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The Influence of Intellectual Capital towards Financial Performance with *Brand Value* as an Intervening Variable

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Abstract

This study aims to analyze and provide empirical evidence of the effect of intellectual capital on the financial performance using brand value as an intervening variable. The hypothesis is (1) Intellectual Capital a significant effect on the financial performance, (2) Intellectual Capital has a significant effect on brand value, (3) Brand Value significantly influences the company's financial performance, and (4) Intellectual Capital significantly influences the financial performance with the brand value as an intervening variable. The population in this study is a company that includes the Top 100 Most Valuable Brand from Swa Magazine. This study used method purposive sampling and obtained a sample of 76 companies with the observation period from the year 2014 to 2016. This study used secondary data companies listed in Indonesia Stock Exchange. The data analysis technique used was path analysis. Analysis of the data in this study using 3.0 SmartPLS program. Results showed that intellectual capital has a significant positive effect on financial performance. Intellectual capital has no significant positive effect on the brand value. Brand value is also positive and not significant to the financial performance. Intellectual capital positively affects financial performance through brand value, but the impact is not significant. Brand value as an intervening variable in this study was a partial mediating variable.

Keywords: intellectual capital; brand value; financial performance.

1. Introduction

In conjunction with the performance, financial reports are often used as the basis for assessing the company's performance. From the financial statements, it can be calculated in various financial ratios, which in turn can be concluded if the company's performance is good or bad. Companies that consistently have a good financial performance of the company can be said to be good or healthy financial. If the company's good performance, investors will not hesitate to invest, the lenders do not hesitate to give credit to the company, and the government will submit its projects to be done by the company (Lutfi *et al.*, 2016). Therefore, as much as possible the company must maintain its financial performance and display it consistently even increased in the financial report.

To maintain and improve its financial performance is certainly not easy. Companies must be able to maximize everything he had. In this globalization era, to win a business competition, the company cannot rely solely on tangible assets. Recognizing the importance of the intangible assets that contribute significantly to the competitive advantage, business people began to try to manage and utilize it effectively and efficiently (Dalimunthe *et al.*, 2016; Lubis *et al.*, 2016 and Gusnardi *et al.*, 2016). It is characterized by the increasing investment in intangible assets such as a budget increase *Research and Development* and an increase in the budget for

the *training* of employees in some companies (Muda and Dharsuky, 2015). But unfortunately this is not matched by corresponding financial reporting. During this time the company's financial reporting focuses only on financial performance. There is some other information that needs to be delivered to users of financial statements, which is about the value of the company. The added value in the form of innovation, discovery, knowledge, and the development of employees are often termed as *Intellectual Capital*.

Industrial Era	Knowledge Era
Customer Driven	Production Driven
Functional	Process (Integrated)
Physical capital (Tangible Assets)	Intellectual Capital (Intangible Assets)
Bottom Up	Bottom
Management	Leadership

Table 1. The shift from the Industrial Age to the Age of Knowledge
Source: Chareonsuk and Chansa-ngavej (2008)

Based on Table 1, it shows that there has been a change from the traditional economic or industrial era to the knowledge-based economy or the information age. The competitive advan-

tage of this new business has shifted from physical capital to IC. IC enables modern companies to increase their competitive advantage through knowledge management, engineering organizations, professional skills, relationships and customer experience. Therefore, the IC has become the most powerful factor for all companies, especially those based on knowledge-based economy, the success of the company. With the management of *intellectual capital* performance as an added value in the company, it can influence the performance of the company. Performance of the company itself can be divided into financial performance and non-financial performance. In this study, researchers conducted a performance measurement using the company's financial performance. The financial performance in this study uses three (3) indicators that are Return on Assets, Return on Equity and Earnings per Share.

