

Analysing value added as an indicator of intellectual capital and its consequences on company performance

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Purpose

The purpose of this paper is to analyse the role of value added (VA) as an indicator of intellectual capital (IC), and its impact on the firm's economic, financial and stock market performance.

Design/methodology/approach

The value added intellectual coefficient (VAIC™) method is used on 300 UK companies divided into three groups of industries: high-tech, traditional and services. Data required to calculate VAIC™ method are obtained from the "Value Added Scoreboard" provided by the UK Department of Trade and Industry (DTI). Empirical analysis is conducted using correlation and linear multiple regression analysis.

Findings

The results show that companies' IC has a positive impact on economic and financial performance. However, the association between IC and stock market performance is only significant for high-tech industries. The results also indicate that capital employed remains a major determinant of financial and stock market performance although it has a negative impact on economic performance.

Practical implications

The VAIC™ method could be an important tool for many decision makers to integrate IC in their decision process.

Originality/value

This is the first research which has used the data on VA recently calculated and published by the UK DTI in the "Value Added Scoreboard". This paper constitutes therefore a kind of validation of the ministry data.

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