performance for them.	3.91	.830
Gener	al average of Structural capital	3.98	.917
X11	The company seeks to achieve a good level for the satisfaction of its employees through their interest in their skills, experience and use of information and communication technology.	4.25	.766
X12	The company tries to keep the parties involved with it by providing the best scientific product.	4.19	.723
X13	The company's mission is to provide the best service achievements through its interaction with the community.	4.30	.675
X14	The company offers the best possible cooperation with other parties to achieve outstanding service performance.	4.06	.903

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X15	The company seeks to achieve the loyalty of its employees by paying attention to them as intellectual capital.	3.79	1.108
Gener	al average of Customer capital	4.11	.835
Gen	eral average of Intellectual capital	4.12	.794

### 4.2.2 Organizational trust:

Table (4) shows the general average means of organizational trust that reach a value of (4.11). As shown, there is a high level in the general averages of organizational trust dimensions. It is each five questions of integrity, benevolence, and ability questions from respondent's view which reflect a general high mean of (4.16), (4.14), and (4.03) respectively. These results indicate that the organizational trust dimensions receive a high level of attention at the Korek telecom Company.

	Organizational trust Questions	Mean	St. Deviation
Y1	My colleagues at work are frank and advise me.	4.09	.793
Y2	My colleagues at work achieve success without harming others.	4.07	.745
¥3	I believe that the integrity of my colleagues at work is high.	4.18	.695
Y4	My colleagues at work say the truth even if it is undesirable.	4.31	.722
Y5	My colleagues are committed to their obligations to others	4.15	.892
Gener	al average of integrity	4.16	.769
Y6	The needs and desires of others are very important to my colleagues at work.	4.25	.725
Y7	My colleagues do not do anything that hurts the company.	4.16	.771
Y8	My work colleagues make personal sacrifices for everyone.	4.03	.870
¥9	My colleagues are interested in always being the best.	4.07	.937
Y10	I am free to disagree with my colleagues at work.	4.21	.769
Gener	al average of benevolence	4.14	.814
Y11	My colleagues have a lot of knowledge about what work is needed.	4.15	.957
Y12	I can depend on my colleagues if I have a hard time working.	4.33	.805
Y13	I am convinced that my colleagues can contribute to the success of the company.	3.67	1.093
Y14	My colleagues have the ability to solve important problems in the company.	3.94	.998
Y15	My colleagues have the knowledge to be successful in the work that they are trying to accomplish.	4.07	.765
Gener	al average of ability	4.03	.923
	eral average of Organizational trust	4.11	.835

## 4.2.3 Entrepreneurship Strategy

Table (5) shows the general average means of entrepreneurship strategy that reached (3.98). As shown, there is a high level in the general averages of

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entrepreneurship strategy creative capabilities, risk taking, and entrepreneurial culture questions from respondents' view. Each of the five questions reflect a general high mean of (4.04), (3.96), and (3.95) respectively. These results indicate that the entrepreneurship strategy dimensions receive a high level of attention at the Korek telecom Company.

	Entrepreneurship strategy questions	Mean	St. Deviation
Z1	The company provides the organizational and appropriate	3.61	1.255
	environment to support the creative work.		
Z2	Employees use different methods to develop and improve	4.36	.773
	their creative abilities.		
Z3	The company provides material resources to allow creative	4.34	.565
	activities.		
Z4 Th	e company provides significant allocations to support the	4.03	.870
	development of creative skills.		
<b>Z5</b> Th	e company rewards creative behavior and motivates it materially and morally.	3.90	.890
Gene	ral average of creative capabilities	4.04	.870
Z6	The company follows an aggressive policy to achieve	4.33	.660
	excellence in competitive companies.		
Z7	The company prefers to take advantage of the new	3.94	.903
	opportunities even if there is no certainty of success or failure.		
Z8	The company is taking the risk to increase its market share.	3.66	.993
<b>Z9</b> Th	e company adopts the risk element in order to obtain competitive	3.85	.925
	advantage to achieve leadership.		
Z10	The company is always looking for high profitability business	4.03	.816
	despite its high risk.		
	ral average of risk taking	3.96	.859
<b>Z11</b> T	The company deals with environmental changes and accepts the	3.46	1.271
	ideas that serve to deal with them seriously.		
Z12 T	The culture of continuous learning and intensive training has a	4.21	.769
	priority in the idea of running a company as a performance		
	enhancer and maximizes it.		
Z13	The company focuses on improving its services.	4.04	.806
<b>Z14</b> T	The management of the company encourages its employees to	4.13	.968
	work continuously to accomplish the work efficiently and		
	effectively.		
<b>Z15</b> T	The company is working to adopt the principle of working teams	3.93	.858
		1	1 1

Table (5) means and standard deviations of entrepreneurship strategy questions

4.3 Testing Study Hypotheses

sustainable competitive advantage.

