

ABSTRACT

Businesses began to realize that the ability to compete not only in the ownership of industrial machines, but more on innovation, information systems, organizational management and human resource knowledge he had. An attempt will be able to compete when using competitive advantage gained through creative innovations produced by the intellectual capital of the company. Therefore, the Intellectual Capital (IC) has become a very valuable asset in the modern business world because it is necessary to create value added for the company. This study aims to determine the effect of IC on corporate financial performance. IC is an independent variable and the company's financial performance as the dependent variable.

Data used in this study is 215 public companies (non financial) in Indonesia from 2005 until 2008 which is listed on the Indonesia Stock Exchange (BEI). This research uses Pulic model (Value Added Intellectual Coefficient [™] - VAIC [™]) as a measure of IC components that proxies with physical capital (vaca), human capital (VAHU), and structural capital (STVA). Partial Least Square (PLS) is used as a tool to test the effect of IC (VAIC [™]) to the company's financial performance, which the company's financial performance proxies with the ROE, EPS and MBV.

The results of this study indicate that: IC (VAIC [™]) positive effect on company financial performance; IC (VAIC [™]) positive effect on company financial performance in the future, the average growth of IC (ROGIC) no positive effect on corporate financial performance in the future front, and the contribution of IC (VAIC [™]) against the company's financial performance in the future will differ according to type of industry.

Keywords: Intellectual Capital, (VAIC [™]), the company's financial performance, Partial Least Square (PLS).