

Paper ID: ICFM_2019-010A

Intellectual capital and corporate performance: The role of controlling shareholders among Taiwanese semiconductor firms

Jawad Asif

Faculty of Industrial Management
Universiti Malaysia Pahang,
26300 Gambang, Pahang, Malaysia
*Email: jawad.asif@uog.edu.pk

Irene Wei Kiong Ting

Faculty of Industrial Management
Universiti Malaysia Pahang,
26300 Gambang, Pahang, Malaysia
Email: Irene@ump.edu.my

Qian Long Kweh

Faculty of Management
Canadian University Dubai,
P.O. Box 117781, 1st Interchange, Sheikh Zayed Road, Dubai, United Arab Emirates
Email: qlkweh@gmail.com

Abstract

This study aims to examine how controlling shareholders would influence the level of intellectual capital (IC), which would ultimately affect corporate performance. This study applies data envelopment analysis to measure corporate performance and utilizes a modified model of Value Added Intellectual Capital (VAICTM) to measure the levels of IC of 132 semiconductor firms that are listed in Taiwan for the years 2008–2017. Regression analyses are employed to assess how the level of shareholdings by controlling shareholders would affect the level of IC, as well as the effect of IC on corporate performance. Empirical results show that companies with controlling shareholders having higher levels of shareholdings have higher levels of IC. This test-of-difference is also confirmed in our regression analyses, whereby the level of shareholdings by controlling shareholders positively affects the level of IC. However, only two components of VAICTM, namely human capital and physical capital, positively affect corporate performance. An overly high level of structural capital may mean lower scale efficiency. When examining IC, its cause and effect should be simultaneously considered. For example, controlling shareholders might have invested in intangible resources for their best possible corporate performance. Besides, as there are various criticisms of VAICTM, cautions should be exercised. The results of the study can help policy makers and other stakeholders to understand the role of controlling shareholders in investing in intellectual capital and its further impact on corporate performance. According to the resource-based view, more useful resources would mean better corporate performance. This study provides an extended perspective in studies related to intellectual capital and corporate performance by considering resources brought by controlling shareholders.

Keywords: *Controlling shareholders, Intellectual capital, Corporate performance, Data envelopment analysis, the semiconductor industry*

- Sakawa, H., & Watanabel, N. (2018). Parent control and ownership monitoring in publicly listed subsidiaries in Japan. *Research in International Business and Finance*, 45, 7-14.
- Sardo, F., Serrasqueiro, Z., & Alves, H. (2018). On the relationship between intellectual capital and financial performance: A panel data analysis on SME hotels. *International Journal of Hospitality Management*, 75, 67-74.
- Shahveisi, F., Khairollahi, F., & Alipour, M. (2017). Does ownership structure matter for corporate intellectual capital performance? An empirical test in the Iranian context. *Eurasian Business Review*, 7(1), 67-91.
- Shin, J. Y., Hyun, J. H., Oh, S., & Yang, H. (2018). The effects of politically connected outside directors on firm performance: Evidence from Korean chaebol firms. *Corporate Governance: An International Review*, 26(1), 23-44.
- Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The journal of finance*, 52(2), 737-783.
- Smriti, N., & Das, N. (2018). The impact of intellectual capital on firm performance: a study of Indian firms listed in COSPI. *Journal of Intellectual Capital*, 19(5), 935-964.
- Tsai, C.-H., Wu, H.-Y., Chen, I.-S., Chen, J.-K., & Ye, R.-W. (2017). Exploring benchmark corporations in the semiconductor industry based on efficiency. *The Journal of High Technology Management Research*, 28(2), 188-207.
- Wang, C.-T., & Chiu, C.-S. (2014). Competitive strategies for Taiwan's semiconductor industry in a new world economy. *Technology in Society*, 36, 60-73.
- Wei, Z., Xie, F., & Zhang, S. (2005). Ownership structure and firm value in China's privatized firms: 1991–2001. *Journal of financial and quantitative analysis*, 40(1), 87-108.
- Yeh, Y. h., Lee, T. s., & Woidtke, T. (2001). Family control and corporate governance: Evidence from Taiwan. *International Review of finance*, 2(1-2), 21-48.
- Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D., & Jiang, Y. J. J. o. m. s. (2008). Corporate governance in emerging economies: A review of the principal–principal perspective. 45(1), 196-220.