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Corporate Governance and Intellectual Capital: Evidence from Public and Private Universities

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Abstract

This study was conducted to examine the perception of academics towards intellectual capital (IC) and governance practice at two Malaysian universities: University A (a Public University) and University B (a Private University). It also examines the factors which contribute to the retention of qualified academics and the relationship between intellectual capital (IC) and corporate governance (CG) in universities.

Analysis revealed that while CG was an important factor influencing the attraction and retention of academics and IC, the major factor that attracts academics to join universities was the opportunity provided for academic advancement.

While the analysis demonstrated that both universities had implemented good governance processes, there remained weaknesses: University A (public) needed to put more effort into improving the transparency and accuracy of its information system, and in providing opportunities for academics to give feedback and suggestions; University B (private) was perceived to lack appropriate support for career development, and the conduct of academic research.

The results suggest a positive relationship between IC and CG so that, the higher the CG the higher the IC retained by the university. This finding is supported by the 71.1 percent of respondents who indicated that they had no serious intention of leaving their current university.

Keywords: corporate governance, intellectual capital, higher learning institution

1. Introduction

Corporate governance regulation was already apparent before the global financial crisis (Sharma and Talwar, 2005), but is now receiving even greater focus. The interest in these practices is expected to increase the recognition of corporate governance in Malaysia as evidenced by the release of the Malaysian Code on Corporate Governance in March 2000. This established CG as a framework of legal, institutional, and cultural factors essential for companies in industrial as well as emerging markets.

Concern about governance has been expressed for universities, as well as companies, with significant efforts expended by Ministry of Higher Education (MOHE) to ensure proper and good governance in the higher education institutions in Malaysia. Starting with the Universities and University Colleges Act (1971), then the Private Higher Education Institutions Act (1996), National Higher Education Council Act (1996) and most recently the Malaysian Qualifications Agency Act (2007), all were introduced to ensure that universities become more dynamic, competitive and have good governance practices. Among the characteristics of good universities is the ability to attract and retain the best academics: those that are able to contribute significantly to advances in research (Yusof, 2008). This is consistent with Nelson and Phelps (1966) who consider academics as a source of intellectual capital (IC) and the most vital and strategic resource for universities.

Many studies have focused on corporate governance and its effect on financial and physical capital. This research adapts the study conducted by Assem, Dima and Sara (2007) to a comparison between universities, facilitating analysis of the relationships between CG and IC within contrasting academic environments. The higher education institutions (HEI) provide an effective location for such an investigation since IC is so

important to universities (Yusof, 2008). This study argues that the lack of good CG can lead to the inability to attract and retain IC and illustrates the relationship between CG and IC, and supports the contention with evidence from a survey of academics at two universities in Malaysia: one public university (University A) and one private university (University B). The findings provide guidance for those governance mechanisms which might be enhanced for the purposes of attracting and retaining academics.

Investment in IC as a prominent resource could provide high returns to an organization, that can lead to competitive advantage and shareholder value (Tayles, Pike and Sofian, 2007). In a university context, stakeholders such as academics and non academics, students, parents, and industry are conscious of the quality that the university preserves for future generations. In this case, the IC plays an important role in ensuring that the learning institution has the academic excellence to provide future leaders.

According to OECD (2001), IC consists of three main elements: human capital, organizational (structural) capital and customer capital. Human capital is defined as the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well being (OECD, 2001, p.18). The knowledge and skills are largely acquired through use and experience, both inside and outside employment as well as informal and formal learning. This value is important and contributes solutions to customers, creativity and innovation (Amiri, Jandghi, Alvani, Hosnavi, and Ramezan, 2010). Previous research has demonstrated a strong relationship between innovation and organizational performance (e.g., Ngah and Ibrahim, 2009).

The second element of IC is structural capital and refers to the system and structure of an organization. Amiri et al. (2010) classifies structural capital into company culture, organizational culture, organizational structure, organizational learning, operational processes and information systems. An enterprise with strong structural capital will create a constructive environment to make use of its human capital and allow it to realize its full potential in promoting innovation and customer capital. Close customer relationships give greater value to the organization as it gains more knowledge and utilizes this to achieve higher performance (Bontis, 1998). Size of organization influences the creation of a friendly atmosphere, creativity and network to nurture cooperation of the employees. Even though, there is no newly developed innovation, small and medium entities (SMEs) can create a close relationship with their customers, allowing them to capture information on customers and markets (Ngah and Ibrahim, 2009).