General average of entrepreneurial culture General average of entrepreneurship strategy 3.95

3.98

.934

.887

in the achievement of basic and strategic work to achieve

Pearson correlation analysis has been used in order to examine the first, second, and third hypothesis at the (0.01) level of significant. The value of Pearson correlation between intellectual capital and organizational trust is  $(.745^{**})$ . The value of correlation between intellectual capital and entrepreneurship strategy is  $(.732^{**})$ . The value of correlation between organizational trust and entrepreneurship strategy is  $(.811^{**})$ . Consequently, accepting the first, second, and third hypotheses.

The regression analysis as it shown in table (6) illustrates that intellectual capital and organizational trust separately have a significant impact on entrepreneurship strategy. The constant value reveals that if intellectual capital and organizational trust is at zero level, the entrepreneurship strategy has to be in 38.2% and 31.1%. These predictions were significant at p-value of (0.05). Furthermore, 78.7% and 68.9% of entrepreneurship strategy can be explained by intellectual capital and organizational trust as represented by R square value. In addition, F calculated is equal to (145.199) and (138.748) respectively which are statistically significant. These results confirm the fourth and fifth hypothesis which state that intellectual capital has a significant impact on entrepreneurship strategy and that organizational trust has a significant impact on entrepreneurship strategy. Table (6) shows that the calculated R square is .804, meaning that 80.4% of the variance in entrepreneurship strategy can be predicted by the relationship between intellectual capital and organizational trust. Moreover, table (6) illustrates that F calculated is 186.743 with the significant value of .000 and is statistically significant. These results confirm the six hypothesis that state that there is a significant impact of the relationship between intellectual capital and organizational trust on entrepreneurship strategy

Entrepreneurship strategy					
	F value	R2	Sig. F value		
Intellectual capital	145.199	.787	.000		
Organizational trust	138.748	.689	.000		
The relationship between intellectual capital	186.743	.804	.000		
and organizational trust					

Table (6) Regression Analysis between study variables

#### **Results and Conclusion**

The findings indicate that achieving the objectives of the entrepreneurship strategy at KTC depends significantly on OT and ICM. This refers to the

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accessibility of human relations as well as the availability of skills, experience, knowledge, and creativity. To implement an entrepreneurial strategy, information technologies that are only available in ICM are used to serve clients. The limits of spatial and temporal concerns have been aided to transcend by the quick development in the field of telecommunications. Changes in organizational structures and tactics have had a significant impact on how organizations operate.

Organizations have been forced to treat ICM seriously as a result of the escalating rivalry in both domestic and international markets. Organizations have been forced to investigate measures to enhance competitive performance. Organizations that want to leverage their intellectual capital should work to create a conducive working environment, adopt a modern approach to leadership that values dialogue and uses it as a tool for empowerment, and provide a set of qualities that encourage the generation of innovative ideas.

Due to the growing level of competition in both the domestic and international markets, entrepreneurship strategy is one of the most current subjects to receive a lot of attention. The competitive abilities and efficiency of businesses are enabled by a number of key characteristics of entrepreneurial strategy, including creative abilities, risk-taking, and entrepreneurial cultures with clear common values and an innovative mindset. These cultures also possess strategic resources and knowledge capabilities.

## Recommendations

A corporation may be able to recruit employees with competence, ability, and talent by maintaining high levels of ICM and its components, as they are more important today than physical capital. By hiring them, there is a chance that investment in the development of an entrepreneurial strategy will increase.

Organizations must develop a suitable database for their innovative employees, identify suitable assessment techniques, and assess their ICM. In addition, it is

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essential to develop the available resources and take care of the ICM industry. Sending capable and effective staff to scientific conferences and training sessions in the field of communications will help achieve this feat.

Businesses must preserve their high entrepreneurial skills and capitalize on them as a strategic advantage. It is also advised to leverage the high level of importance attached to the feedback from the managers' perspective and to activate the role of effective recruitment in the advancement of creative abilities, risk-taking, and entrepreneurial culture.

Given that the study's findings show how important it is for an organization's employees to have a high degree of organizational trust, businesses should understand the value of fostering, supporting, and building employee organizational trust. Therefore, rules and programs should be developed if companies wish to ensure that their investments are sound and that they gain from the backing of an entrepreneurial strategy.

It is essential to raise awareness of the significance of attaining the strategic and long-term objectives of the companies. This has advantageous effects on managers as well as the organization as a whole. As one of the most significant issues relating to human resources, businesses must try to maximize and foster organizational commitment values to their employees.

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