Application of Intellectual Capital Disclosure in Private Universities in Indonesia

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Abstract. Acknowledgment of intellectual capital (IC) is an endeavor to boost competitive advantage and organizational value. The acronym IC stands for intellectual capital, signifying the significance of knowledge, especially in universities where the main capital is resources in the form of knowledge owned by the entire academic community of universities. Given the significance of intellectual capital for the production of future wealth, organizations can signal excellence in quality through the use of intellectual capital disclosure (ICD). Intellectual capital disclosure can identify low-quality companies, especially for those with a solid basis of intellectual capital. Mixed-method analysis is the study methodology employed. The data used in this study are primary and secondary. Primary data is in the form of interviews with the in-depth interview method, with the aim of supporting research results from secondary data in the form of financial statements that have been prepared by universities. The universities used in this research as a pilot project are private universities that have been accredited and have sustainable financial reports. The result of this study is the compilation of items from three components of intellectual capital, which are the basis for the item of Intellectual Capital Disclosure of Higher Education in Indonesia, which is adjusted to BAN PT and Lamemba.

Keywords: intellectual, capital, human capital, structural, and relation capital and disclosure.

1 Introduction

The significance of intellectual capital has been highlighted by the state of the world today, particularly financial reporting, which is used to present information useful for economic decision-making about the financial position and performance of organizations. The majority of intangible assets, even those that represent significant resources for future performance, cannot be shown on the balance sheet, according to the accounting guideline on asset recognition. Any expenses foregone in the development of intangible assets must be directly applied to the income statement's cost. Nonetheless, there is growing understanding of the role intangible assets, particularly intellectual capital (IC), play in creating organizational value and competitive advantage[1].

Companies see intellectual capital as a type of capital that cannot be tracked in conventional accounting systems. The registered capital in question is knowledge-

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based capital that supports knowledge-based assets in companies and organizations. Universities, especially private universities, of course, have knowledge-based assets and are the main capital of a university, but this cannot be disclosed in the organization's financial statements and becomes part of a competitive advantage. Knowledge is important, and intellectual capital highlights the interplay between intelligence and capital[2]. However, intangible assets such as human capital and innovation capital[3] If it is connected with universities that strongly emphasize the competence of human resources, including students, lecturers, and education staff, in creating human capital and innovation capital, innovation capital is in the form of technological innovation products and appropriate products for both industry and society. However, university shareholders, namely the owners of the university foundation, have received demands from stakeholders for the availability of resources that they will absorb in the industrial world, and the world of work is a workforce that has competencies according to the fields of science needed by stakeholders.

The government has been encouraged to respond to global economic changes both for the private sector and the public sector, including the education service sector. The government is required to increase global competition, both in terms of economic resources and human resources, as well as natural resources. The government is also required to carry out rapid dissemination of innovative products, e-commerce, changes in customer demand, and advances in science and technology. Companies and organizations have up until now exclusively focused on tangible capital before eventually shifting their focus to intangible capital, making users of accounting information aware of the significance of intellectual capital disclosure. Limitations on the provisions of accounting standards on intellectual capital encourage experts to create measurement and reporting models for intellectual capital disclosure. One model that is often used by researchers is the one developed by Pulic, namely Value Added Intellectual Coeffisient, or VAICTM [4]. However, based on Ulum's findings, et al. [5] stated that According to Ulum et al. [5], VAICTM counts only the effects of intellectual capital management, not the actual amount of intellectual capital. A business with strong intellectual capital is assumed to have an influence. In light of this effect, Pulic with VAICTM is more appropriately referred to as a business performance indicator (BPI) by IC (Intellectual Capital Performance/ICP) [6],[7].

Several studies in Indonesia conducted research on ICP using VAICTM as a projection, looking at its effect on financial performance. Several studies, one of which was conducted by Ulum [7] and Soewarno & Tjahjadi [8] stated that there is a positive influence of intellectual capital on company performance. While Firer and Williams' [9] research indicates that ICP does not significantly impact company performance, their argument is that the concept of value added (VA) in VAICTM calculations, which is unrelated to financial performance dimensions, is the reason why ICP has no effect on the financial performance of the company. In contrast to value added (VA), which is defined as a contribution to enhancing potential and welfare for stakeholders other than shareholders, profitability, one indicator of a company's performance, is just a measure of accounting performance for the benefit of stakeholders.

