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The Role of Business Strategies on Relation Intellectual Capital Element and Corporate Performance

Indah Masri
Accounting Department, FE, University of Pancasila, Jakarta, Indonesia

Abstract. *The aim of the research is examine the effect of intellectual capital elements on the financial performance of companies with business strategy as moderation. Using data publicly traded company listed on the Indonesia Stock Exchange in the period 2010 to 2013. Testing is done to see the direct influence of the elements of intellectual capital with the company's financial performance. The results showed that of the three elements of intellectual capital that is used in this study (human capital, process capital, customer capital), finds that process capital positive and significant effect on the rate of 5% can improve financial performance of companies. The results support the research conducted by Wang and Chang (2005). Moderation intellectual capital elements with its business strategy shows that process capital is more appropriate in the innovation strategy rather than cost efficiency strategy, because in process capital attached to the innovation and creativity. On the human capital, moderation with an innovation strategy and cost efficiency strategy showed a significant result negative. Explains that the innovation strategy and cost efficiency strategy is not appropriate in human capital, because it weakens positive relationship human capital with the company's financial performance. For moderation customer capital with its business strategy both innovation and cost-efficiency strategy showed no significant results. It is clear that the selection of the company's strategy does not affect the customer capital. The results of this study also confirms some earlier studies on the effect of customer capital on the company's performance is inconsistent.*

Keywords: *cost efficiency strategy;customer capital; financial performance; human capital; innovation strategy; process capital.*

Abstrak. Tujuan penelitian ini adalah menguji pengaruh unsur modal intelektual terhadap kinerja keuangan perusahaan dengan strategi bisnis sebagai moderasi. Menggunakan data perusahaan publik yang terdaftar di Bursa Efek Indonesia pada periode 2010 hingga 2013. Pengujian dilakukan untuk melihat pengaruh langsung dari unsur modal intelektual dengan kinerja keuangan perusahaan. Hasil penelitian menunjukkan bahwa dari ketiga unsur modal intelektual yang digunakan dalam penelitian ini (sumber daya manusia, modal proses, modal pelanggan), menemukan bahwa proses modal positif dan signifikan berpengaruh pada tingkat 5% dapat meningkatkan kinerja keuangan perusahaan. Hasil mendukung penelitian yang dilakukan oleh Wang dan Chang (2005). Unsur modal intelektual moderasi dengan strategi bisnisnya menunjukkan bahwa modal proses lebih tepat dalam strategi inovasi daripada strategi efisiensi biaya, karena dalam proses kapital melekat pada inovasi dan kreativitas. Pada human capital, moderasi dengan strategi inovasi dan strategi efisiensi biaya menunjukkan hasil negatif yang signifikan. Menjelaskan bahwa strategi inovasi dan strategi efisiensi biaya tidak tepat dalam human capital, karena itu memperlemah hubungan positif human capital dengan kinerja keuangan perusahaan. Untuk modal pelanggan moderasi dengan strategi bisnisnya baik inovasi dan strategi efisiensi biaya menunjukkan tidak ada hasil yang signifikan. Jelas bahwa pemilihan strategi perusahaan tidak mempengaruhi modal pelanggan. Hasil penelitian ini juga menegaskan beberapa studi sebelumnya tentang pengaruh modal pelanggan terhadap kinerja perusahaan yang tidak konsisten.

Kata Kunci: *cost efficiency strategy;customer capital; financial performance; human capital; innovation strategy; process capital.*

Corresponding author. Email. indahmasri@univpancasila.ac.id

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INTRODUCTION

Information and technology has grown rapidly nowadays. This can influence industry competitiveness. From several literature and researches, it was shown that competitiveness and performance influenced by capital intellectual. Capital intellectual consist of non-finance information which encouraging company value (Amir and lev, 1996; Edvinson and Malone, 1997; Ittner et al, 1997; Stewart, 1997; Bontis, 1999, 2001). They said that capital intellectual helps the company to promote competitiveness and company value enhancement. Therefore, capital intellectual can be seen as valuable asset in intense business competitive.

