

**INTELLECTUAL CAPITAL AND FIRM PERFORMANCE
AND PRODUCTIVITY: EMPIRICAL EVIDENCE FROM
MALAYSIAN STOCK EXCHANGE**



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ABSTRACT

The research explores the intellectual capital value among listed companies in Malaysia by applying Market-to-Book Value Model and examines empirically whether intellectual capital value contributes to firm financial performance and productivity. The research also gauge whether there is any relationship between intellectual capital and type of industry. Evidenced with samples of companies listed on the Main Board of Malaysian Stock Exchange it was found that in the year 2000 and 2001, there are significant influence between profitability performances with intellectual capital. On the other hand, productivity is not a significant predictive of intellectual capital value. Chi-square test indicates that type of industry is significantly associated to intellectual capital. The results of negative intellectual capital performance of Malaysian firms require further investigation and explanation. Negative intellectual capital implies the company is having intellectual liabilities whereas positive intellectual capital represents intellectual assets.

CHAPTER 1

INTRODUCTION

Many intellectual capital studies agree that the greatest challenge faced by the accounting profession nowadays is to understand the gap between the net assets and market value of the firms (Seetharaman, Low & Saravanan, 2004; Seetharaman, Helmi & Saravanan, 2002; Guthrie, 2001; Caddy, 2002). As at to date, numerous efforts have been made and currently ongoing by researchers and scholars of intellectual capital to explore and produce an accepted valuation model or metrics that best explains the invisible or hidden values of the financial statements of the firms (eg. Stewart, 1997; Edvinsson and Malone, 1997; Bontis, 1998; Bontis, 2004; Kaplan & Norton, 1992; Pulic, 2000; Sullivan & Sullivan, 2000; Sveiby, 2001; Roos and Roos, 1997). Wider attention is also given by researchers in the area of disclosure with the same motive which is to help develop an intellectual capital framework, with the purpose to reflect the values unexplained by the traditional accounting framework (eg. Guthrie & Petty, 2000; Bornemann & Leitner, 2002; Norhaiza, Hanim & Haslinda, 2004; Goh & Lim, 2004 and Bozzolan, Facotto & Ricceri, 2003).

Sullivan & Sullivan (2000) observed that there is a tremendous increase in the number of companies whose value lies largely in their intangible assets. Studies by J. Roos, Roos, Edvinsson & Dragonetti (1997); Johanson (1996); Pulic (2000) indicated that the market value of companies is many times more than their net assets, that is the value of its tangible assets. These results further confirm that the traditional accounting framework, is inadequate for valuing companies whose assets are mostly intangible, hence can no longer accurately determine the real value of companies and perhaps