Higher education has legitimacy for the community, government, and especially stakeholders who will absorb in the world of work and industry, so the importance

of universities, especially private universities, to assess intellectual capital in measuring the financial performance of the organization Legitimacy theory is closely related to stakeholder theory. Legitimacy theory states that organizations continually seek ways to ensure their operations are within the limits and norms prevailing in society. Legitimacy theory is closely related to intellectual capital reporting [10]. Research that examines intellectual capital reporting on university websites in Indonesia still uses a framework built specifically for universities in Europe [11], so the research conducted by Ulum [12] involves constructing the intellectual capital component for universities in Indonesia. The novelty of this study is that it has never been done in the context of disclosing university reporting with intellectual capital.

Companies, investors, and analysts generally seek accurate information, particularly when it comes to an organization's sustainability. This is particularly true for Foundation-owned universities with a family ownership structure. Nevertheless, the sustainability of these institutions makes it crucial to reveal the intellectual property that the organization owns. Many research on intellectual capital disclosure have been done, and the results indicate that companies who disclose their intellectual capital gain a substantial boost in value [7],[13]. Positive and significant findings are found in research that directly investigates the impact of intellectual capital (IC) on a company's financial performance [1],[6],[8],[14],[15]. However, a number of studies, including one from South Africa [9], demonstrate no impact of IC on financial performance. Although there is currently relatively little research on green intellectual capital disclosure [16], businesses undoubtedly anticipate that investors would find the information about their intellectual capital that they release in their annual reports interesting. The owners of university foundations and the community—in this case, instructors, students, and educational staff—are mentioned here as customers who undoubtedly care about the continuation of the college they support.

But if the organization's annual report's disclosure of intellectual capital has an impact on enhancing organizational performance, then the organization's optimism will be validated. Furthermore, there are two types of corporate ownership characteristics: non-family ownership and family ownership. There is no influence that strengthens the relationship between intellectual capital and financial performance, according to a number of studies that have been done to examine the relationship between intellectual capital and financial performance moderated by family ownership [17]. However, some research indicates that companies with family ownership characteristics perform better [18],[19]. Additionally, studies on the quality of financial statements indicate that companies with family ownership characteristics have higher-quality financial statements [20], Several studies that demonstrate the beneficial impact of family ownership on intellectual capital [21],[22]. Studies that examine the association between intellectual capital disclosure and family ownership reveal a negative one [23].

The amount of research on intellectual capital disclosure is still very low, but what is known about it from earlier studies is that most of it focused on value relevance to more specific intellectual capital indicators, such as the price of R&D, advertising, patents, brands, customer satisfaction, and human resource competencies held by businesses, as well as how to leverage intellectual capital as an intangible asset.

Because intellectual capital is so important for creating future wealth, in particular, organizations can indicate qualitative excellence through intellectual capital disclosure (ICD) in a very effective way [24]. According to An et al. [25], intellectual capital disclosure can identify low-quality organizations, particularly for those with a robust intellectual capital basis. This study is innovative because it examines the implementation of intellectual capital disclosure in higher education, particularly in private universities, something that has never been done before, particularly in Indonesia's education sector.

2 Research Method

The population of this study is in private universities in South Sulawesi. However, this research will use a private university as a pilot project, namely:

1) Have complete financial statements for the last 5 years.
2) Have good organizational governance.
3) All departments have been accredited by BAN-PT and Lamemba.

The mixed method of research was employed in this study. This study included both primary and secondary data. The study aims to support research findings from secondary data, which are university-prepared financial statements. However, due to campus data privacy concerns, financial statements cannot be analyzed in this study. Instead, primary data will be obtained through in-depth interviews.

3 Results

The interview was conducted with the finance director at one of the private universities in South Sulawesi, located in the city of Makassar. Human capital, structural capital, and relational capital are the three components that make up the division of construction debate of intellectual capital. When it comes to intellectual capital, human capital is paramount. Human capital in universities is defined by interviewees as teaching staff (lecturers), educational staff (technicians, laboratories, and technicians), and household staff (persons who oversee the needs of the entire academic community at the institution).

As for the second component item, namely structural capital, what needs to be considered is the number of full-time professors owned by universities. The professors are expected to be able to be catalysts for quality-added value for students at the university. However, the component items of intellectual capital cannot be constructed with BAN-PT in Indonesia and LAMEMBA, including the use of assistant teachers, which is almost never used by universities because the use of assistants is not allowed in front of the class. The reason is that the teaching assistant was not recruited by the college, so it could not be recognized as part of the college's human capital.