New economic emerging triggered by information technology and science. So that, intangible asset based on knowledge become important to increase company value in business competitive. Capital intellectual is strategic intangible asset to increase company performance which used effective and efficiently (Goh, 2005; Carmeli and Tishler, 2004; Striukova et al, 2008). There was some research studying about the capital intellectual effect to performance individually without studying the integrated framework which describe capital intellectual element relationship individually. However, it is not only important to study about the causality which influence every perspective but also to study the relationship between measured proxies in balance scorecard system (Kaplan and Norton, 1996 and 2001). If the causality between elements in capital intellectual can be understood well, company performance enhancement can be facilitated with proper capital intellectual management. Investor and creditor who understand about business performance will bring related information to become consideration in value evaluation and company development potency.

The classification of capital intellectual elements, has not been studied in the literature, but there were some opinions to describe capital intellectual as three form as following: human capital, costumer capital or relation capital, and structure capital which consist of innovation capital and process capital (Wang and Chang, 2005; Edvinson and Malone, 1997; Bontis et al, 1999; Buren, 1999; Joia, 2000; Bontis 2002; Choo and Bontis, 2002). There were several researches which describe the relationship between capital intellectual and performance, such as Wang and Chang (2005). They studied about the effect of capital intellectual elements to business performance and the relationship between capital intellectual elemets from causality perspective.

Wang and Chang (2005) said that capital intellectual element has direct influence to company business performance except human capital. Human capital has indirect influence to performance with three elements such as innovation capital, process capital, and costumer capital. In Wang and Chang (2005) research, it was shown that there was causality relationship from those capital intellectual elements. Human capital influencing innovation capital and process capital, innovation capital influencing process capital and costumer capital, costumer capital influencing company performance. Those causalities in capital intellectual elements will impact to manager especially in IT industry.

There are some factors which can increase company value such as strategy and company characteristic. Strategy is identifying the proper direction to achieve company goal and to increase company value. Whereas, capital intellectual often sees as performance trigger. Barney (1991) said that company resources will create the fundamental of company strategy because company resource interaction and strategy will have positive return (hit et al, 2001; Jeremias, 2008). This research is about the influence of three capital intellectual elements, human capital, process capital, and costumer capital and their relationship to company performance. This research is also studying about the influence of business strategy to capital intellectual elements and company performance.

Company excellence come from proper strategy so that it can support performance and compete with other competitors. Potter (1995) said that company can prefer to provide low price product in industry (cost

efficiency strategy) or provide unique and innovative product (innovation strategy). this research studying about the interaction of cost efficiency strategy and innovation strategy with capital intellectual elements and the influence of capital intellectual to company finance performance. This research is also studying about the proper strategy which can increase or weaken the relationship between capital intellectual and company performance.

This research contribution is describing about the influence of capital intellectual elements to performance and its interaction to business strategy. There were no previous research studying about the role of business strategy interaction to capital intellectual elements and it influence to company performance. Chusnah (2014) research about the business strategy interaction to VAIC (value added intellectual capital) measurement which developed by Pulic (1998) and its influence to company performance. Chusnah et al (2014) research indicate diverse and inconsistent result about strategy used in the research. Therefore, this research is different with Chusnah (2014) because it more focus on capital intellectual element. This research is not using VAIC which summary of VAHU (value added human capital), VACA (value added capital employed), and STVA (structural capital value added) according to Pulic (1998). Meanwhile this research contribution is also identifying proper and business strategy occur in every capital intellectual element.

THEORITICAL FRAMEWORK

The influence of capital intellectual to finance performance

Canibano et al (2000) has reviewed several researches related to capital intellectual, including research and development cost (R&D), promotion cost, patent, brand name, customer satisfaction, and human research. His research describes that capital intellectual beside R&D cost can influence company performance. Besides that, there were some research describe that human capital and costumer capital have important role in company business performance (Pfeffer, 1994; Uzzi, 1996). According to lee and Witteloostujin (1998), existing company which has a lot of experience will hire more educated and costumer related employees. This will decrease company potency to bankruptcy.

