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Do Value Added Intellectual Coefficient and Corporate Governance Contribute to Firm's Economic Value Added

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Abstract

Economic development required companies to use a better tool to evaluate their firm value which is, in this case, using EVA. This study is about examining the relationship between Intellectual Capital and Corporate Governance to EVA. Data used in this study were collected from a sample of 121 consumer goods companies in Indonesia and Malaysia from 2010 to 2017. Panel data multiple regression was performed to examine the research framework. The intellectual capital was measured by the VAIC value, while corporate governance was explained by the audit committee, remuneration board, and auditor quality and tenure. This study found that HCE, SCE, audit committee gender, remuneration size, and remuneration gender did not affect EVA in both Malaysian and Indonesian companies. In contrast, the audit committee size was found to affect the EVA of the companies in both countries. The CEE affected the company value of Malaysian companies while it did not affect Indonesian companies. Audit quality and audit tenure had a positive effect only on Malaysian companies and none on Indonesian companies. This study used limited variables and narrow business sectors, thus the future research may expand the research model for other types of industries and apply the model in other countries.

Keywords: Economic value added; value added intellectual coefficient; corporate governance; leverage; return on asset; firm size.

1. Introduction

The business structure nowadays is experiencing rapid development. This development requires companies to be more innovative and to frequently review and measure the performance of their businesses as a mean of surviving the business world **(**Raymond, St-Pierre, & Marchand, 2009) (Cocca & Alberti, 2010). Even so, currently there are only a few company performance measurement tools that can be applied in business development. One of such that is considered capable of reflecting company value and performance is Economic Value Added (EVA) (Bahri, St-Pierre, & Sakka, 2011). EVA could be an excellent measurement tool if it is enhanced with certain indicators. Not only as a measure of company performance but also as a reflection of company value for the shareholders. Consequently, the higher the EVA of a company will also create a higher value of the company (Iazzolino, Laise, & Migliano, 2014).

Value Added Intellectual Coefficient (VAIC) is used to show how the company value formed (Pulic, 2004). The intellectual capital (IC) as an indicator measured by VAIC was able to produce intangible values such as knowledge and innovation (Ståhle, Ståhle, & Aho, 2011). This statement confirmed the study of Pulic (2004), which stated that company value does not consist only of tangible assets but also a combination of knowledge of the company members. These intangible values become competitive advantages which could increase EVA (Gogajeh, Vahidirad, Taghizedgan, & Bilandi, 2015). VAIC component is divided into two which are IC and Capital Employed Efficiency (CEE). IC itself is divided into two components which are Human Capital Efficiency (HCE) and Structure Capital Efficiency (SCE) (Pulic, 2004). For the most part, components of VAIC provide value in the form of intangible assets such as knowledge, which in turn would certainly affect the EVA of a company (Taheri, Asadollahi, & Niazian, 2014).

VAIC and CG (Corporate Governance) themselves have a close relationship in which it could influence each other. The performance of VAIC components, i.e. HCE, CEE and SCE would be assessed by CG to improve business efficiency in increasing company value (Saeed, Rasid, & Basiruddin, 2015). When the human capital as the component of VAIC has good knowledge and performance in managing company assets, then certainly the company's CG performance would improve as well. Apart from its relation to VAIC, CG has an important role for the

company (Prusty, 2013) as it can improve the performance of a company through decision making, shareholders value, and investor trust (Ghalib, 2018) (Bhatt & Bhatt, 2017). CG can also overcome the agency problems in the company which caused by information asymmetry (Siagian, 2013) (Huillier, 2014). To reduce information asymmetry, the company could disclose information through financial statements although it must also be reliable (Siagian, 2013). According to Al-Dmour (2018), the reliability of financial statements in the company can be improved by the presence of CG within the company. CG will be directed to supervise the governance system in the company. Based on its supervision mechanism, CG is divided into two, which are internal and external mechanisms (Azim, 2012). This study measures the internal mechanism through the components in the audit committee and remuneration committee; while the external mechanism is measured by characteristics of the external auditor.

An external auditor is an independent auditor out of the company's circle who are assigned by shareholders to examine the financial statements prepared by the management. The external audit is highly needed by shareholders to disclose reliable financial reports, thereby reducing information asymmetry and agency problems in the company (Arens, Elder, & Beasley, 2010) (Messier, Glover, & Prawitt, 2007). As the company's financial statements become reliable, the external auditor would produce more reliable judgment that is influenced by one component of IC, human capital. Human capital can be interpreted as the experience and specialization of the external auditor. According to Stephens (2011), the specialization of external auditors can increase the speed of information disclosure while the higher the experience of an external auditor, the easier it would be for auditors to detect problems in financial statements (Al-Mutairi, Dunn, & Adan, 2009). Hence, the external auditors could increase the trust of shareholders. In this study, the external auditor is divided into two parts, i.e. audit quality and auditor tenure.