Research on the *intellectual capital* is still not consistent, especially in conjunction with the company's performance. Firer and William (2003) states that physical capital is the most significant factor that affects the performance of the company, so they did not find any positive impact between *intellectual capital* and company's performance. But there are also some studies that show the results where there is a positive effect between *intellectual capital* and company's performance. Among the research conducted by Nouri and Parker (1998), Chen *et al.* (2009), Tan *et al.* (2007), Iswati and Anshori (2007), Wei (2009), Ting *et al.* (2009), Zeghal *et al.* (2010), and Ulum (2016) stated that the results of previous studies were inconsistent directing the next research to use the intervening variables. It is also disclosed by Govindarajan (1986) that in order to overcome inconsistencies results of previous studies required contingency approach. Through a contingency approach, other variables were included in the study. Other variables may affect the IC and fundamental relationship to financial performance. The variables that indicate the situational factors in contingency approach are known as moderating variable and intervening variables.

This study examines the effect of *intellectual capital* on the financial performance by using an *intervening variable* that is *brand value*. *Intellectual capital* will affect the company's financial performance in running the business. If the management of *intellectual capital* properly, it will affect the *brand value* of a company and improve company performance. The use of an *intervening variable* is expected to provide an overview of the effect of *intellectual capital* on the financial performance. This study is an extension of previous research and empirical.

The difference of this study with previous research is the research object. The objects used in this research are Top 100 Swa Magazine version with the highest value brand. The reason is because the company of Swa Magazine's Top 100 is a relatively large-scale enterprise and has a high degree of industry competition. With a high degree of industry competition course, a company needs a competitive edge so that it can compete with other companies. One form of such a competitive advantage is *intellectual capital*. In addition, the expected results of this study can provide input for potential investors who want to invest their shares in those go public companies, especially companies which included the Top 100 *most valuable brands* of Swa Magazine.

1. Literature Review

1.1. Theoretical Review

2.1.1. Resource Based Theory

According to the *Resource Based Theory* (RBT), companies gain competitive advantage and achieve superior performance by having, acquiring, and using strategic asset effectively. Strategic assets in question include tangible assets in the form of physical assets, and intangible assets that were owned, developed, and used by companies in maintaining a competitive

and profitable strategy (Wernerfelt 1984 in Komnencic and Pokrajcic, 2012). Physical assets such as land, machinery and buildings is very easy to obtain on the free market and very easy to imitate, making it difficult for the company if only relying on physical assets alone. Therefore, the company should also make use of its intangible assets in order to compete amid increasingly fierce industry competition. Barney (1991) says that the intangible assets may be treated as a strategic asset that can provide a sustainable competitive advantage for the company because it is valuable, difficult to imitate, rare and difficult to be substituted with anything else.

a. It is valuable: it is precious (*valuable*) which means it is economically, intangible assets have a value that is profitable for the company.

b. Difficult to duplicate: By having an intangible asset that is hard to duplicate (*hard to imitate*), companies can maximize it to increase profits, because this cannot be done by other companies.

c. Rare: rare intangible assets (*rare*) that is possessed only a handful of parties only. Moreover, if an intangible asset that is rare value or benefit, the company can have a monopoly for the benefit of the company.

d. Difficult to be substituted (*non-substitutable*) so even though the company's competitors also have a similar intangible assets, but still not the same.

2.1.2. Intellectual Capital

Intellectual Capital is a crucial factor for the company to provide competitive advantage and added value. The concept of *Intellectual Capital* identifies five categories of resources which can be used as a framework to facilitate the identification of strategic resources all companies (Roos and Roos, 1997 in Komnencic and Pokrajcic, 2012). According Komnencic and Pokrajcic (2012), the *intellectual capital* in the company is not only knowledge, but also human capital, organizational, and relationships. Human capital includes the competence and ability of employees to organize, apply their knowledge and skills to perform certain activities.

Capital organization is an extension and manifestation of human capital in the form of systematization of knowledge, innovation, organization structure, corporate culture, intellectual property, business processes, physical structure and financial structure of the company. While including relational capital is the ability to build quality relationships with external stakeholders such as customers, suppliers, investors, state, and society in general. Therefore, the concept of *intellectual capital* is a detailed explanation of the concept of key capabilities and strategic resources as the focus of interest of the resource and knowledge-based theory. *Intellectual capital* provides the basis to generate the information necessary to make strategic and operating decisions regarding the company's key capabilities.

