UNIVERSITI PUTRA MALAYSIA

INTELLECTUAL CAPITAL AND FORWARD LOOKING INFORMATION DISCLOSURES INCENTIVES AND IMPACTS ON FINANCIAL INTERMEDIARIES AND CORPORATE PERFORMANCE

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By

AMIRHOSSEIN TAEBI NOGHONDARI

Thesis Submitted to Graduate School of Management, Universiti Putra Malaysia in partial Fulfilment of the Requirement for Degree of Doctor of Philosophy

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DEDICATION

To my family
Abstract of thesis presented to the Senate of Universiti Putra Malaysia in partial fulfilment of the requirement for the degree of Doctor of Philosophy

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Chair: Professor Foong Soon Yau, PhD
Faculty: Graduate School of Management

With the rapidly changing economic environment, the conventional financial statements are becoming less informative about the company’s current economic position and its future prospects. The current financial reporting framework cannot incorporate and report many intangible resources and future oriented information in the current corporate financial statements. These intangibles are often knowledge-based resources that create competitive advantage and are key drivers of success of organizations in the new era.

Management of many proactive organizations voluntarily disclose their intellectual resources, as well as other pertinent forward looking information, in their annual reports to facilitate investors and other stakeholders to make better informed decisions. Such disclosures can attract more financial intermediaries in financial
markets as well; as the results, the companies with higher intellectual and forward looking information disclosures may experience the better performance in the financial market.

Most prior studies on voluntary information disclosures mainly focus on the relationship between the extent of voluntary information disclosure and corporate characteristics and corporate governance. However, this study examines how the economic disincentive/incentives (e.g. proprietary cost, growth opportunity and existence of stock based compensation plan) may affect the extent of voluntary information disclosure of both intellectual capital and forward looking information. This study also investigates whether the extent of financial intermediary following plays a significant role in explaining the relationship between the extent of voluntary information disclosure and corporate market performance in Malaysia.

The required secondary data were obtained from the corporate 2010 annual reports and the S&P Capital IQ database related to 2010. Based on all public listed companies in Malaysian stock market, only 198 companies have available data required for this study. Some of this data include number of financial intermediary following and data on market performance.

The regression results show that a firm’s growth opportunity is positively and significantly related to the extent of voluntary information disclosure. Although, significant relationship existed between stock option compensation plan and voluntary information disclosure, as well as between proprietary cost and voluntary information disclosure, the directions of these relationships are not as hypothesised.
In addition, the findings of current study provide the empirical evidence that the voluntary disclosure-performance relationship is mediated by the extent of financial intermediary following.

This study enhances understanding of the rationale for corporate voluntary disclosure policies on intellectual and forward looking information. More importantly, this study shows the important role that financial intermediaries plays in disseminating of such relevant information in the capital market that subsequently influences corporate market performance, the results also help to explain the mixed findings regarding the effects of voluntary disclosures on corporate performance. The findings would be of interests to practitioners such as investors and corporate managers as well as academic researchers.
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi sebahagian keperluan untuk ijazah Doktor Falsafah

MODAL INTELEK DAN INSENTIF PENDEDahan MAKLUMAT BERPANDANGAN JAUH DAN KESAN TERHADAP PENGANTARA KEWANGAN DAN PRESTASI KORPORAT

Oleh

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Dalam persekitaran ekonomi yang pesat berubah, penyata kewangan konvensional menjadi semakin kurang bermaklumat mengenai kedudukan ekonomi semasa dan prospek masa depan syarikat. Rangka kerja laporan kewangan semasa tidak dapat merangkumi dan melaporkan kebanyakan sumber yang tidak ketara dan maklumat berorientasikan masa depan dalam penyata kewangan semasa korporat. Sumber yang tidak ketara ini terdiri daripada sumber berasaskan pengetahuan yang sering mewujudkan kelebihan daya persaingan dan merupakan pendorong utama kejayaan organisasi dalam era baru ini.