There was less research which give empiric result about the relationship between customer satisfaction and finance performance. Those research result is inconsistent. There were several research found positive significant relationship between customer satisfaction and finance performance (Ittner and Larcker, 1998a; banker et al, 2000). But there were also several research which has insignificant result (Ittner and Larcker, 1998b; Arthur Andersen and co, 1994; and Anderson et al, 1994). Customer satisfaction is an indicator of costumer capital elements.

In this knowledge-based economic era, capital intellectual is the key factor to encourage and create company value. It can be concluded that the accumulation from capital intellectual element will appear in company performance. The first hypothesis in this research is focused on the influence of capital intellectual element such as human capital process capital, and costumer capital to company performance. The hypothesis are:

H1a : Human capital has direct positive influence with finance performance

H1b : Process capital has direct positive influence with finance performance

H1c : Customer capital has direct positive influence with finance performance

The influence of business strategy moderation with the relationship between capital intellectual and finance performance

Company advantage is come from appropriate strategy, so that it will support the performance and compete with other competitors. Strategy indicate the direction to do from the function in the company in order to achieve and increase company value. Barney (1991) said that company resource will create company strategy fundamental because company resource interaction and

strategy will have positive return (hit et al, 2001; Jeremias, 2008).

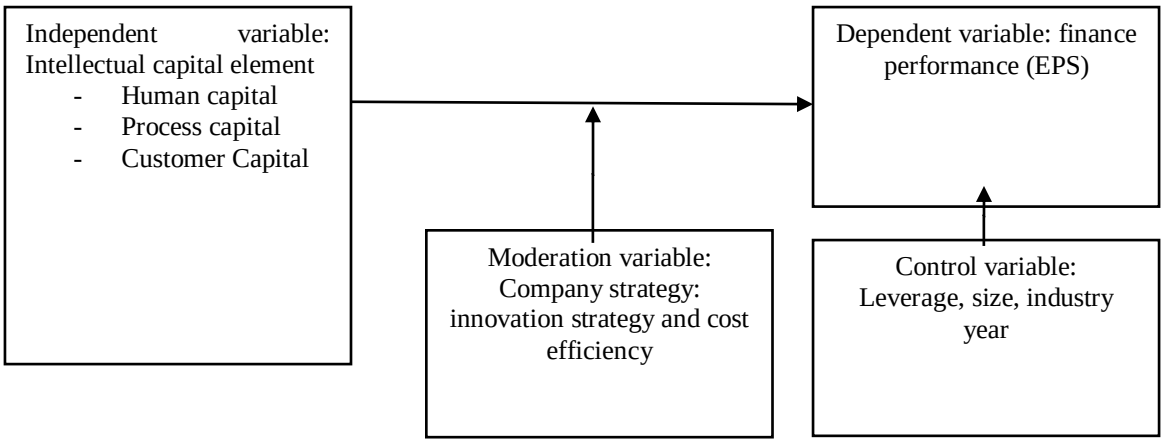
There are two business strategy generally. Potter (1985) propose company can prefer between supplying low cost product (cost efficiency strategy) or supplying unique and innovative product (innovation strategy) in the industry. Company need to manage strategy to adjust their resource, either internal or external resources. Capital intellectual is important to company which implemented innovation strategy because innovation strategy need creativity development. Therefore, the second hypothesis are:

H2a : Business innovation strategy will increase the relationship between capital intellectual and finance performance

H2a : Cost efficiency business strategy will decrease the relationship between capital intellectual and finance performance

Conceptual research framework

According to previous explanation, there are the hypothesis of four main variables such as human capital, process capital, customer capital, and company finance performance. Moderation variables are cost efficiency strategy and innovation strategy. Control variable are leverage, size, dummy industry and dummy year. The conceptual research framework is as following:



Figur 1. Conceptual research framework

RESEARCH METHOD

Type and data source

Data which used in this research is yearly finance report and yearly company report from 2010 to 2013. the data source is from Indonesia stock exchange in its website www.idx.co.id and datastream.