In general, the previous researchers classified *Intellectual Capital* into three main elements, namely:

a. Human Capital

By Abeysekera (2008) (in De Silva *et al.*, 2014), Human Capital can be defined as a skill that is owned by employees of the company and can increase the creation value for the company. This capability can be knowledge, experience in working and employee loyalty to the company.

b. Relational Capital

Relational Capital or Customer Capital includes all of the resources associated with outside parties, such as customers, suppliers, and stakeholders where the relationship with these parties also affect the viability of the company (Riahi-Belkaoui, 2003; Lubis *et al.*, 2016; Sadalia *et al.*, 2016; Muda *et al.*, 2016 and Muda *et al.*, 2017).

c. Capital Organizational

According to Muda *et al.*, (2017), it is the knowledge of the organization as a whole, such as technology, organizational structure, data, publications, standard procedures, and corporate culture.

This study uses measurement *monetary Pulic's VAIC Model* (Pulic, 1998, 2000), to measure the *intellectual* company's capital. The reason of choosing this method is because many previous studies used this method. Moreover the data necessary for this method is also relatively easy to obtain.

2.1.3. Value Added Intellectual Capital Coefficient (VAIC)

Pulic, a professor of *Austrian Intellectual Capital Research Center* (AICRS), developed a method used to measure the efficiency of the company of the three types of input are known as methods VAIC (Value Added *Intellectual Capital Coefficient*) (Komnenic and Pokrajcic, 2012). The value of this VAIC indicates how efficiently the company in utilizing and managing strategic resources it has. The higher the value, the more efficient the result is. Three types of input or *inputs* that are components of VAIC are *Value Added Human Capital* (VAHU), *Structural Capital Value Added* (STVA), and *Value Added Capital Employed* (VACA).

1. Value Added Human Capital (VAHU)

Value Added Human Capital (VAHU) is an indicator that shows how much added value that can be obtained from the funds issued to employees or labor. This indicates that human capital has a relationship with added value in which this relation is the HC can produce VA (Tan *et al.*, 2007).

2. Structural Capital Value Added (STVA)

Structural Capital Value Added (STVA) is an indicator of structural capital (SC) against the value in the company. This indicator conveniently indicates how much the role of the SC in generating added value for the company. However, the SC is not a measure that is *independent* as HC. It is *dependent* on the *value creation* (Pulic, 1999). That is, according Pulic (1999), the greater the contribution of HC in *value creation*, the less contribution of the SC in this regard.

3. Value Added Capital Employed (VACA)

Value Added of Capital Employed (VACA) is an indicator of capital employed (capital employed) or CE to the value in the company. The relationship between CE with how much VA is produced by one unit of *physical capital*. Pulic (1998) assumes that if one unit of CE generate *return* a larger than any other company, then that company is better to utilize its CE which is a part of the IC company (Tan *et al.*, 2007).

2.1.4. Financial Performance

The financial performance of the company is one of the factors seen by potential investors to determine investment shares. For a company, maintain and enhance financial performance is a must that these shares still exist and remain attractive to investors. The financial performance is one of the factors which demonstrate the effectiveness and efficiency of an organization in order to achieve its objectives (Nurzaimah *et al.*, 2016). Financial performance variables used in this study are *Return on Assets* (ROA), *Return on Equity* (ROE) and *Earnings per Share* (EPS).

a. Return on Assets (ROA)

Return on Assets (ROA) is a ratio used to measure the profitability of the company. Profitability reflected on how efficiently the company generates net income from its assets. The higher the ROA shows that the company's performance is getting better.

b. Return on Equity (ROE)

Return on Equity (ROE) represents a payback to the stakeholder, and is generally regarded as one of the important financial indicator for investors (Chen *et al.*, 2005). ROE is obtained by dividing net income by shareholders' equity. The greater the value of ROE, the return of capital to shareholders will be great, and of course this will attract investors to further invest in the company.

c. Earnings per Share (EPS)

Earnings per Share measure the profits to be given to shareholders. The higher EPS has given the greater profit to shareholders. This shows the company's performance is increasing.

