

## **ABSTRACT**

*This study aims to analyze the effect of intellectual capital on business performance (market valuation, profitability, and productivity). Independent variable used in this study is intellectual capital's performance that measured by VAIC<sup>TM</sup>. Dependent variables used are market to book value (M/B), return on assets (ROA), and asset turnover (ATO). In this study also used control variable, it is firm's size that measured by LN asset.*

*Study's sample is manufacturing companies listed in Indonesia Stock Exchange (IDX) period 2007-2009. Data collected by sampling purposive method. 69 companies was taken as study's sample. This study uses linear regression for data analysis.*

*The result of content analysis shows that intellectual capital has positive significant effect on market valuation, profitability, and productivity. Firm's size as control variable doesn't have effect on market valuation and profitability, but it has negative significant effect on productivity. In this study also proved that human capital gives a big proportion to create value added.*

*Keywords: intellectual capital, market valuation, profitability, productivity, firm's size*