In the university context, the IC should not be the same as for a commercial organization as they differ significantly in the resources they consume and the motives of their establishment, with university intellectual capital much more about human capital (Yusof, 2008). As knowledge plays a central role in economic success, it must be recognized that this value will not always appreciate, but that human capital will tend to depreciate through lack of use (OECD, 2001). Thus, in order to reach the fullest potential for human capital. As such, a distinct set of human resources practices should be established so that academics can develop the skills and knowledge specific to their specialized areas of interest.

According to Canibano and Sanchez (2009), the university is the landmark of civilized advancement because it mirrors human higher learning in many disciplines of knowledge. Although universities do not normally report profits, so that there is no market value attached to them in the same sense as for companies, there is an increasing need for them to show that the public and private money they receive is used to produce new knowledge useful to society. This is consistent with the opinion of OECD (2007) where the university is no longer considered a quiet place to teach and research in a leisurely manner; it is now a complex, demanding, competitive business, to which corporate governance practices are applicable.

Kane-Urrabazo (2006) believes that employee dissatisfaction, associated with corporate culture, is the main reason behind staff turnover. In order to develop an appropriate corporate culture, top management should incorporate trustworthiness, empowerment, support, enforcement and consistency in their procedures and policies. A supportive atmosphere for teaching and research work will lead to job satisfaction among lecturers (Azmi, 2006). He suggests that the university has a duty to ensure that its academics have the autonomy to explore a field of research and to express that research without being threatened. The designated area of research interest should not be so restrictive and selective as to hinder satisfaction, innovation and creativity.

In many private universities, the turnover of academics is higher than that in public universities (Joerder and Shariff, 2011). Relevant research data, from Malaysia and elsewhere, has demonstrated the importance of job satisfaction in terms of its effect on productivity, efficiency and turnover (Santhapparaj and Syed, 2005). Proper management and sound corporate governance practices promote the retention of intellectual capital. Higher education institutions are expected to deliver quality education for human resource development. Thus the

governance systems that these universities apply to their work are crucial to meeting expectations, especially those of the private universities, who are expected to deliver outcomes of the same quality (Tetteh and Ofori, 2010).

There are arguments that suggest that for the private self-financed universities, the management emphasis is more on students' satisfaction rather than that of academics, since the former are considered as the customers of the latter (Santhapparaj and Syed, 2005). This study contributes to our understanding of how the public and private universities are structured and governed to attract and retain its qualified personnel and accumulated intellectual capital, and generates findings which provide improvement opportunities.

The overall purpose of this study is to examine the relationship between intellectual capital (IC) and corporate governance (CG) in a university setting. In particular, its aim is to examine the argument that the lack of good CG can lead to an inability to attract and retain IC in public and private universities. This study also identifies associated factors pertaining to the effective running of the university as they seek to attract and retain their qualified academics.

2. Literature Review

Consistent with agency theory accounting regulation seeks to limit dysfunctional and self-serving managerial behavior. Corporate governance guidelines establish the nature of the relationship between management and employees for the equitable distribution of shareholder wealth. Intellectual resources constitute a strategic asset drive the successful performance of the company, so that companies need to adopt processes to effectively protect and retain them (Bontis, 1996; Bradley, 1997; Keenan and Aggestam, 2001).

The present day workforce increasingly expects challenging work assignments, competitive compensation, and promotion and development opportunities. The absence of the latter is often a driver of staff turnover (Abassi and Hollman, 2000).

Intellectual capital plays a key role in promoting the growth of corporations, but no previous research has empirically examined the relationship between corporate governance and the retention of intellectual capital.

Intellectual capital (IC) refers to and includes relatively intangible and/or hidden assets of enterprises that are or can be leveraged to create value for the stakeholders of the organizations (Klein, 1998). According to Sullivan (1998), IC includes intellectual assets that can be converted into revenues and which are critical to the success and competitive advantage of an organization. IC includes the competencies of employees, employee know-how, education, attitudes and morale, motivation, developmental stage, age, attendance and other work patterns, diversity, and work-non-work orientations (OECD, 2007).