Pihak pengurusan bagi banyak organisasi yang proaktif mendedahkan sumber intelek mereka serta maklumat-maklumat lain yang berpandangan jauh, secara sukarela, dalam laporan tahunan mereka untuk memudahkan pelabur dan pemegang kepentingan lain untuk membuat keputusan yang lebih bermaklumat. Pendedahan sedemikian dapat menarik lebih banyak perantara kewangan dalam pasaran
kewangan; justeru itu, syarikat-syarikat dengan pendedahan maklumat intelek yang lebih tinggi dan berpandangan jauh mungkin akan mengalami prestasi yang lebih baik dalam pasaran kewangan.

Kebanyakan kajian lalu yang berasaskan pendedahan maklumat secara sukarela memberi tumpuan terutamanya kepada perhubungan di antara tahap pendedahan maklumat secara sukarela dan ciri-ciri korporat serta pentadbiran korporat. Walau bagaimanapun, kajian ini meneliti bagaimana penghalang/insentif ekonomi (seperti kos proprietari, peluang perkembangan dan kewujudan pelan pampasan berasaskan saham) yang boleh menjejaskan tahap pendedahan maklumat secara sukarela bagi modal intelek dan maklumat yang berpandangan jauh. Kajian ini juga menyelidiki setakat mana perantara kewangan berikutan memainkan peranan yang penting dalam menjelaskan perhubungan di antara tahap pendedahan maklumat secara sukarela dan prestasi pasaran korporat di Malaysia.


Keputusan analisis regresi menunjukkan bahawa peluang perkembangan untuk sesebuah firma berkait secara positif dan nyata sekali dengan tahap pendedahan maklumat secara sukarela. Walaupun hubungan yang nyata sekali wujud di antara
saham pilihan pelan pampasan dan pendedahan maklumat secara sukarela, serta antara kos proprietari dan pendedahan maklumat secara sukarela, arahan hubungan ini tidak seperti yang dihipotesiskan. Di samping itu, penemuan kajian ini memberikan bukti empirikal tentang perhubungan di antara pendedahan maklumat secara sukarela dan prestasi yang diperantaraan oleh tahap perantara kewangan berikut.

Kajian ini meningkatkan pemahaman mengenai rasional terhadap polisi pendedahan korporat yang secara sukarela untuk maklumat intelek dan berpandangan jauh. Lebih penting lagi, kajian ini menunjukkan peranan penting yang dimainkan oleh perantara kewangan dalam menyebarkan maklumat yang relevan dalam pasaran modal yang kemudiannya mempengaruhi prestasi pasaran korporat. Keputusan ini juga membantu menjelaskan penemuan-penemuan yang tidak konsisten mengenai kesan pendedahan maklumat secara sukarela terhadap prestasi korporat. Penemuan ini akan diminati oleh pengamal seperti pelabur dan pengurus korporat serta penyelidik akademik.
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I certify that an Examination Committee met on 4th June 2012 to conduct the final examination of AMIRHOSSEIN TAEBI NOGHONDARI on his Doctor of Philosophy thesis entitled “Intellectual Capital and Forward Looking Information Disclosures Incentives and Impacts on Financial Intermediaries and Corporate Performance” in accordance with Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U(A)106] 15 March 1998. The Committee recommends that the candidate be awarded the Doctor of Philosophy.

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Declaration

I hereby declare that the thesis is based on my original work except for quotations and citations, which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or any other institutions.

______________________________
AMIRHOSSEIN TAEBI NOGHONDARI

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TABLE OF CONTENTS

DEDICATION------------------------------------------------------------------------------------------------------------------- ii
ABSTRACT--------------------------------------------------------------------------------------------------------------- iii
ABSTRAK--------------------------------------------------------------------------------------------------------------- vi
ACKNOWLEDGEMENT-------------------------------------------------------------------------------------------------- ix
APPROVAL--------------------------------------------------------------------------------------------------------- x
DECLARATION-------------------------------------------------------------------------------------------------------- xii
TABLE OF CONTENTS-------------------------------------------------------------------------------------------------- xiii
LIST OF TABLES------------------------------------------------------------------------------------------------------- xvii
LIST OF FIGURES------------------------------------------------------------------------------------------------------- xx

