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# Intellectual capital and firm performance

## Differentiating between accounting-based and market-based performance

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### Abstract

**Purpose** – This study sheds light on the relation between intellectual capital and firm performance. The study argues that traditional performance measurement based on accounting is still able to explore the relation between intellectual capital and performance.

**Design/methodology/approach** – The study was conducted at 198 firms from two Gulf Cooperation Council countries: Kingdom of Saudi Arabia and Kingdom of Bahrain for the period 2014–2016. To measure intellectual capital, the value added intellectual coefficient model was adopted along with two measures of performance: accounting-based performance which is return on assets and market-based performance which is Tobin's Q, in addition to the Random-Effects Regression.

**Findings** – Study findings came up with evidences that support the relationship between intellectual capital and accounting-based performance, but negates any relation between intellectual capital and market-based performance. The findings also revealed different results, between Saudi Arabia's and those of Bahrain.

**Originality/value** – The study contributes to the debate on the validity of relating intellectual capital to the traditional accounting-based performance.

**Keywords** Firm performance, Accounting-based performance, Market-based performance, Intellectual capital, Bahrain bourse, Saudi financial market

**Paper type** Research paper