Population and sample

Population describe as whole element examined in this research. Population in this research are all Indonesia stock exchange listed industries with 2010 to 2013. The reason to use all the industry is studying the influence of capital intellectual implementation to performance with strategy used. To control the data in this research, dummy industry and year dummy for every industry sector is used. Sample in this research chosen based on this criteria:

1. Eliminate examination with negative sales value or where total asset value is zero or gone,
2. Exclude finance company and utility industry because this industry has a different accounting rule, operation characteristic, and debt funding.
3. Year book ending december 31st, in this case the similarity in accounting period,
4. Company who has a relevant data with variable measurement

Operational definition and variable measurement

Dependent variable

There are several measurements in the literature used to examine company performance. This research using EPS (earning per share) to examine company finance performance. EPS is common measurement to analyze company profit performance used by analyst to evaluate company performance in the stock market. EPS describe company ability to give profit for shareholder. EPS is profitability measurement which consist of operation activity, investation, and company funding (Tan et al., 2007). EPS used to measure company performance in gaining value added service to shareholder. The formula to analyze EPS is shared profit for shareholder divided by outstanding share.

Independent variable

This research focused on capital intellectual element. According to Wang and Chang (2005), Edvinsone and Malone (1997); Bontis et al. (1999); Buren (1999); Joia (2000); Bontis (2002); Choo and Bontis (2002), capital intellectual element is consisting of:

1. Human capital
2. Customer capital (relation capital)
3. Structure capital which divided to innovation and process capital.

In Wang and Chang (2005) research, there were some literature which can be indicator to measure capital intellectual element. The measurement used in this research is consist of capital intellectual element as following:

Table 1. Capital intellectual element

Capital intellectual element variable		Measurement
Human capital	HC: salary-cost ratio	(salary cost + direct labour cost + indirect labour cost) divided by net sales
Process capital	PC: Current capital turnover	Net asset sales divided by current asset average
Costumer capital	CC: growth rate	Sales growth rate

Moderation variable

Strategy measurement in this research adopt gani an jeremias (2006) research. Competitive strategy determined based on analysis of variable of intensity research and development cost (R&D intensity - is ration from research and development cost to total earning), asset utilization efficiency (is ratio total earning to total asset), and premium price capability (is ratio gross profit to total revenue). Meanwhile, the data availability in Indonesia which related to research and development cost to examine R&D intensity is lacking therefore this research is not using R&D intensity.

In Gani and Jeremias (2006) research, asset utilization efficiency indicates the important of cost efficiency for a company. Cost efficiency oriented company tend to operating in stabil environment, produce standard product and implement standard operation procedure. It was predicted that company with higher asset utilization efficiency value tend to have orientation to cost efficiency strategy. Meanwhile premium price capability indicates company ability to give their costumer premium price. Innovation strategy oriented company tend to offer unique product, they can charge this premium price to their customer. The company which oriented to innovation strategy will have higher premium price capability value (Gani and Jeremias, 2006).

Control variable

This research study about the influence of capital intellectual element to finance performance with moderation company business strategy in every Indonesia stock exchange listed company from 2010 to 2013. this research use leverage, size, dummy industry, and year dummy as control variable. Leverage will have negative relationship with performance because company with high debt

ratio will decrease its performance. Size will have positive relationship with performance because bigger company size it will also make better company performance. Dummy industry is based on agriculture sector. Year dummy is 2010.

Research model and hypothesis formulation

Model in this research is to examine the influence of capital intellectual elements to company performance, as shown in hypothesis 1. Therefore, the model to examine hypothesis 1 is:

$$EPS = ß_0 + ß_1HC + ß_2PC + ß_3\ CC + ß_4Leverage_t + ß_5Size_{it} + ßInd + ßYear_t + \varepsilon_{it}$$

Note:
EPS: Earning per share in company i in year t,
HC : Human capital in company i in year t,
PC : Process Capital in company i in year t,
CC : Costumer capital in company i in year t,
Lev : Leverage in company i in year t,
Size : Size in company i in year t,
ε : Error in company i in year t,