2.1.5. Company Fundamental

Fundamental companies in this study is the control variable. Fundamentals of the company are all factors that affect the company. These factors were divided into two: macroeconomics and microeconomics. Macroeconomics and Microeconomics are the two main branches of the economy. Microeconomics is a branch that focuses on how individuals, households, and organizations make their decisions to distribute limited resources, usually in markets that see the trade in goods or services (Sirojuzilam *et al.*, 2016 and Tarmizi *et al.*, 2017). Microeconomics studies how these decisions affect the general supply and demand for commodities and services. As we know, supply is one of the factors that determine the price, which in turn, determines the supply and demand of goods and services. Ordinary microeconomics is also referred to as a "bottom-up economy" view, or how people deal with money, time, and resources available (Tarmizi *et al.*, 2016). Microeconomics focuses on supply and demand and other forces that determine the price levels seen in the economy. For example, microeconomics will see how a particular company can maximize that production and capacity so as to lower prices and be better able to compete in its industry. Micro Economy is a branch of economics that studies the behavior of individual economic units such as households (Yahya *et al.*, 2017), And industrial structure. Microeconomics discusses the allocation and efficiency of market resources. Fundamental company in this study uses microeconomic variables. Microeconomic variables come from within the company, so it is also called the internal factors (Tarmizi *et al.*, 2016 & Muda *et al.*, 2017). Micro fundamentals or the company's fundamentals may be a company policy and scale of the company. Fundamental company in this study is the size of the company, debt to equity ratio, age of the company, and PC.

a. Company size

Company size directly reflects the level of a company's operating activities. Generally, the larger a company is, the greater the quality. Thus the size of the company can be attributed to the amount of property owned by the company. Referring to research conducted Muda *et al.* (2017), the size of the company is expressed by the formula Log total assets.

b. Debt to Equity Ratio

Debt to equity ratio (DER) is the ratio between total debts to total capital of the company. Total debt as defined in the formula is the calculation of the total debt of the company, which is the sum of short-term debt and long-term debt in the accounting period (Muda *et al.*, 2016). While the total capital is the total capital of the company, which is the sum of its own capital and the existing share capital.

c. Age Company

Age Company is considered investors in the capital because of the age of the company reflect the survival (Sadalia *et al.*, 2017). The higher the age of the company shows that the better

performance in the face of obstacles means the ability of a company is good enough and can increase the confidence of investors.

d. PC

PC is a comparison of fixed assets owned by the company with total assets (Sadalia and Syahyunan, 2016). This ratio is used to see how big the company's assets are fixed assets.

2.1.6. Brand Value

Brand has an important role for the company. It used to be only as a distinctive brand to identify a product produced by a particular manufacturer as well as to protect both the customers and suppliers of other competitors who try to produce similar products. Currently the brand is not only seen as a brand, but is recognized as a life. In a simple measurement of brand value is to look at the acquisition price of a company's net book value. The brand value in this study was measured using the *Premium Price Method*.

1. The influence of Intellectual Capital Against Financial Performance

Financial performance is very important, both for the company itself as well as for stakeholders who have diverse interests. With good financial performance means the company has managed to utilize all its resources so well that generate profits for the company. For employees, financial performance indicates that the company is unable to meet the needs of them such as salaries and benefits. So they do not have to worry about their future viability. Employees can work in peace. For investors, financial performance indicates that the company has been to utilize the funds they invest (Sadalia and Syahyunan, 2016). So that investors do not have to worry if the funds they invest will be misused. Whereas for creditors, financial performance implies that the company has managed to utilize the funds they borrowed from creditors well. With so lenders do not have to if the company fails to return or fails to repay the funds they lend (Sadalia et al., 2016). Research conducted by Chen et al., (2005), showed that *intellectual capital* has a positive effect on financial performance. Therefore, the management of *intellectual capital* that both companies can create value added which is useful in improving the financial performance of the company.

H1: Intellectual capital significantly influences financial performance.

