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Universiti Teknologi MARA (UiTM)
Cawangan Negeri Sembilan
Kampus Seremban
Persiaran Seremban Tiga/1
Seremban 3
70300 Seremban
Negeri Sembilan, MALAYSIA
Tel : 606-6342000
Faks : 606-6335812

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Penafian:

Sebarang maklumat yang terkandung dalam majalah ini merupakan pengetahuan dan pendapat peribadi penulis artikel. Pembaca dinasihatkan untuk mendapatkan pandangan profesional sebelum mengikuti mana-mana maklumat dalam majalah ini. Pihak universiti, penerbit dan sidang redaksi tidak akan bertanggungjawab dan menanggung sebarang risiko atas kerugian secara langsung atau tidak langsung atas maklumat yang dipaparkan.

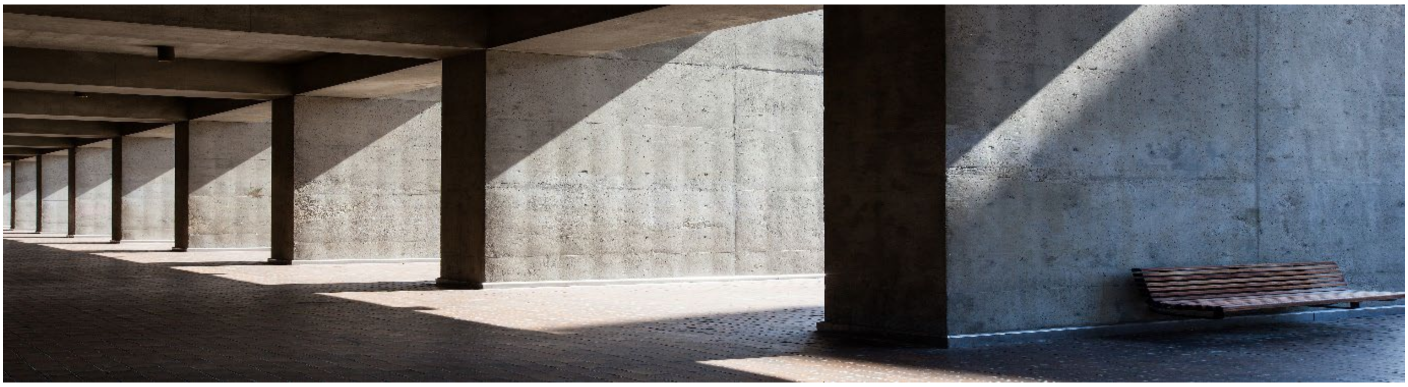
Sidang Redaksi Buletin FPN S3 Edisi ke-4

Isi Kandungan:

Dari Meja Pengarang

The 4th bulletin, the 2nd issue for 2022 of our bulletins, is finally ready. The world is opening, welcoming travellers from everywhere. It is like the world is coming to life again, and so are the campuses. Life started to get busier, but it is a relief that many are still taking precautions to avoid spreading C-19. In all the excitement, we must remember that C-19 is still lurking around so as online scammers. The digital world has opened more opportunities for scammers to carry out their dirty acts to con victims. Please stay safe and play our roles in curbing the spread of both the virus and scams. Enjoy the reading!

Dr Raziah Bi Mohamed Sadique
Ketua Pengarang
Fakulti Perakaunan UiTMCNS Kampus Seremban



Intellectual Capital: An Overview

by Salwa Muda & Musliha Musman

Intellectual capital (IC) refers to intangible assets that include knowledge, information, intellectual property, and experience that can be used to create value for a firm. The term "intellectual capital" was first introduced by Galbraith in 1969 who describe IC as an intellectual contribution owned by individuals. Thus, IC is a firms' collective brainpower and the sum of everything everybody in a company knows that gives it a competitive edge (Stewart (1997). As an intangible asset, even though not captured and reported in financial statements, IC's role is vital in outlining and enforcing strategies. In particular, IC supports reliance to human and firms' structures in today's economic condition. Firms in the new knowledge era are concentrating on the challenging tasks of growing and managing knowledge resources, changing economic and political systems, and increasing stakeholder demands. This has caused firms to be at their competitive advantage to deliver their capabilities through clearly defined strategies to survive in the market. As a result, IC appears as one of the crucial elements in the process of value generation.

Several IC definitions have been recommended by academics and practitioners. From the accounting perspective, IC is referred to a gap between the accounting book value and market value of company (Stewart 1997; Sveiby 1997). Sveiby (1997) refers the intangible assets or IC as a 'family of three' that consists of individuals' competence, internal structure, and external structure. Individuals' competence includes skills, education, experience, values, and social skills that represent the capability of people in an organisation to act in various situations. Internal structure comprises patents, concepts, models and computer and administrative systems, while external structure refers to relationships with customers and suppliers, brand names, trademarks, and reputation. Brooking (1996) grouped intellectual capital into four major groups of assets: market assets, infrastructure assets, intellectual property assets and human-centred assets. Market assets refer to assets that can provide firm power in the marketplace such as brands, customer base, reputation, distribution channels and so on. Infrastructure assets include management processes, philosophies, financial systems as well as information technology which assist firms in the business operations and communication with other parties. Intellectual property assets are patents, copyrights, design rights and trademarks that are protected by law. Human-centred assets comprise of skills, knowledge, and expertise of the employees, which do not belong to the firms. Meanwhile, Mayo (2000) categorised IC into human capital, organisational capital, and customer capital. Human capital includes individual competence and experience, judgement, wisdom, leadership, and motivation, while organisational capital consists of systems, methodologies, culture, patents, knowledge, and databases.

Customer capital refers to customer contracts, relationships, loyalty, satisfaction, image, reputation, and brands.

Despite the various IC elements described by scholars, IC constitutes three basic elements which are human capital, structural capital, and external capital. Human capital refers to the competencies, knowledge, skills, education, capacities, and abilities acquired by individuals, groups and societies that will lead them to execute their responsibilities in achieving the stated firm goals. Human capital is presumed as the most important intellectual resource in value creation of the firms where firms without capable human capital will not be able to function properly. Structural capital is non-human storehouses of knowledge that are owned and controlled by firms, remain in the firms when employees leave the firms after working hours, provide support to employee performance, improve productivity, and strengthen the firm operations (Brooking, 1996; Stewart, 1997). Structural capital linked closely with human capital, where poor systems and procedures may not be able to fully utilise the human capital quality embedded in the employees and hinder the efficiency of the overall intellectual capital of the firms concurrently. The knowledge flows that involve internal and external structures as well as individuals that can help firms with value creation is known as relational capital. Hence, the continuous engagement of the firms with external agents such as customers, distribution channels, banks and governments provide firms with valuable knowledge about the products, industry and market that can be used to increase value and performance as opposed to the competitors.

As a unique set of intangible assets, IC enables firm to achieve better performance and competitive advantage. The rapid changes in modern business environment requires firms to quickly adapt to the changes. IC provides the real value to help in solving the challenges that face businesses in the dynamic economy. Hence, proper utilization and management of IC must be practiced by the management of the firms to achieve sustainable competitive advantage and simultaneously remain relevant in the industry.

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'Tell me and I forget. Teach me and I remember. Involve me and I learn'

-Benjamin Franklin-

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