This research model use to examine the influence of cost efficiency strategy moderation and innovation strategy to the relationship between capital intellectual element and company finance performance. To examine hypothesis 2a and 2b, this following model is used:

$$EPS = ß_0 + ß_1HC + ß_2PC + ß_3\ CC + ß_4INV + ß_5EFF + ß_6\ HC*INV + ß_7PC*\ INV + ß_8CC*INV + ß_9HC*EFF + ß_{10}PC*EFF + ß_{11}CC*EFF + ß_{12}Leverage_t + ß_{13}Size_{it} + ßInd + ßYear_t + \varepsilon_{it}$$

Figure 2. Model

Note:
EPS : Earning per share in company i in year t,
HC : Human capital in company i in year t,
PC : Process Capital in company i in year t,
CC : Costumer capital in company i in year t,
INV : Innovation strategy in company i in yeart,
EFF : Efficiency strategy in company i in yeart,
Lev : Leverage in company i in year t,
Size : Size in company i in year t,
ε : Error in company i in year t,

Analysis technic

This research used descriptive quantitative analysis technique and regression analysis of data pool panel balance to examine the influence of capital intellectual element to performance.

Step analysis

This research used eview 8 to utilize the analysis. The analysis step is describing below:

1. Descriptive statistic examination
   providing a data spread overview such as mean, median, maximum, minimum, and standard deviation.
2. Hypothesis examination
   Studying the influence of capital intellectual element as independent variable to finance performance in a company to analyzed hypothesis 1. Also studying the influence of company moderation strategy to the relationship of capital intellectual element and company performance to analyzed hypothesis.

RESULT AND DISSCUSION

General review of research sample

Table 1: Research sample election

	Observation
Initial Sample	Year
IDX listed public company from 2010 to 2013	503
Finance industry sector (8)	(84)
Utility industry sector (7)	(51)
Incomplete 2010 – 2013 finance report company	(81)
Incomplete data company to variable measurement	(59)
Data outliner company	(33)
Final company sample	195
Final firm-year sample (4 year)	780

Sample in this research is all Indonesia stock exchange public listed company in 2010 to 2013 (attached on table 1). Finance data is yearly finance report and yearly report gathered from Indonesian Stock Exchange website www.idx.co.id. Besides that, this research is using
company finance report from datastream. Until 2013 there are 503 companies which listed in Indonesia in 9 industry sectors. This research excludes finance and insurance industry sectors which consist of 84 companies. This research is also excluding utility sector which consist of 51 companies. There are 81 company who don't have complete finance report from 2010 to 2013 are also excluded from sample. After variable measurement checking, there are 59 companies that must be excluded from sample because they don't have complete data to variable measurement in this research. This research is also excluded 31 companies as outliner data. Outline data must be excluded from the sample in order to get perfect research result. Therefore, the final data in this research is 196 companies and 780 firm-years.

Descriptive statistic

Descriptive statistics measurement in this research used to simplify analysis with mean, maximum value, minimum value, and standard deviation. There are 195 IDX public listed companies in 2010 to 2013 examine in this research. Descriptive statistic from variables used in this research is shown on table 2.

Table 2: Descriptive Statistic

	Mean	Median	Maximum	Minimum	Std. Dev.
EPS	144.43910	42.03000	2559.00000	- 187.79000	311.17450
HC	0.09509	0.06864	1.26549	0.00089	0.09595
PC	2.19485	2.00261	7.72435	0.04186	1.31838
CC	0.20306	0.14326	5.62739	-0.73412	0.41127
EFF	1.03221	0.94705	3.93496	0.01512	0.69196
INV	0.31910	0.26451	0.80534	-0.72978	0.19385
LEV	0.49951	0.47542	3.40759	0.00445	0.34024
SIZE	9.28561	9.29441	11.32532	7.18794	0.68442

Table 2 show descriptive statistic variable used in this research for 195 company in 4 years. Table 2 is also describing mean, median, maximum, minimum, and standard deviation value. Minimum value indicates the lowest value in the variable. Mean value represents the range of data obtained from the sum of all data and divides by the amount of data. Median show the medium value. Maximum value indicates the highest value in the variable. Standard deviation is the square rooted value from the average deviation in the variable.