2. The Influence of Intellectual Capital Against Brand Value

A strong brand will generate demand to many times and ensure buy-back by consumers in the future. In other words, the brand has also contributed significantly to the process. *Company's Value Creation*. Therefore the researchers used a *brand value* to see their considerable influence relationship between *intellectual capital* and the company's brand power. With the management of *intellectual capital* performance as an added value in the company will increase the brand value of the company, and that it can also influence the performance of the company.

H2: Intellectual capital significant influences brand value.

3. The Influence of Brand Value Against Financial Performance

This study is to analyze the effect on the performance of the company's brand value. Investors prefer to hold stock in well-known companies, and measure the performance of the company to evaluate the indicators, including brand awareness, research and development intensity, advertising intensity, the profitability (Sadalia et al., 2017). The brand value is also a key indicator for investors. The brand value is an important tool for

management, and can be used as an indicator in assessing the performance and risks of the company.

H3: Intellectual capital significantly influences on brand value.

4. The Influence of Intellectual Capital on Performance of Financial and Brand Value as an Intervening Variable

In this study, it will be tested to see how *intellectual capital* indirect effect on financial performance. If *intellectual capital* led to increased brand value and *brand value* increase also led to increased financial performance, then through brand value will increase the influence of *intellectual capital* on the financial performance.

H4: Intellectual capital significantly influences the financial performance of the brand value as an intervening variable

2. Method

3.1. Type of Research

This research was conducted by using quantitative research method. This research resulted in descriptive data. Descriptive method is a research method that focuses on the problem or phenomenon that is actual at the time of the research conducted, then describes the facts about the problems investigated which is followed by a rational and accurate interpretation (Gusnardi et al., 2016).

3.2. Measurement of Variable

3.2.1. Intellectual Capital Method

Intellectual capital is knowledge that provides information about the intangible value of companies which can affect the durability and contribute to the company's competitive advantage.

$$VAIC = VAHU + VACA + STVA$$

3.2.2. Brand Value

Brand value is often defined as the amount of money ready to pay the other party to a company's brand. (Sadalia and Syahyunan 2016)

$$Brand\ Value = \left\{ \left(\frac{E}{S} \right) b - \left(\frac{E}{S} \right) g \right\} \times Sales$$

3.2.3. Financial Performance

The financial performance is an indicator that describes the circumstances that occurred in the company in terms of economics. The financial performance in this study was measured by ROA, ROE, and EPS.

$$Return\ on\ Assets\ (ROA) = \frac{Net\ Profit}{Total\ Assets}$$

$$Return\ on\ Equity\ (ROE) = \frac{Net\ Profit}{Total\ Equity}$$

$$EPS = \frac{Earnings\ Available\ for\ Common\ Stockholders}{Number\ of\ Shares\ of\ Common\ Stock\ Outstanding}$$

3.2.4. Control Variables

3.2.4.1. Fundamental Company

Fundamental company in this study is the size of the company, *debt to equity ratio*, age of the company, and PC.

$$Size = Ln\ Total\ Assets, DER = \frac{Total\ Liability}{Total\ Equity}$$

$$Age = Ln\ Age\ Company, PC = \frac{Fixed\ Assets}{Total\ Assets}$$

Data used is secondary data is data obtained from the other party in the form of published reports. Data used in the form of

financial statements of companies *traded* publicly including Top 100 Most Valuable in Indonesia. Data collection method used is the documentation that is getting data from the financial statements derived from the Indonesian Stock Exchange. The population in this study is a company that includes the Top 100 *Most Valuable* per year from 2014 to 2016 and on the basis of reliable data sample was obtained by 76 companies.

3.2.5. Data Analysis Techniques

Research used *Partial Least Square* (PLS) as an analytical tool by using software Smart PLS 3.0. In this case, intellectual capital, the company's performance, and *brand value* are treated as latent variables with each indicator. PLS is one method for implementing the model *Structural Equation Modeling* (SEM). Model analysis of all lines in the latent variable PLS consists of two models, namely *inner* and *outer* models.

