

**MEASURING AND REPORTING INTELLECTUAL CAPITAL IN MALAYSIAN
LOCAL AUTHORITIES**



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3. Report

3.1 Executive Summary

Non-public or private sector has given much attention to the management and reporting of intellectual capital over the last few decades. It was claimed that in the knowledge-based economy, corporate value lies not only in the tangible assets but in the intangibles or intellectual capital comprising skills and knowledge of employees, customer relationships, etc. (Huang et al., 2010). This main objective of this study is to identify the intellectual capital indicators which are useful to local authorities and make a comparison with the indicators currently used by managers in local authorities. A total of 280 copies of questionnaires were distributed to the district officers and officers of the Malaysian local authorities. Total of 73 officers who works in Malaysian local authorities participate as respondents in this paper. Factor analysis and multiple regression were used for data analysis. The results of the study provide significant evidences on the role of relational capital and structural capital in the local authorities of a developing nation like Malaysia.

3.2 Introduction

Non-public or private sector has given much attention to the management and reporting of intellectual capital over the last few decades. It was claimed that in the knowledge-based economy, corporate value lies not only in the tangible assets but in the intangibles or intellectual capital comprising skills and knowledge of employees, customer relationships, etc. (Huang et al., 2010). Intellectual capital is also recognised as a key contributor to firms' competitive advantage in today's economy. With intellectual capital gaining growing importance, business entities are faced with new challenges particularly on how to develop, manage, measure and report intellectual capital for their future success and sustainability. The deliberate efforts of the Malaysian government in shaping its economy towards knowledge-based also warrant more research on intellectual capital in Malaysia.

Public sector, though non-profit oriented, should also manage its intellectual capital. According to Ramirez (2010), knowledge and intangible values have become the main source of competitive advantage for public entities in the new economy. Ramirez (2010) also states that modern public sector management's emphasis on service quality justifies the need to establish initiatives to incorporate intellectual capital management into the public entities. In addition, Jaaskelainen and Lonnqvist (2009) also state that the role of the intangible factors is significant in public sector in the quality of services provided by this sector is for the well-being of the whole organisation. As such, intellectual capital has gained much interest of the public sector particularly as Malaysian government shapes its economy towards knowledge-based.