Chapter I---------------------------------------------------------------------------------------------------------------------- 1
Introduction------------------------------------------------------------------------------------------------------------ 1
1.1 Background-------------------------------------------------------------------------------------------------------- 1
1.2 Intellectual capital and forward looking information in Malaysia------------------------------------------------- 5
1.3 Problem Statement----------------------------------------------------------------------------------------------------- 8
1.4 Importance of Study------------------------------------------------------------------------------------------------ 14
1.5 Research Questions-------------------------------------------------------------------------------------------------- 16
1.6 Research Objectives------------------------------------------------------------------------------------------------- 17
1.7 Organization of the Thesis--------------------------------------------------------------------------------------------- 17

Chapter II--------------------------------------------------------------------------------------------------------------- 19
Literature Review and Hypotheses Development------------------------------------------------------------------------ 19
2.1 Introduction--------------------------------------------------------------------------------------------------------- 19
2.2 Related Theories------------------------------------------------------------------------------------------------------ 19
   2.2.1 Resource-base View--------------------------------------------------------------------------------------------- 20
   2.2.2 Stakeholder Theory--------------------------------------------------------------------------------------------- 22
   2.2.3 Legitimacy Theory--------------------------------------------------------------------------------------------- 24
   2.2.4 Agency Theory----------------------------------------------------------------------------------------------- 27
   2.2.5 Signalling Theory--------------------------------------------------------------------------------------------- 30

xiii
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3</td>
<td>The Role of Disclosure in Capital Market</td>
<td>33</td>
</tr>
<tr>
<td>2.4</td>
<td>Voluntary Disclosure</td>
<td>34</td>
</tr>
<tr>
<td>2.5</td>
<td>Benefits and Costs of Voluntary Corporate Disclosure</td>
<td>35</td>
</tr>
<tr>
<td>2.6</td>
<td>Current State of Research on Corporate Voluntary Disclosure</td>
<td>37</td>
</tr>
<tr>
<td>2.7</td>
<td>Intellectual Capital</td>
<td>52</td>
</tr>
<tr>
<td>2.7.1</td>
<td>Definition of Intellectual Capital</td>
<td>52</td>
</tr>
<tr>
<td>2.7.2</td>
<td>Components of Intellectual Capital</td>
<td>54</td>
</tr>
<tr>
<td>2.7.3</td>
<td>Comparison of Classifying Frameworks</td>
<td>63</td>
</tr>
<tr>
<td>2.7.4</td>
<td>The Consensus of Intellectual Capital</td>
<td>64</td>
</tr>
<tr>
<td>2.7.4.1</td>
<td>Human Capital</td>
<td>64</td>
</tr>
<tr>
<td>2.7.4.2</td>
<td>Structural Capital</td>
<td>65</td>
</tr>
<tr>
<td>2.7.4.3</td>
<td>Customer Capital</td>
<td>66</td>
</tr>
<tr>
<td>2.8</td>
<td>Current State of Research on Intellectual Capital and Forward Looking Information Disclosures</td>
<td>67</td>
</tr>
<tr>
<td>2.9</td>
<td>The Benefit of Intellectual Capital Disclosure</td>
<td>85</td>
</tr>
<tr>
<td>2.10</td>
<td>The Benefit of Forward Looking Information Disclosure</td>
<td>88</td>
</tr>
<tr>
<td>2.11</td>
<td>The Role of Financial Intermediaries in Capital Market</td>
<td>90</td>
</tr>
<tr>
<td>2.12</td>
<td>Hypotheses Development</td>
<td>94</td>
</tr>
<tr>
<td>2.12.1</td>
<td>The Influence of Growth Opportunities on the Extent of IC/FLI Disclosure</td>
<td>94</td>
</tr>
<tr>
<td>2.12.2</td>
<td>The Influence of Stock based Compensation Plan on the Extent of IC/FLI Disclosure</td>
<td>96</td>
</tr>
<tr>
<td>2.12.3</td>
<td>The Influence of Proprietary Costs on Extent of IC/FLI Disclosure</td>
<td>99</td>
</tr>
<tr>
<td>2.12.4</td>
<td>The Influence of Extent of IC/FLI Disclosure on the Extent of Financial Intermediary Following</td>
<td>101</td>
</tr>
<tr>
<td>2.12.5</td>
<td>The Influence of the Extent of Financial Intermediary Following on a Firm’s Market Performance</td>
<td>105</td>
</tr>
</tbody>
</table>

