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**AN EXAMINE ON THE RELATIONSHIP BETWEEN INTELLECTUAL
CAPITAL AND FINANCIAL PERFORMANCE OF 100 COMPANIES IN
THE UK FROM 2002-2012**

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ABSTRACT

This paper aims to investigate the effect of intellectual capital on financial performance. Applying the quantitative method, data of 100 chosen UK companies listed on London Stock Exchange over five sectors are collected from datastream from 2002 to 2012. Value Added Intellectual Coefficient (VAIC) approach developed by Pulic (1998, 2004) is used to measure intellectual capital efficiency and its components included human, structural and capital employed coefficient (HCE, SCE and CEE). Direct relationships between VAIC, HCE, SCE and CEE with the current and prior year four financial performance measurement are analyzed by statistical tools. The findings suppose that there are positive significant connections between firm performance and not only VAIC but also its components, especially strongest with CEE. However, the research cannot find the lagged time effect among these coefficients of intellectual capital. Limitations are inevitable in this study. There are some missing data and the sample is not enough to generalize to the whole sectors in the UK economy. Rather than its disadvantages, this paper enhances and strengthens the theory and empirical support for the linkage between intellectual capital and financial performance for the UK companies, especially in the increasingly modern and knowledge-based economy.

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TABLE OF CONTENT

ABSTRACT	i
ACKNOWLEDGEMENTS	ii
LIST OF FIGURE	v
LIST OF TABLES	vi
CHAPTER 1: INTRODUCTION.....	1
1.1.The importance of research	1
1.2.Research objectives and questions	2
1.3.Paper outline.....	3
CHAPTER 2: LITERATURE REVIEW.....	5
2.1. Intellectual capital (IC)	5
2.1.1. Definition of IC	5
2.1.2. Categories of IC.....	7
2.2. IC measurement	8
2.2.1. Paucity in IC measurement.....	8
2.2.2. Value added intellectual coefficient (VAIC).....	9
2.3. The prior researches on IC and financial performance	13
2.4.Summary	18
CHAPTER 3: HYPOTHESES.....	20
3.1. Hypothesis 1: Direct relationship between IC and the current financial performance.....	20
3.2. Hypothesis 2: Direct relationship between IC and the following year performance.....	21
CHAPTER 4: METHODOLOGY.....	23
4.1. Research philosophy	23
4.2. Research approach.....	25
4.3. Research strategy.....	27
4.4. Research choice	27

4.5. Time horizon.....	28
4.6. Research design.....	28
4.6.1. Data collection.....	28
4.6.2. Data analysis.....	30
4.6.2.1. Dependent variable.....	30
4.6.2.2. Independent variable	31
4.6.2.3. Control variable.....	31
4.6.2.4. Empirical models	33
4.6.2.5. Process of statistical analysis.....	34
CHAPTER 5: ANALYSIS AND DISCUSSION OF RESULTS.....	38
5.1. Descriptive analysis.....	38
5.2. Correlation analysis	44
5.3. Multi regression results.....	47
5.3.1. Hypothesis 1: Direct relationship with current year performance	49
5.3.2. Hypothesis 2: Direct relationship with the following year performance.....	53
5.4. Discussion	56
CHAPTER 6: CONCLUSION.....	61
I. APPENDIX I: DATA ANALYSIS	I-1
II. APPENDIX II: RESULTS OF ANALYSIS USING SPSS VERSION 20	II-1

LIST OF FIGURE

Figure 2.1: Financial Capital and Intellectual Capital Definition based upon Edvinsson (1997) (Source: Skandia's Annual Report, 1994)	6
Figure 2.2: Intellectual Capital Definition based upon Malhotra (2000) (Source: Malhotra, 2000).....	6
Figure 2.3: Organization's value (Source: Skandia's Annual Report, 1994).....	8
Figure 2.4: VAIC developed by Ante Pulic (1998) (Source: PirjoStahle, 2011) ...	10
Figure 4.1: The research onion (Source: Mark Saunders, Philip Lewis and Adrian Thornhill, 2012, p.108)	23
Figure 4.2: The deductive process (Source: Maylor and Blackmon, 2005, pp.56)	26
Figure 4.3: Process of statistical analysis	34
Figure 4.4: Summary of Model 1	36
Figure 4.5: Summary of model2.....	37
Figure 5.1: Histogram distribution of ROA, ROE, SCE, CEE, and VAIC	41
Figure 5.2: Histogram distribution of HCE, EP, and MB.....	43
Figure 5.3: The value added by sector in UK in 2007 (Source: The 2007 Value added Scoreboard: <i>Commentary and Analysis</i>).....	57
Figure 5.4: The change in value added across nine industries in UK economy (Source: The 2007 Value added Scoreboard: <i>Commentary and Analysis</i>)	58
Figure 5.5: Value added per cost of employment by sectors in UK in 2007 (Source: The 2007 Value added Scoreboard: <i>Commentary and Analysis</i>)	59
Figure 6.1: Summary of multi regression testing Hypothesis 1	62
Figure 6.2: Summary of multi regression testing Hypothesis 2	63

LIST OF TABLES

Table 2.1: Studies on relations between IC and financial performance (Source: Clarke <i>et al.</i> , 2011)	15
Table 4.1: Assumptions of the main paradigms (Source: Collis and Hussey, 2009)	24
Table 4.2: Sample distribution by industry	29
Table 4.3: Dependent variables in the statistical models	30
Table 5.1: Descriptive analysis results.....	39
Table 5.2: Correlation analysis of all variables in models	45
Table 5.4: Results of multicollinearity of model 1	50
Table 5.5: Results of multicollinearity of model 2.....	52
Table 5.6: The results of multi regression of control variables in both model 1 and 2.....	55