4. Results and Discussion

4.1. Results

	P-Value
VACA	0.015
VAHU	0.123
STVA	0.368
DER	0.680
SIZE	0.680
PC	0.164
AGE	0.422
BRAND	0.000
ROA	0.677
ROE	0.024
EPS	0.663

Table 2. Significance of Weights
Source: SmartPLS 3.0 Output (2017)

Table 2 shows that VAHU, STVA, DER, SIZE, PC, AGE, ROA, and EPS do not have a significant weight. Therefore, these indicators should be excluded from the model. For variable control, it is no longer used in the model because there is no indicator that has significant weight. Therefore, the indicator did not experience multicollinearity. Table 3 below is the indicators for each construct.

Indicators	Construct
VACA	Intellectual Capital
BRAND	Brand Value
ROE	Financial Performance

Table 3. Indicators and Construct

□ Direct Effect

Direct effect between the variables can be viewed through *path coefficient* on the structural model. Value *path coefficient* between variables can directly be seen in the picture below. The direct effect would be seen in Table 6 below.

	Direct Effect
Intellectual Capital -> Financial Performance	0.723
Intellectual Capital -> Brand Value	0.206
Brand Value -> Financial Performance	0.047

Table 4. Direct Effect
Source: Smart PLS 3.0 Output (2017)

□ Indirect Effect

Indirect effect is the amount of influence through the variable intermediaries. The indirect effect of *intellectual capital* on financial performance through *brand value* equal to $0206 \times 0.047 = 0.010$. The results of the indirect effect will be summarized in Table 5 below.

	Indirect Effect
Intellectual Capital-> Brand Value -> Financial Performance	0.010

Table 5. Indirect Effect
Source: Output SmartPLS 3.0 (2017)

Based on Table 5, the amount of the indirect effect in this study amounted to 0.010.

□ Total Effect

Effect of total revenue generated from the analysis of the structural model is equal to the number of driving direct influence ng and indirect influence. Thus, in the model used in this study, the effect of the resulting total is equal to $0723 + 0010 = 0733$.

□ Hypothesis Testing

The hypothesis was tested using 3.0 SmartPLS program.

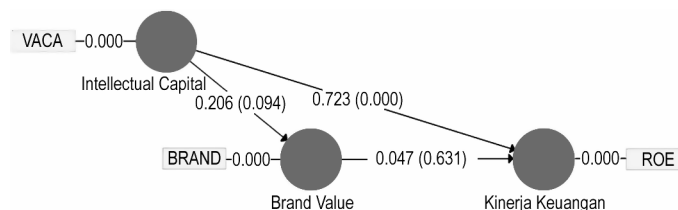


Figure 1. Hypothesis Testing
Source: SmartPLS 3.0 Output (2017)

Testing the hypothesis 4 which is an indirect influence is presented in Table 6 below:

	Original Sample	Sample Mean	St. Dev	T Statistic	P Values
Intellectual Capital -> Financial Results	0.010	0.014	0.030	0.325	0.745
Intellectual Capital -> Brand Value					
Brand Value -> Financial Performance					

Table 6. The Influence of Intellectual Capital against Financial Performance through Brand Value
Source: SmartPLS 3.0 Output (2017)

No.	Hypotheses	Original Sample	T Statistic	P-Values	Conclusion
H ₁	Intellectual Capital significantly influences the financial performance	0723	5849	0000	Received
H ₂	Intellectual Capital significantly influences the Brand Value	0206	1680	0094	Rejected
H ₃	Brand Value significantly influences the financial performance	0047	0480	0631	Rejected
H ₄	Intellectual Capital significantly influence the financial performance through the Brand Value	0010	0325	0745	Rejected

Table 7. Results of Testing whole Hypothesis
Source: SmartPLS 3.0 Output (2017)

Table 7 shows the results of testing whole hypothesis. Based on the results obtained, the form of structural equation as follows:

$$KK = 0.723IC + 0.047BV + e_1$$

$$BV = 0.206IC + e_2$$

□ Coefficient of Determination

The coefficient of determination is a value that indicates how much the independent variables can explain the dependent variable.

