Investigating the Impact of Measures of Intellectual Capital on Company Performance Indicators

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Statement of Originality

This dissertation contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. I give consent to this copy of my dissertation, when deposited in the University Library, being made available for loan and photocopying subject to the provisions of the Copyright Act 1968.

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Baran Razali
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Abstract

The primary objective of this study was to determine empirically the components of intellectual capital that impacts on the performance of publicly listed companies in Malaysia. The secondary objective of this study was to determine which component of intellectual capital is the best predictor of company performance in the three main sectors in Malaysia, namely the manufacturing, services, and agricultural sectors.

A total of 156 companies were randomly selected from those listed on the Malaysian stock exchange, known as Bursa Malaysia, in 2007. This study used the Value Added Intellectual Coefficient modelling framework. Data was obtained from annual reports of the publicly listed companies. The intellectual capital was decomposed into three main components. These were Human Capital Efficiency, Structural Capital Efficiency and Capital Employed Efficiency. The company performance indicators used in this study were earnings per share, return of assets and change in share price.

The results indicate that Human Capital Efficiency and Capital Employed Efficiency are the key components of intellectual capital for explaining company performance in Malaysia. The Structural Capital Efficiency of intellectual capital was found to be statistically non-significant in influencing company performance in Malaysia. The results also reveal that the Human Capital Efficiency and Capital Employed Efficiency have varying degrees of influence on company performance across the manufacturing, services and agricultural sectors of the Malaysian economy.

The findings of this study reveal that while intellectual capital is being promoted by the Malaysian government as a means of promoting company performance, the focus should be on human capital and physical capital employed by the company and that more emphasis should be placed on human capital development and infrastructure development as they are capable of ensuring continued growth of companies in Malaysia.

The result suggests that more research is needed to investigate further the reasons why the structural capital is ineffective in impacting on company performance. This is
because an understanding of these dynamics would help publicly listed companies to strategically position themselves in the ever growing and dynamic global economy to achieve sustained growth in the Malaysian economy.