Audit quality refers to the office of public accountant that works for the company which can be classified as big four or non-big four groups. Afza and Nazir (2013) stated that companies that use the services of a well-known office of a public accountant or big four would be more likely to sustain the services, the reason being that investors feel that the audited financial statements would provide more reliable information. Auditor tenure describes the period in which a public accounting firm carries out an audit process for a company. The previous study by Habib (2013) stated that auditor tenure is a mandatory procedure to be implemented in each company as to replace the office of public accountant that audits its company after it exceeded the time limit set by each country.

Consumer goods companies from Indonesia and Malaysia are used as samples since they are considered as high-growth business sectors and offered similar characteristics to each other. The consumer goods sector in Malaysia and Indonesia is the sector with the largest business development compared to other ASEAN countries (BPS, 2017; DOSM, 2017). These two countries also have a similar consumerization style of the population towards consumer goods, particularly products with halal standards (Arsil, 2018). Thus, this study aims to examine the significance of the effect of VAIC and CG on the company value which is reflected through EVA.

2. Literature review

2.1 Theoretical Background

Stakeholder Theory explains the subjects whose interests are interconnected to the company such as employees, managers, BOD and so on. This theory is closely related to the performance of the remuneration committee in the company. Stakeholders such as employees, managers, and workers would carry out their tasks carefully and provide the best idea they had for the company if they are awarded worthy compensation (Jensen, Murphy, & Wruck, 2004). The characteristic of the remuneration committee itself, particularly gender and size, plays a role in managing stakeholder performance so that subsequently the stakeholders would generate high EVA for the company (Platt & Platt, 2012).

Besides, agency theory describes the relationship between stakeholders as principal and company management as an agent to carry out task and authority in decision making (Jensen, Murphy, & Wruck, 2004). Information asymmetry arises as a consequence when the agent of a company does not openly disclose all information to stakeholders (Panda & Leepsa, 2017). As a mean of reducing its occurrences, a good corporate governance system should be implemented, where the stakeholders hire the service of external auditors in examining the financial reports prepared by management (Arens, Elder, & Beasley, 2010).

2.3 Hypothesis Development

2.3.1 Value Added Intellectual Coefficient

Value Added Intellectual Coefficient (VAIC) refers to all knowledge possessed by members of the organization which provide competitive value. Well-

managed VAIC could increase company profits and value (Stewart, 1997). Intellectual capital is a synonym of the company's employees who could transform their knowledge into products that can generate value for the company (Pulic, Measuring the Performance of Intellectual Potential in Knowledge Economy, 1998). VAIC, initially developed by Pulic in 1998, is an easy-implementation method which capable of providing information for both shareholders and stakeholders (Gogajeh, Vahidirad, Taghizedgan, & Bilandi, 2015). In his study, Pulic (2004) divided VAIC into 2 parts, i.e. Intellectual Capital Efficiency consisting of Human Capital Efficiency (HCE) and Structure Capital Efficiency (SCE), and Capital Employed Efficiency (CEE).

Human Capital Efficiency (HCE)

HCE is an asset owned by a company in the form of human resources (Pulic, 2004). These human resources are capable of fulfilling costumer's demand for goods and services while also providing solutions to problems experienced by the customers, hence certainly affecting the company value (Ghosh & Mondal, 2009). Based on the study of Mojtahedi and Ashrafipour (2013), Gogajeh et al. (2015), Taheri, et al (2014), Rezaei (2014), it can be stated that HCE has a positive effect on EVA, in which exists an additional value of the monetary unit invested in human capital.

H1: There is a significant positive effect of HCE to EVA

Structure Capital Efficiency (SCE)

Structural Capital Efficiency (SCE) is a non-human company asset (Bontis, Chua Chong Keow, & Richardson, 2000). SCE could be observed in the form of financial assets, buildings, machines, and infrastructure. In other words, SCE constitutes all the added value minus human resources. SCE, when managed properly, would affect the increase of company value (Chen, Liu, & Kweh, 2014). A prior study conducted by Taheri (2014) found that SCE has a significant positive effect on EVA. This is confirmed by the results of Razaei (2014) study who argued that SCE had a positive effect on the increase of EVA.

H2: There is a significant positive effect of SCE to EVA

Capital Employed Efficiency (CEE)

Capital Employed Efficiency (CEE) as a component of VAIC is defined as the ability of a company which could increase the value of capital assets (Chen, Liu, & Kweh, 2014). CEE can also be referred to as Customer Capital Efficiency which is defined as the knowledge of the company's external networks such as consumers and suppliers. Effective management of CEE would have a positive effect on the increase in company value (Bontis, Chua Chong Keow, & Richardson, 2000). A study by Gogajeh (2015) found that CEE is positively related to EVA. This is confirmed by the studies of Chowdury et al (2018) who stated that CEE has a significant positive effect on company performance, particularly to the financial value.

H3: There is a significant positive effect of CEE to EVA

2.3.2 Corporate Governance

According to the Forum for Corporate Governance Indonesia (FCGI), corporate governance is defined as a set of regulation which constitutes the relations between shareholders, administrators, government, creditors, employees, and other internal and external stakeholders with their rights and responsibility, or in a simpler term, a system that directs and controls the company. The purpose of corporate governance is to increase added value for the company and all stakeholders.

