

# Predicting the Impact of Intellectual Capital Management on the Performance of SMEs in Electronics Industry in Kuching, Sarawak

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*Intellectual Capital (IC) has secured an overwhelming response in the research domain in a knowledge-based economy. However, in Malaysia, previous studies rarely examined the role of IC in Small and Medium Enterprises (SMEs). In addition, most studies neglect the SMEs operating in Kuching, Sarawak. The main crux of this paper is to explore the role of IC management as an integral element of electronics organizations in Kuching, Sarawak, Malaysia. IC management plays a critical role for the development and sustenance of SMEs. In the beginning of the 21<sup>st</sup> century, it was observed that the IC management attained significant attention from academicians, researchers and practitioners. Therefore, it is indispensable to examine the role of IC in SMEs. This study uses survey method to examine the effects of IC on the performance of SMEs. A total of 130 participants were involved in this study. The findings were based on the empirical data from electronics SMEs operating in the service sector, Kuching, Sarawak, and generated by Pearson correlation method. Results reveal that Human Capital (HC) has the strongest relationship with Organizational Performance, followed by Spiritual Capital (SC), Technological Capital (TC) and Customer Capital (CC).*

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## Introduction

This study deals with the importance of Intellectual Capital (IC) in Small and Medium Enterprises (SMEs). There is no doubt that in the modern age, knowledge is considered as the main source of competitiveness. In the past, it was a postulation that knowledge and brainpower supersede tangible assets as the main source of competitive advantage, but now it is commonly accepted in the management domain (Quinn *et al.*, 1996; Stewart, 1997; and Youndt and Snell, 2004). The present knowledge-based economy is mainly based on intangible assets such as intellect, skill and expertise. Knowledge appears as the most important ingredient for the success and sustainability of organizations. In other words, we can say that knowledge-based assets form the life blood of organizations, particularly high-tech or knowledge-intensive

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