INTEGRATION OF INTELLECTUAL CAPITAL AND GOOD CORPORATE GOVERNANCE IN DRIVING THE PERFORMANCE OF MANUFACTURING COMPANIES IN INDONESIA

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Abstract

Background - This research is based on the concept of intellectual capital (IC) and the role of good corporate governance (GCG) in improving company performance, where it is theoretically known that IC, which consists of human capital, structural capital, and relationship capital, is very important to encourage innovation, improve operational efficiency, and build strong relationships with stakeholders. However, how IC can directly affect business performance is still a question, especially in Indonesia's manufacturing industry. In addition, the GCG method, which involves the supervision of independent commissioners, can help regulate the relationship between the IC and the company's performance. As a result, this study investigates the function of GCG as a moderator in the relationship between IC and company performance

Purpose - The purpose of this study is to evaluate the influence of Intellectual Capital on the performance of manufacturing companies in Indonesia and to test whether GCG, especially in the form of institutional ownership and independent commissioners, can moderate the relationship. Thus, this study provides deeper insights into the role of IC and GCG in supporting business success in the manufacturing sector.

methodology - This study is a qualitative research with an explanatory research method designed to test the causality between IC and the Company's performance with GCG as a moderator. The study population is manufacturing companies listed on the IDX during the 2020-2022 priode with a total of 35 companies and 105 samples analyzed. Sample selection was carried out by purposive sampling method and hypothesis testing was carried out using Eviews 12. The test was carried out including regression analysis to test the direct influence of IC on the Company's performance and GCG moderation drivers

Findings - IC directly and significantly negatively impacted the Company's performance with a coefficient of -0.207 and a p-value of 0.0000. This is contrary to the Resource-Based View (RBV) theory, which considers ICs as resources that provide a competitive advantage. According to moderation analysis, institutional ownership does not moderate the relationship between IC and corporate performance; On the contrary, independent commissioners have a significant moderation role with a coefficient of 1.666 and a probability value of 0.0358. Thus, GCG through independent commissioners can increase the effectiveness of the use of ICs to improve company performance. The study shows that IC and GCG are tested simultaneously in a single model. This shows how important the supervision and management of ICs is to optimize the performance of companies, especially in the manufacturing industry. This research offers originality by integrating Intellectual Capital (IC) and Good Corporate Governance (GCG) to assess their combined impact on the performance of manufacturing companies in Indonesia, a focus rarely explored in previous studies.

Originality - The study’s novelty lies in demonstrating the significant moderating role of independent commissioners in enhancing the effect of IC on firm performance, providing valuable insights for emerging markets with less developed governance structures

Keywords: Intellectual Capital, GCG, Corporate Performance