Remuneration Size

The size of the committee members in carrying out their responsibilities would certainly affect the company's performance. This is confirmed by stakeholder theory which explains the effect of remuneration committee performance to company performance. An aspect that affects the EVA of a company is the remuneration size which represents the total members of the remuneration committee in a company. Larger remuneration size tends to be more effective in the situation of a financial crisis as it would help in managing the resources at the time. Whereas for companies with normal conditions, it would be better to have smaller committee members as to reduce the occurrence of miscommunication (Geles and Kesner, 1994). According to Jensen (2004), the committee members should be kept to a minimum as to yield a more efficient performance. All the studies aforementioned, pointed out the importance of remuneration size in affecting company performance, particularly when related to the company value, EVA.

H4: There is a significant positive effect of Remuneration size to EVA

Remuneration gender

The role of women on board of committees such as the remuneration committee has begun to flourish in recent years (Jubilee, Khong, & Hung, 2018) since it is proposed that gender diversity could influence the value generated by the company. The prior study proved that the presence of gender diversity and women in a committee could positively affect the company performance (Adams & Ferreira, 2009) (Singh, Terjesen, & Vinnicombe, 2008).

However, this perspective is contradicted by the study of Carter (2010), wherein he found that the presence of diversity in committees would only lead to conflict and delays the decisions making the process, which in turn would adversely affect the improvement of EVA in a company.

H5: There is a significant positive effect of Remuneration gender to EVA

Audit Committee Size

Audit committee size plays an important role in affecting the performance of companies particularly if it is represented by EVA. According to the study by Wang (2012), audit committee size has no significant relationship to the company performance. Audit committee with few members tends to have more effective performance in monitoring shareholders gain, therefore produce higher quality financial reports. In contrast, the audit committee with larger sizes tend to work ineffectively and do not contribute any effect whatsoever to the company performance (Aldamen, Duncan, Kelly, McNamara, & Nagel, 2012).

The study of Alqatamin (2018) stated otherwise that the committee size has a significant positive effect on the company performance in which a large audit committee would increase the number of meetings and improve results through a more effective point of view (Al-Matari, 2013).

H6: There is a significant positive effect of audit committee size to EVA

Audit Committee Gender

Audit committee gender refers to the calculation of gender proportion within a company's audit committee. Females would have a different style of leadership as well as distinct attitudes taken when subjected to ethics and risks within a company if compared to its male associate (Srinidhi, Gul, & Tsui, 2011). Therefore, according to Haat and Salleh (2013), diversity in a group would improve the performance of a company.

H7: There is a significant positive effect of audit committee gender to EVA.

Auditor Quality

Nowadays the quality of financial statements of a company is very important for investors and shareholders. For that reason, many of the companies hire the services of large or well-known accounting firms, such as big four. This is confirmed by Hussainey (2010) who argued that large accounting firms could provide better quality financial statements than the small ones, hence increasing the company value. The presence of external auditors within the company would also minimize the probability of asymmetric information to occur between management and the shareholders. This is since the society regards the big four of a public accounting firm with a high level of integrity and professionalism.

H8: There is a significant positive effect of audit quality to EVA

Auditor Tenure

Audit Tenure refers to the period audit services are performed continuously to a company by the same auditor (office of a public accountant). According to (Lee, Mande, & Son, 2009), as the audit tenure increases, the auditor's understanding of the operations, business risk, and the company's accounting system also increase, therefore creating a more efficient audit process. However, according to Junaidi et al (2014), the longer period of service of the auditor would affect the audit quality negatively, as it tends to produce a "family relationship" between the auditor and the company being audited and consequently increase the probability of information asymmetry.

H9: There is a significant positive effect of audit tenure to EVA

3. Methods

3.1 Population and Sampling Method

This study uses quantitative financial data obtained from Bloomberg as well as company financial statements from 2010-2017. The population comprised of 166 consumer goods manufacturing companies in Malaysia and Indonesia, although only 121 companies have the complete data is considered in the study. 121 Companies consist of 97 companies from Malaysia and 24 companies from Indonesia. The purpose of using a sample from 2010 – 2017 is to have consistent data to produce a result with the most updated data. In another way using 8 periods of data can fulfill the requirement of having a complete and stable data instead of using only less than 8 years period. That way this research can provide a result that is reliable and satisfying the needs of companies in developed industries.