	R Square
Brand Value	0029
Financial Performance	0527

Table 8. Results of determination coefficient
Source: SmartPLS 3.0 Output (Data processed)

Table 8 can be seen intellectual capital is able to explain the *brand value* of 2.9%, and the remaining 97.1% is explained by other variables outside of this study. *Intellectual capital* is able to explain the financial performance of 52.7%, and the remaining 47.3% is explained by other variables.

4.2. Discussion

4.2.1. The Influence of Intellectual Capital against Financial Performance

Based on the results showed that *intellectual capital* has a significant impact on financial performance with a positive direction, which means that if the value of *intellectual capital* increases will lead to the increased company performance. *Intellectual capital* has a major role in business processes. Perspective *Intellectual capital* can provide a holistic view of the enterprise, because its main purpose is to create a framework that allows explaining all the company's resources and how these resources interact to create value. With good financial performance, the company has managed to utilize all its resources so well that generate profits for the company. The results are consistent with studies of Chen *et al.* (2005) using a sample of a public company in Taiwan in 1992- 2002. The results show that the *intellectual capital* has a positive effect on financial performance. Therefore, the management of *intellectual capital* of the companies can create *added value* which is useful in improving the financial performance of the company. Additionally, Pirayesh and Khojasteh (2016) also state that *intellectual capital* has a significant positive effect on financial performance.

4.2.2. The Influence of Intellectual Capital against Brand Value

Based on the results, it shows that *intellectual capital* does not have a significant positive effect on *brand value* which means that the increase in *intellectual capital* will increase the *brand value*. In this case the human capital, structural capital, and customer capital has increased, it can match many science or thinking power that is owned by company, so that company will yield establishment of business process which produce quality and innovative product. This surely will increase the value of the brand owned company. Strong brands will generate repeated requests and future customer warranties. The results of this study are in line with research X (2015) which states that *intellectual capital* has a positive effect on *brand value*.

4.2.3. The Influence of Brand Value against Financial Performance

The result of the research shows that *brand value* does not have a positive effect to financial performance which means that

the increase will happen in the performance too. In this case a strong brand will generate repeated queries and future buybacks by consumers in the future. This will increase the return on equity, return on assets, and earnings per share also increase so that the company's performance will be better. Investors prefer stocks in the company, and performance measures with indicators, including brand awareness, R & D intensity, ad intensity, profitability. *Brand value* is also a key indicator for investors. *Brand value* is an important tool for management, and can be an indicator in performance appraisal and corporate risk. The results of this study are in line with the research of Feng Jui Hsui, *et al.* (2013) which states a positive *brand value* to financial performance.

4.2.4. Intellectual Capital Effect on Performance with Added Value as Intervening Variable

Based on the results of research indicate that *intellectual capital* has no significant positive effect on financial performance through *brand value*. This means the increase of *intellectual capital* will increase the *brand value* that improves financial performance. In this case when *intellectual capital* increases, then it can be interchangeable the more knowledge or power controlled/owned by the company, so the company will produce the establishment of business processes that produce quality and innovative products and this will certainly increase the strong brand. Thus, the firms will generate repeated queries and back warranties by consumers in the future. Surely this will increase the company's profits that may lead to have a good financial performance. According to Feng Jui Hsu1 research, *et al.* (2013), it is stated that a *brand value* can be an indicator in performance appraisal and corporate risk.

5. Conclusions

1. *Intellectual Capital* has a positive effect on financial performance. That is, the more efficient the company that builds its *intellectual capital*, the financial performance will increase.
2. *Intellectual capital* has no significant effect on *brand value*. From the elements of the VAIC component, only the physical and financial assets (CEE) are positively energized in the product, while the two components of *intellectual capital* do not show any influence. That is, companies are more utilizing technical things, namely the operational activities that create the brand.
3. *Brand value* has no significant effect on financial performance.
4. *Intellectual capital* has no significant effect on financial performance through *brand value*.

The suggestions based on the results of the research:

1. For further researchers it is expected to use intervening variables other than *brand value* to be more varied and comparable, and use longer observation periods to make the results more accurate.
2. For companies that become the object of research is expected to be more. This is very important for the company, because it can show how much the ability of the company in its performance capacity from year to year.

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