In order to measure finance performance, it shown that EPS has Rp 2.559 per shares as maximum value and Rp 187,79 per shared as minimum value. The standard deviation value is 311,74. It shown high value

and indicates EPS data spread is higher in this research observation. As well as cost efficiency strategy and innovation strategy, capital intellectual element indicates higher mean value than median value. It can be concluded that capital intellectual element and company business innovation strategy is in a higher value.

Research hypothesis examination

This first hypothesis in this research is studying the influence of capital intellectual element to company finance performance. The prediction for the first hypothesis to the all three capital intellectual element, which is human capital, process capital and customer capital is positive influence to company finance performance. Whereas the control variable in this research is leverage. It is predicted that leverage has negative direction and size has positive direction to finance performance. Table 3 show the examination for the first measurement in capital intellectual element for the first hypothesis.

Table 3: Hypothesis 1a, 1b, and 1c hypothesis examination Method: pool panel balance

$$EPS = ß_0 + ß_1HC + ß_2PC + ß_3\ CC + ß_4Leverage_t + ß_5Size_{it} + ßInd + ßYear_t + \varepsilon_{it}$$

Variable	Prediction	Test Result		Note
		Coefficient	Probability	
Constanta		-1292.098	0.000	
HC1	+	94.887	0.416	H1a is not accepted, direction is the same from prediction
PC1	+	18.805	.0.035**	H1b is accepted, direction is the same from prediction
CC1	+	3.971	0.877	H1c is not accepted, direction is the same from prediction
LEV	-	-120.453	0.000***	Same as previous research
SIZE	+	156.681	0.000***	Same as previous research
Dummy Industry				Include
Dummy Year				Include
Adj R2				0.19018
.F-Statistic				12.83210
p value (F-Stat)				0.0000***

The P-value of F-statistic show significant result on 1% level and adjusted R square value on 19%. This mean that independent variable is significantly influenced dependent variable (earning per share). From those three capital intellectual element, it is shown that process capital indicates positive significant result at 5% level. The research result proved the similarity between the hypothesis and the previous research result that process capital is part of structural capital also can increase company performance. Higher process capital will make better company performance. Whereas the other capital intellectual element, human capital and customer capital, indicate not significant result although the direction is suitable in the research. Human capital indicate not significant result as well as Wang and Chang (2005) research which the result show capital intellectual element has positive influence to company business performance except human capital, because it has indirect influence to company performance through the other three capital intellectual element are innovation capital, process capital, and customer capital. At the same time, customer capital indicates not significant result as well as Ittner and Larchker (1998b); Arthur Andersen and Co (1994); and Anderson et al. (1994) research which showed no significant relationship between customer capital and company finance performance. There are some researches to customer capital which show different and inconsistent result. Leverage and size as control variable indicate significant result and similar direction with previous research prediction.

Second hypothesis is studying the influence of moderation strategy, cost

efficiency strategy and innovation strategy, to the relationship between capital intellectual element and company finance performance. The result is shown on table 4. Table 4 describe P-value of F-statistic is significant at 1% level and adjusted R square value is 28% which mean independent variables are significantly influence dependent variable (earning per share). Human capital, cost efficiency strategy, and innovation strategy show significant and positive result as well as control variable leverage and size as also has the same as the research prediction and the previous research result.

Moderated with business innovation strategy, capital intellectual element is process capital which show positive significant result on 5% level. According to coefficient value and significant level, this result indicates that in process capital, business innovation strategy can improve the relationship between capital intellectual element, process capital with company finance performance, therefore hypothesis 2a is accepted. While business cost efficiency strategy moderation and capital intellectual element, process capital show negative and significant result on 5% level. According to coefficient and significant level, this result indicates that in process capital, cost efficiency business strategy can decrease the influence of the relationship between capital intellectual element, which is process capital with company finance performance, so that hypothesis 2b is accepted. Process capital efficiency strategy will decrease the influence of the relationship between process capital and company performance because process capital need innovation and creativity. With process capital efficiency, it will obstruct those process and it will decrease company finance performance.