Table 1. Number of Observation Periods

Sampel Criteria	Sum of Companies
Total consumer goods manufacturing companies listed on Indonesia Stock Exchange from 2010 to 2017	41
Total consumer goods manufacturing companies listed on Bursa Malaysia from 2010 to 2017	125
Total companies with no financial statement in the period of time	45
Total companies which meet the criteria	121
Sum of data used (121 companies x 7 years)	968

3.2 Data collection methods and processes

3.2.1 Dependent Variable

In this study, the company value would be used as dependent variables as measured by Economic Value Added (EVA). The use of EVA could be very interesting as it could measure the success level of a company and also useful as a tool for the company in all aspects (Sahoo & Pramanik, 2016). As a measuring tool for company performance, EVA plays an important role in increasing company value for the shareholders, since EVA represents some information that could influence the decisions of shareholders and investors (Al-Wawdeh & Al-Sakini, 2018). The value of EVA originated from the concept that company profits which are capable of covering operational and capital costs, tend to also produce a value that can represent the welfare of the company (Sahara, 2018). Information on company values represented by EVA, both financially or non-financially, could be used by the company's internal part as well as its external such as stakeholders.

$$EVA = (ROIC - WACC) \times Invested\ Capital$$

Where:

ROIC = Net Operating Profit after Tax / Intellectual Capital

WACC = (Cost of Debt x Presentation) + (Cost of Equity x Equity presentation)

Invested Capital = Total Debt + Total Equity

3.2.2 Independent Variable

This research uses two components for an independent variable which are Value Added Intellectual Coefficient (VAIC) and Corporate Governance (CG). The first VAIC is consists of Human Capital Efficiency (HCE), Structure Capital Efficiency (SCE) and Capital Employed Efficiency (CEE). The second component is Corporate Governance (CG) that consists of audit committee size, audit committee gender, remuneration size, remuneration gender, audit quality, and audit tenure.

3.2.3 Control Variable

According to (Atnic, Simmering, & Kroll, 2011), the application of control variables is highly necessary as incorrect application of control variables would induce inaccurate results. In this study, the firm size, leverage, and return on asset (ROA) would be used as controls variables.

Table 2. Operational Definition of Variables

HCE	All human resources aspect in the company	$\frac{Value\ Added}{Human\ Capital}$
SCE	Non-human aspect of the company which usable to the human resources	$\frac{Structural\ Capital}{Value\ Added}$
CEE	Company's capability in increasing its capital assets value	$\frac{Value\ Added}{Book\ Value\ of\ the\ Net\ Asset\ of\ the\ company}$
Auditor Quality	External Auditor whom hired by the company. Audit quality uses dummy variables.	1 : big four 0 : non-big four
Audit Tenure	The period of time when external auditor audits the company	1 : 4 years or more 0 : less than 4 years
Audit Committee Size	The total number of audit committee member	Audit Committee size
Audit Committee Gender	Proportion of female members to the total members of audit committee	$\frac{Women\ on\ Audit\ Committee}{Audit\ Committee\ Size}$
Remuneration Size	The total number of remuneration committee	Remuneration size
Remuneration Gender	Proportion of female members to the total members of remuneration committee	$\frac{Women\ on\ Remuneration\ Size}{Remuneration\ Size}$

3.2.4 Firm Size

According to a prior study by Premachandra, Chen, & Watson (2011), the use of firm size and leverage could help in calculating company performance. Moreover, Liargovas & Skandalis (2008) also stated that firm size is commonly considered by investors in buying shares. To the investors, the firm size serves as a benchmark in assessing whether a company has a good performance or not.

Firm Size = log (Total Asset)

3.2.5 Leverage

Levi, Russell, & Briggeman (2017) stated that leverage could reflect the level of debt used in an effort to improving financial performance. Previous studies have empirically proven that there is a direct relationship between company performance and leverage. In 2006, Ward and Price stated that leverage and company performance could be positively correlated, but it's capital structure did not have a significant effect on company performance. The following is a systematic leverage formula:

Leverage = Total Debt / Total Equity

3.2.6 Return n Asset (ROA)

ROA could be used to measure the future ability of a company in creating profits from the total asset owned by that company (Rosikah, Prananingrum, Muthalib, Azis, & Rohansyah, 2018). A high result of ROA would indicate better effectiveness of a company.

ROA = Net Income / Total Assets

3.3 Measures

3.3.1 Empirical model equation

This study uses multiple linear regression as well as simple regression models with the aid of "Gretl software" to analyze the relationship between Intellectual Capital and Corporate Governance of EVA. This relationship can be presented by the following regression model:

$$EVA = \beta + \beta1HCE + \beta2CEE + \beta3SCE + \beta4Fsize + \beta5Lev + \beta6ROA + \beta7RemuSize + \beta8Remu\ Gender + \beta9Audit\ Comm\ Size + \beta10Audit\ Comm\ Gender + \beta11AQ + \beta12\ Audit\ Tenure + \varepsilon$$

Where:
β: Constants
β1- β12: The coefficient of each variable
ε: Error

4. Results

4.1 Descriptive Analysis

This study uses the "Gretl software" and produces descriptive statistical data for each variable tested. Table 2 shows that the maximum and minimum values for HCE and CEE are produced by Indonesian companies. Whereas the minimum value and maximum value for SCE are produced by Malaysian companies. From the AQ and AT standpoint, both Malaysian and Indonesian companies have a minimum value of 0 and a maximum of 1, which concludes the use of dummy variables in both countries. The audit committee size produced by Malaysian and Indonesian companies both have a minimum value of 2, but the maximum value of Indonesian companies is greater than the Malaysian companies. Meanwhile, the minimum value of the audit committee gender owned by Malaysian companies is similar to Indonesian companies, which is 0, although the maximum value is produced by Malaysian companies. The standard deviation is observed to be highest in the HCE variable result of Indonesian companies.