Chapter III

Methodology

3.1 Research Design
3.2 Sample Selection and Data Collection ------------------------------------ 111
3.3 Measurement of Variables --------------------------------------------------------------- 112
  3.3.1 Measurement of a Firm’s Growth Opportunity ------------------------------- 112
  3.3.2 Measurement of Existence of Stock-option Compensation Plan ---------- 112
  3.3.3 Measurement of Proprietary Cost------------------------------------------- 113
  3.3.4 Measurement of IC/FLI Disclosures --------------------------------------- 113
    3.3.4.1 Content Analysis ----------------------------------------------------- 114
    3.3.4.2 Recording Units ------------------------------------------------------- 117
    3.3.4.3 Intellectual capital and Forward Looking Information Disclosure Items 119
    3.3.4.4 Scoring System ------------------------------------------------------- 123
  3.3.5 Measurement of Financial Intermediary ------------------------------------ 123
  3.3.6 Measurement of a Firm’s Market Performance ------------------------------- 123
    3.3.6.1 Cost of Equity Capital ------------------------------------------------- 124
    3.3.6.2 Tobin’s Q ------------------------------------------------------------- 125
    3.3.6.3 Abnormal Return -------------------------------------------------------- 126
    3.3.6.4 Target Price ----------------------------------------------------------- 130
3.4 Control Variables ------------------------------------------------------------- 131
3.5 Data Analysis ------------------------------------------------------------------- 132

Chapter IV--------------------------------------------------------------------------------------- 136

Results and Discussion ------------------------------------------------------------------------ 136
4.1 Introduction ----------------------------------------------------------------------------- 136
4.2 Sample ------------------------------------------------------------------------------------- 136
4.3 Extent of IC/FLI Disclosure --------------------------------------------------------------- 137
  4.3.1 Extent of Forward Looking Information Disclosure --------------------------- 139
  4.3.2 Extent of Intellectual Capital Disclosure ------------------------------------ 139
4.4 Descriptive Analysis --------------------------------------------------------------------- 148
4.5 Control Variables-------------------------------------------------------------------------- 150
4.6 Testing of Hypotheses--------------------------------------------------------------------- 151
4.7 The Relationship between Firm Growth Opportunity and the Extent of IC/FLI Disclosure and Its Components ----------------------------------------------- 158

4.8 The Relationship between Stock Option Compensation Plan and the Extent of IC/FLI Disclosure and Its Components ------------------------------------------ 159

4.9 The Relationship between Proprietary Cost and the Extent of IC/FLI Disclosure and Its Components ---------------------------------------------- 162

4.10 The Relationship between Extent of IC/FLI Disclosure and the Extent of Financial Intermediary Following ----------------------------------------------- 165

4.11 The Relationship between the Extent of Financial Intermediary Following and the Market Performance ----------------------------------------------- 169


4.12.1 The Mediation Effect of Financial Intermediaries on the Relationship between IC/FLI Disclosure and Market Performance (Cost of Equity Capital and Target Price) --------------------------------- 180

4.12.2 The Mediation Effect of Financial Intermediaries on the Relationship between IC/FLI Disclosure and Market Performance (Cumulative Abnormal Return) --------------------------------- 188

4.12.3 The Mediation Effect of Financial Intermediaries on the Relationship between IC/FLI Disclosure and Market Performance (Tobin’s Q) ---- 192

Chapter V ---------------------------------------------------------------------------------------- 207

Conclusion and Recommendation ----------------------------------------------------------------- 207

5.1 Introduction -------------------------------------------------------------------------------- 207

5.2 Summary and Discussion ---------------------------------------------------------------------- 207

5.3 Implications of the Study --------------------------------------------------------------------- 213

5.4 Limitations of the Study ---------------------------------------------------------------------- 216

5.5 Recommendations for Future Research ---------------------------------------------------------- 216

REFERENCES --------------------------------------------------------------------------------- 219