Table 4: Hypothesis 2a and 2b examination result Method: pool panel balance

$$EPS = ß_0 + ß_1HC + ß_2PC + ß_3\ CC + ß_4INV + ß_5EFF + ß_6\ HC*INV + ß_7PC*\ INV + ß_8CC*INV + ß_9HC*EFF + ß_{10}PC*EFF + ß_{11}CC*EFF + ß_{12}Leverage_t + ß_{13}Size_{it} + ßInd + ßYear_t + \varepsilon_{it}$$

Variable	Prediction	Test Result		Note
		Coefficient	Probability	
Constanta		-610.55500	0.00000	
HC1	+	469.9204	0.0078***	
PC1	+	-33.25293	0.22060	
CC1	+	37.81111	0.68390	
EFF	+	274.03910	0.0000***	
INV	+	467.75690	0.0006**	
HC1*INV	>+	-965.77030	0.0543**	H2a is accepted, direction is not the same from prediction
PC1*INV	>+	85.2222	0.0554**	H2a is accepted, direction is the same from prediction
CC1*INV	>+	-126.93130	0.35200	H2a is not accepted, direction is not the same from prediction
HC1*EFF	<+	-237.76630	0.16030*	H2b is accepted, direction is the same from prediction
PC1*EFF	<+	-21.97720	0.0211**	H2b is accepted, direction is the same from prediction
CC1*EFF	<+	17.80752	0.71890	H2b is not accepted, direction is not the same from prediction
LEV	-	-149.89980	0.0000***	Same as previous research
SIZE	+	165.01570	0.0000***	Same as previous research
Dummy Industry				Include
Dummy Year				Include
Adj R2				0.28357
F-Statistic				13.61916
p value (F-Stat)				0.0000***

The moderation between human capital and innovation strategy show negative significant result on 5% level. This is contrast with hypothesis and prediction where the hypothesis is expected to increase the positive relationship. But is show the opposite result. Therefore, hypothesis 2 in human capital is rejected. There are many factors that can influence that result. Innovation strategy is not necessary applicable in human capital. It is more suitable applicated in process capital because innovation and creativity are attached to the company. When human capital moderated with cost efficiency strategy, it shows negative significant result on 10% level (in eview used two tails, so that the probability 0.16 is divided by 2 is 0.08. it is significant in 10% level). Based on the coefficient and direction, hypothesis 2b is accepted in human capital. It is describing that cost efficiency strategy is no applicable in human capital because it decreases the positive relationship between human capital and company finance performance.

Moderation customer capital and company business strategy, either innovation strategy or cost efficiency strategy indicate not significant result. This result prove that company strategy preference is not significantly influencing customer capital. The research result is also emphasizing some previous research about the inconsistency of the influence of customer capital to company performance.

CONCLUSION

This research is studying the influence of capital intellectual element to company finance performance on all public companies listed on the Indonesia Stock Exchange in the period 2010 to 2013. In order to study the direct influence of capital intellectual element to company finance performance, as stated in hypothesis 1, this research result show that only process capital is accepted and proven has a significant positive influence on 5% level. While human capital and customer capital is not having a significant result although it has the same direction as the prediction direction.

Examination with moderating business strategy, either innovation strategy or efficiency strategy is also indicating that company which has capital intellectual element of process capital is suitable with hypothesis 2a and 2b which is process capital and innovation strategy can improve the positive relationship between prosess capital to finance performance. On the other hand, moderation of cost efficiency strategy indicate result which decrease the relationship between process capital and finance performance. This result describes that business innovation strategy is more suitable with process capital because innovation and creativity is attached to process capital. The moderation between human capital and innovation strategy indicate negative significant result and has opposite direction to hypothesis. This mean that human capital innovation strategy cannot be applied because it decreases its positive relationship. Meanwhile, the moderation between human capital and cost efficiency strategy indicate significant result on 10% level and the same direction with hypothesis. Moderation of business strategy both innovation strategy and cost efficiency in customer capital showed insignificant results, explaining that the implementation of business strategy has no effect on customer capital.

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