Based on Table 4 (Collinearity Test), the smallest collinearity value is 1. If this value exceeds 10, then the study is considered to have a collinearity issue. It can be seen that both Malaysia and Indonesia did not have any issue regarding the Collinearityas its results meet the criteria aforementioned. Likewise, it also generates similar results when the test is carried out for the consolidated company data.

The heteroscedasticity test is used to find out the presence of inequality of variants in residuals for all observations in the regression model. In this test, if a significance value is found to be greater than the significance level of 0.05 then it can be concluded that there is no heteroscedasticity in the regression model.

Table 4 showed that both data of Malaysian and Indonesian companies have heteroscedasticity issue as Malaysian companies showed the significance level of 0.000000 whereas Indonesian has a significance level of 0.000846. These results are less than the limit of 0.05. Therefore, the analysis would be continued by testing the panel effect.

4.2 Conclusion of Panel Effect Test

Based on the estimation test of the panel data model which carried out, the conclusion for the best model is summarized as follows Table 5.

The results of the panel data model estimation test are shown in table 4. First, if the p-value of the fixed estimator test is <0.05 then the model is fixed. Next, if the p-value of the Breusch-Pagan test is <0.05 then the model is random. The last is the Hausman test, where if the p-value is <0.05 than the model is fixed but otherwise it's random.

Table 3. Descriptive Statistic

Variable	MY				ID			
	MEAN	STD	MIN	MAX	MEAN	STD	MIN	MAX
HCE	4.55	29.07	-8.4457	563.15	15.8723	103.4228	-443.8496	999.5191
SCE	0.50587	37.468	-735.3	739.45	0.5917	0.9083	-5.3076	9.1619
CEE	0.29375	0.26086	-0.54216	2.1065	0.7458	2.0926	-0.0989	19.0321
FSIZE	8.4028	0.68571	0	10.36	11.7114	2.2587	0.3941	13.8028
LEV	0.21785	0.21667	0	2.5132	0.9565	5.7675	0.0000	57.8009
ROA	0.061036	0.22432	-1.4676	5.2617	0.1585	0.1563	-0.1091	0.6259
REMUSIZE	3.0735	1.0564	0	7	1.3958	1.6403	0.0000	7.0000
REMUGENDER	0.079016	0.16364	0	0.66667	0.0920	0.1827	0.0000	1.0000
AUDITCOMMSIZE	3.3428	0.68044	2	6	3.0677	0.4806	2	7
AUDITCOMMGENDER	0.17745	0.28272	0	1.3333	0.2375	0.2520	0	0.6700
AQ	0.40722	0.49163	0	1	0.4167	0.4943	0	1
AUDIT TENURE	0.82216	0.38262	0	1	0.7448	0.4371	0	1

Source: Author's compilation

Table 4. The Collinearity Test

Variables	Malaysia	Indonesia	Mix
	Collinearity	Collinearity	Collinearity
AQ	1.185	3.154	1.167
Audit Tenure	1.051	1.375	1.091
Audit Committee Size	1.197	1.435	1.162
Audit Committee Gender	1.344	1.967	1.175
Remuneration Size	1.151	2,194	1.418
Remuneration Gender	1.289	1.722	1,225
Firm size	1.129	1.162	1.269
Lev	1.168	1.256	1.075
ROA	1.112	1.681	1.059
HCE	1.008	2.153	1.609
SCE	1.011	1.095	1.006
CEE	1.028	2.049	1.563
P- value (F)	0.47044	0.697049	0.427363
Adjusted R-squared	365.058080	133.136311	413.260397
Heteroscedasticity	0	0.000846	0

Source: Author's compilation

Table 5. Panel Effect Test

	Malaysia	Indonesia	Mix
Fixed Estimator	9.36E-20	1.42E-076	6,14E-88
Breusch-Pagan Test	6.50E-23	2.52E-102	7,04E-155
Hausman Test	1.72E-05	0.722361	0.0794093
Conclusion	*Fixed Effect*	*Random Effect (GLS)*	*Random Effect (GLS)*

Source: Author's Compilation

The p-value of the Hausman test for the Malaysian variable is <0.05, so the model is fixed, while the resulting value for Indonesian variable exceeds 0.05, therefore Random Effect model should be used for Indonesia. However, as Malaysia and Indonesia still had problems with heteroscedasticity, the fixed model is replaced by the weighted least square (WLS) model and the random model is replaced by the generalized least square (GLS) model (Greene, 2003). When the data of both countries combined and retested, the result indicates a random model. Due to heteroscedasticity problems, the random model is replaced with GLS similar to the decision for Indonesian companies.