The results of the interview further stated that the standard of BAN-PT with intellectual capital, namely the number and type of training, can be used as one of the IC items because training conducted by universities is one way to improve the quality

and excellence of human resources owned. Thus, training conducted by universities affects the quality of their human resources.

In addition, the number of lecturer achievements and the number of academic lecturer competencies Both component items of human capital are able to guarantee the quality of lecturers in providing teaching to their students. The more achievements achieved by lecturers, the more student confidence in the learning carried out by the lecturers. The increasing number of competencies of academic lecturers indicates the reliability and competence of lecturers. Meanwhile, the qualification item or number of academic lecturer positions is used as one of the human capital items because it can guarantee the quality of the implementation of study programs and universities.

The structural capital is the next element. All non-human knowledge repositories within companies are included in this component[2]. Databases, organizational charts, process manuals, plans, procedures, and everything else that adds to the company's (or institution's) worth over and beyond its tangible assets fall under this category. If a student is at college, this component may take the shape of owned library resources. The existence of libraries and electronic media shows that universities are trying to meet the needs of students in order to create learning comfort and supporting facilities [12]. The structural capital component also considers the number of students per lecturer, which is the value of the ratio between students and the number of lecturers, and the number of guidance students who are the burden on lecturers so that the results of the final project or thesis can be maximized and produce quality work.

Facilities and services prepared by universities can also be applied because they are in accordance with BAN PT and Lamemba, which calculate the size of the laboratory and the facilities available in the laboratory. In addition, the number of publications from lecturers and students is a benchmark for BAN PT and Lamemba, which is in accordance with the structural capital items that should be As well as the optimal use of e-learning, it is expected that the teaching and learning process will be smooth and have an impact on the number of student achievements.

Higher education is also required optimally to be able to establish good relations with graduates. This is because college graduates are products and partners in making continuous improvements for universities. Higher education institutions are expected to have graduate data recording to be able to establish good cooperation with graduates as a form of graduate participation in academic development. However, this can be very difficult if the data recording is very weak.

Based on the identification results from interviews with universities, The study's findings provide South Sulawesi's private universities with elements of an intellectual capital disclosure application. that are adjusted to the rules of BAN PT and Lamemba as follows:

3.1 Human Capital

- Number of professors employed full-time
- Lecturers and Education Staff's Training Number and Types
- Total Number of Instructors on Staff

- The quantity of non-permanent instructors (industry, guest, and remarkable speakers).
- Achievements of lecturers (awards, grants, program money)
- Academic lecturers' qualifications (number of positions)
- Academic lecturer competition: how many lecturers at S1, S2, and S3 education levels are there?
- The quantity of non-academic employees, such as lab technicians, librarians, and laboratories

3.2 Structural Capital

- Investment in Electronic Media Libraries
- Income from licensing products and services
- Number of licenses granted
- Measurement and laboratory services
- Vision of the study program
- Study program mission
- Goals and objectives
- Delivery strategy (way of delivery)
- Technology used in learning
- Syllabus and semester learning plan
- Learning techniques (Project Based Learning)
- Facilities, Infrastructure, funds for learning
- Learning evaluation system (attendance of student lecturers)
- Guardianship system
- Average study period
- Number of lecturers per student
- Ratio Drop Out
- Average student per supervisor
- Average number of meetings/advisors
- Academic qualifications of supervisors
- Availability of guidance on the mechanism of working on the final project
- Target time for writing the final project
- Number of graduates/Graduations

3.3 Relational Capital

- Number of third-party research (overseas grants)
- Number of third-party research of Higher Education
- Number of conferences organized
- Research / Community Service
- Scientific publications in reputable International journals
- Scientific publications in journals of organizations accredited by Sinta
- E-Learning

- The number of students' academic achievements and reputations, interests, and talents
- Student services
- Graduate services and utilization
- Graduate data recording
- Participation of graduates in academic development

4 Discussion

This research has compiled a higher education intellectual capital disclosure model in the form of a list of items that are considered for the implementation of intellectual capital. The list of items is arranged according to in-depth interviews conducted on university leaders, modified from [26] and [12].The limitation of this study is that financial statements from universities are still taboo to give to researchers. The suggestion in this study is that focus group discussions (FGD) can be carried out with several public and private universities.

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