4.3 Hypothesis Testing

Based on the result shown in table 6, it is concluded that HCE has a negative effect on the increase of company value as measured by EVA for both Malaysian companies and Indonesian companies.

Table 6. Hypothesis Results

Dependent Variable : EVA	Malaysia				Indonesia				Mix			
	Coefficient	p-value	STD Error	Result	Coefficient	p-value	STD Error	Result	Coefficient	p-value	STD Error	Result
HCE	0.0000387	0.8182	0.000168409	Rejected	−2.56798e-05	0.7495	0.000080422	Rejected	0.0000184195	0.8713	0.000113714	Rejected
SCE	-0.000124212*	0.0634	0.0000668047	Rejected	−0.00856118	0.1927	0.006572	Rejected	−0.000120689	0.3663	0.000133601	Rejected
CEE	0.1262211 ***	<0.0001	0.01087	Accepted	0.000172033	0.9629	0.00370264	Rejected	0.00417812	0.4902	0.00605491	Rejected
Remuneration Size	-0.000436964	0.7314	0.00127231	Rejected	−0.00489682	0.5331	0.00785569	Rejected	−0.0136923 **	0.0368	0.00655852	Rejected
Remuneration Gender	-0.0417037***	0.0002	0.010966	Rejected	−0.0332316	0.6534	0.0740106	Rejected	−0.0310847	0.5234	0.0487138	Rejected
Audit Committee Size	0.0163624***	<0.0001	0.00331001	Accepted	0.0522131***	0.0008	0.0155154	Accepted	0.0294193 ***	0.0087	0.0112205	Accepted
Audit Committee Gender	0.00354198	0.6117	0.00697363	Rejected	−0.00558419	0.9221	0.0570915	Rejected	0.0850589 **	0.0161	0.0353289	Accepted
Audit Quality	0.0195718***	<0.0001	0.00352644	Accepted	−0.0959556	0.4123	0.117034	Rejected	−0.0151257	0.4321	0.0192518	Rejected
Audit Tenure	0.00732238 *	0.0832	0.00422115	Accepted	−0.0218991	0.1388	0.0147947	Rejected	0.000975901	0.9417	0.013336	Rejected
Firm Size	-0.000894752	0.713	0.00243127		0.00342914	0.1975	0.00266115		0.00540148	0.1762	0.0039932	
Leverage	0.0381762 ***	<0.0001	0.00939525		0.00101493	0.3558	0.00109923		0.000974222	0.6176	0.00195148	
ROA	0.375145 ***	<0.0001	0.0233813		−0.0518617	0.4843	0.0741534		0.0535714 **	0.0205	0.0231245	
P- Value (F)	1.3E-101				0.00694604				0.0138086			
Adjusted R-squared	0.47757				0.0647702				0.0759991			

Note : ***,**,*significant at the 1%, 5%, 10% levels, respectively
Source: Author's Compilation

This result contradicts the prior study of Taheri (2014) who stated that HCE has a positive effect on EVA in which an additional value of the monetary unit invested in human capital exists. Thus, H1 was rejected**.**

It also found in this study that SCE has no significant effect but instead adversely affects the increase of company value in Malaysian and Indonesian companies. This result contradicts some prior studies which stated that SCE is considered as the company's capability in fulfilling routine processes and company structures in which SCE could support employee's effort to produce maximum business performance. Thus, H2 for Malaysian and Indonesian companies were rejected.

Differently, the CEE of Malaysian companies was concluded to have a significant positive effect in influencing the increase of EVA, whereas the CEE in Indonesian companies showed a negative result. Shevina (2014) conformed part of the conclusion where she stated that CEE was able to improve company performance in producing higher EVA values. Thus, for the reason explained, H3 was accepted for Malaysian companies but rejected for Indonesian companies.

The result provided in table 6 shows that firm size has no significant effect on company value and is also directly proportional to the decrease of it, or in other words, it negatively affects the company value. Therefore, the effect of firm size is rejected. Leverage and ROA are found to have a significant and positive effect on company value. Leverage reflects the level of the company's ability in paying its obligations without relying on the stakeholder's capital, so the higher the leverage of a company, its value would also be higher. Similarly, ROA reflects the company's return generated from its assets, so the higher the company's return, the higher and the company value in which it would provide a good mark for the company. Thus, it was concluded that Leverage and ROA for Malaysian companies were accepted.

The Remuneration results show a contradictory relation to the company performance on both Indonesian and Malaysia companies, and accordingly, it is concluded that remuneration has a negative effect on the increase of company value. There are two aspects of remuneration, i.e. remuneration size and remuneration gender. The results provided in table 6 show that the remuneration size has an insignificant negative effect on EVA. This result is confirmed by Jensen (2004) who argued that a smaller committee size would be more effective at work and also have less miscommunication. Similarly, the result of the remuneration gender also shows an inverse significant effect to the company value. Thus, it was concluded that H4 and H5 were rejected.

The audit committee size of Malaysian and Indonesian companies was found to be capable of providing a highly significant positive effect on company value. The increasing number of committee members was considered to be able to increase the number of meetings and effectiveness in decision making. This result confirmed the study of Ragunandan (2014) who offered the same perspective. Thus, as it is proven that the audit committee size was able to increase company value as measured by EVA, H6 is accepted. However, the result of the audit committee gender shows no significant effect on EVA, hence it was concluded that H7 from both Malaysian and Indonesian companies were rejected.

Other aspects of auditors, i.e. audit quality and audit tenure, were found to have a significant effect that is directly proportional to the increase of firm value. Malaysia and Indonesia have their own rules

regards to this time limit. In Indonesia, based on the Minister of Finance Regulation NO.17/PMK.01/ 2008 about Public Accountant Services on 5th of February in article 3 paragraph 1, it is regulated that the provision of general audit services for financial statements of an entity carried out by the Office of Public Accountant is maximum for 6 most consecutive years whereas by a Public Accountant is maximum for 3 consecutive years. In Malaysia, according to the Malaysian Institute of Accountant, the time limit given to the Office of Public Accountant in providing audit services is 5 years. The implementation of the audit tenure can help many Offices of Public Accountant in improving the quality of audits they provided. Auditor tenure can affect audit quality, in which the longer the period of audit tenure is, the better the audit quality produced as the result of Malaysia (Efraim, 2010). This is since a longer period of services to the company would increase the auditor's awareness of the system used, hence increasing the possibility of the auditor to find errors. However, (Junaidi, Apriyanto, Nurdiono, & Suwardi, 2014) contradict this statement by arguing that longer period of service of the auditor would affect the audit quality negatively, as it tends to produce a "family relationship" between the auditor and the company being audited as the result of Indonesia. This kind of "family relationship" would result in decreasing the ability to find errors which in turn would reduce the company's performance.

Thus, it could be concluded that H8 and H9 were accepted for the Malaysian company and rejected for Indonesian companies.

Consolidated data of Malaysian and Indonesian companies gave different hypotheses acceptance results than the separated individual data. For the consolidated data, the three components of VAIC, i.e. HCE, SCE, and CEE did not affect EVA, hence H1, H2, and H3 were rejected. As for the CG, there were only 2 variables that provide a significant positive effect to EVA which is audit committee size and audit committee gender, hence H6 and H7 were accepted. The other variables of CG were not found to have a significant positive effect on EVA, and thus, H4, H5, H8, and H9 were rejected.

Based on the result shown H4 is rejected where remuneration size has a significant and negative effect on EVA which means that the bigger size of the remuneration committee will reduce the EVA of the company. This result confirmed by Jensen, Murphy & Wruck (2004) that the more people in the remuneration committee conduct to inefficient performance, therefore, this will affect company performances that will reduce EVA as the consequences.

This result shows that H8 is rejected where remuneration gender has a negative effect on EVA that shown the bigger number of women in the remuneration committee will deflate the company's EVA. This result confirmed by the fact that Indonesia and Malaysia are Muslim countries where lies the perspective that men are most likely to have power in the leadership aspect. In reality, both countries have more male gender in most remuneration committee that makes women have only a minor role in the remuneration committee. Therefore the presence of a woman in the committee yields to a different style of leadership between man and woman. This way the remuneration committee will have difficulties in decision making. As the results of the inefficient performance of the remuneration committee yield to declining the company's EVA.

H8 is rejected because audit quality has a non-significant and negative effect on EVA. This occurs to the fact that companies that use Big Four tend to produce a more reliable result of the financial statement even if it showed an unqualified as an opinion due to auditing standard took by Big Four companies.

The result of this study shown that H9 is rejected because audit tenure has no significant effect on EVA even if the result is positive. This may occur because the investor does not concern about how long the company uses the same Public Accounting firm for a longer period. Instead, they pay more attention to the outcome of the financial statement as long as the public accounting firm used by the company is reliable.

5. Discussion

5.1 Discussion

Referring to the result of this research two components will be tested with the company value. First, is Value Added intellectual Capital that consists of Human Capital Efficiency (HCE), Structure Capital Efficiency (SCE) and Capital Employed Efficiency (CEE). The second component is Corporate Governance (CG that consist of Audit committee size, audit committee gender, remuneration size, remuneration gender, audit quality, and audit tenure. The first variable is HCE that based on the result is providing a negative effect on company value in Indonesia and Malaysia. This result confirmed by Ghosh and Mondal (2009) and contradict the research by Taheri (2014) and Razaei (2014) that stated HCE has a significant positive effect on EVA. This statement concludes that H1 is rejected.

SCE doesn't have enough significant effect on the company's value of Indonesia and Malaysia. This result contradicts to previous research by Taheri

(2014) and Chen (2014). So concluded that H2 is rejected. The last component of VAIC which is CEE based on the result, CEE has a positive significant effect on Malaysian companies. This result confirmed by Shevina (2014), and Akter & Hoque (2018). Contradict to the result for Indonesian companies, CEE does not have any significant effect on companies value. The conclusion is H3 is accepted for the Malaysian company and rejected for the Indonesian company.

Base on the CG components first is the remuneration committee. Two components of the remuneration committee are remuneration gender and remuneration size. Based on the result both components do not have any significant effect on company value whether in Indonesian company or Malaysian company. This result concludes that H4 and H5 are rejected for both countries. This result confirmed by Jensen (2004) and Ferera (2009)

Other that remuneration committee, another CG component is audit committee. First is audit committee size that by the result of this research gives a positive significant effect towards both Malaysian and Indonesian companies. This result conformed by Ragunandan (2014). Contradict to audit committee size, audit committee gender doesnt give any significant effect towards both company of Indonesia and Malaysia. This result is contradict to the research by Haat & Saleh (2013). Concluded that H6 is accepted while H7 is rejected.

Other than audit committee size, audit quality and audit tenure based on the result give a positive significant effect on Malaysian companies. This result is confirmed by Hussaney (2011) and Lee at al (2009).

Contradict to the Indonesian company, Audit quality and audit tenure don't give any significant effect on the company value. So concluded that H8 and H9 are accepted for Malaysian companies and rejected for Indonesian Company.

This research also compared the result to combine Indonesian and Malaysian data to see the result. Based on the result component of value added intellectual coefficient (VAIC), Human capital Efficiency (HCE), Structure Capital Efficiency (SCE), Capital Employed Efficiency (CEE) don't have any positive significant effect towards Indonesian and Malaysian company's value. So concluded that H1, H2, and H3 are rejected.

Referring to the component of Corporate Governance (CG) only 2 variables have a positive significant effect on the company's economic value added (EVA) which are audit committee size and audit committee gender so concluded that H6 and H7 are accepted. Contradict to another corporate governance component which remuneration size and remuneration gender, and also audit quality and audit tenure don't give any positive significant effect towards the company's value for both Indonesian and Malaysian companies. Concluded that H4, H5, H8, and H9 are rejected.

5.2 Managerial Implication and Limitation

As mentioned earlier, some indicators could increase the company's EVA. These indicators are Value Added Intellectual Coefficient (VAIC) and Corporate Governance (CG). The effect of VAIC and CG on EVA has been empirically proven through previous studies by Salehi (2014) and Ghalib (2018) who stated that VAIC and CG affected the EVA.

The purpose of this study is to examine whether VAIC and CG have an effect on company value as measured by EVA. In this study, firm size, leverage and ROA act as control variables. VAIC is divided into 3 components, i.e. Human Capital Efficiency, Structure Capital Efficiency, and Capital Employed Efficiency. Whereas CG is divided into internal aspects and external aspects. The internal aspect uses internal audit measurements which consist of the Audit Committee size, Audit Committee Gender, Remuneration Size, and Remuneration Gender. As for the external aspect, it is measured by the external auditor's scope, which consisting of Audit Quality and Audit Tenure. This study examined Indonesian and Malaysian consumer goods companies listed on the Indonesia Stock Exchange and Bursa Malaysia from 2010 to 2017. The samples used were 121 companies with the data taken from Bloomberg as well as its financial statements. Analyzing the model used in this study is multiple linear regression models.

The limitation of this study lies in the adjusted R-square value where Malaysian companies gained a value of 47.7% which is too high if compared to Indonesian companies whose value only 3.15%. This resulting R-squared value is influenced by the variables used. The limitation in this study is also related to the variety of variables from the corporate governance (CG) aspects used. There are still many other aspects that could affect the company value aside from the variables used in this study.

Therefore, further study is expected to be done, in which it includes a lot more different corporate governance (CG) variables to be tested for their effect on company value. Moreover, further research could use samples with the broader business sector that resembles the consumer goods sector to provide more concrete results and applies to other business sectors.

6. Conclusions

Based on the results of this study, it can be concluded that VAIC, firm size, leverage, ROA, the audit aspects, and remuneration, each have their effect on the company value, whether it is significant or insignificant or it is positive or negative. Of the three components of VAIC, it is the CEE of Malaysia that has a significant effect which is positive to the increase of company value. Differently, based on the test result of Indonesian companies, the VAIC component does not show any effect on company value. The same results could be observed on the consolidated data of Malaysian and Indonesian companies. As for the CG, particularly the external aspects, Audit Quality and Audit tenure give a significant positive effect on the company value only on Malaysian companies as it is not shown in Indonesian companies. Similarly, the results of consolidated data from Malaysian and Indonesian companies also show no positive significant effect to the company value. Meanwhile, for internal aspects, the Audit committee size has a positive effect on the increase of value in Indonesian and Malaysian companies while Remuneration Gender only affects the Malaysian companies. The other aspects such as Audit Gender and Remuneration Size found to not affect the increase of value in both the Indonesian company and Malaysian company. The result of consolidated data from both countries showed minor different as the audit committee size as well as audit committee gender both affect the company value.

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