Management should facilitate research work by making available appropriate resources. Azmi (2006) asserted that the availability of resources should not be accompanied by overly pedantic restrictions which discourage applications for research funds. Funding is the key resource for the conduct of research and other activities such as organizing and presenting research at conferences: not only does it facilitate better research but is also as an indicator of excellence (Cannibino and Sanchez, 2009). Since the universities are given greater autonomy and academic freedom towards the use of public funds, management and reporting systems must be wisely administered.

The other aspects that assist a company in retaining its intellectual capital are training and career development, since both could increase job satisfaction. Birdi et. al (1997) as supported by Bontis and Serenko (2007) contend that job satisfaction would increase the employees' commitment and make them more open to change and new ideas. Bontis and Serenko (1997) further added that in order to build employee capabilities and increase job satisfaction, an organization should provide effective, appropriate and successful training. Proper reward should be given to those who strive towards and achieve academic excellence, with conditions established to encourage excellence in research and teaching. One important criterion is therefore to implement efficient management structures and practices, which implies an effective decision making process, a developed administrative and financial management capacity, and the ability to match rewards to performance (European Commission, 2003a).

Academics need to make sure that their efforts are going to be acknowledged and valued, and that they will be rewarded fairly. As supported by Danish Trade and Industry Development Council (1998), employees feel motivated when their value for the firm is documented, as a result, improving their performance. Thus, promotions that are given based on academic merit (e.g., excellent research and competent teaching) could lead to an increase in job satisfaction which simultaneously attracts and retains those in professional faculties.

Any organization should specify and encourage the ingredients that can cultivate integrity and trust. Corporate governance emphasises both disclosure and transparency. Sanchez et. al (2009) asserted that in order to cope

with multiple missions and fulfill their accountability duties, management and reporting mechanisms must be improved.

In line with corporate governance principles, academics seek to have access to more accurate and relevant information concerning the evaluation system. This might be exercised, for example, simply by publishing the curriculum vitae of those who are promoted (Azmi, 2006). The universities need to let the campus community, comprising academics across many disciplines, scrutinize whether or not there is a fair evaluation process for all. If not, problems may arise in subsequent decision-making for resource allocation and research assessment.

3. Research Method

The main purpose of this study is to examine the relationship between CG and IC at a Public University (University A) and a Private University (University B) by surveying the perceptions of lecturers. The survey addresses, in particular, the factors that attract IC to University and their perception of several aspects of CG at the institution. Initially a pilot study was conducted (in January 2012) to refine the items in the questionnaire; a random sample of 30 lecturers participated in the pilot. Several changes were made to the questionnaire based on the suggestions received from the participants in the pilot study.

A set of a survey questionnaire was used to gather the academics' opinions and beliefs on the subject matter. The questions were adapted from a study conducted by Assem, Dima and Sara (2007) in a manner which facilitated the comparison between public and private universities. The questions were divided into five parts and a five-point Likert scale (from strongly disagree to strongly agree) was used for each question. Part 1 examined the importance of intellectual capital to an academic institution and explored the effect of IC on reputation and competitiveness; Part 2 assessed the factors that academics took into consideration when joining the university, and the association between corporate governance and the attraction and retention of intellectual capital; Part 3 captured academics' perceptions toward the general governance practices of the university in terms of transparency, integrity, corruption, policies, and procedures; Part 4 addressed other aspects of corporate governance at the university which were particularly related to the intellectual capital management at the university, the encouragement and support for research and innovation and the impact of such management on the performance of academic staff, and finally Part 5 sought the demographic information of the respondents .

In sum, the questionnaire enabled the identification of the factors considered important in attracting intellectual capital and efficiently managing the university. It also allowed identification of areas of strong governance as well as the areas where improvements needed to be introduced in order to manage the university, so that it could attract and retain intellectual capital. University A and University B were selected based on their matched size, as measured by number of employees. Academics from both universities were selected using a convenience sample due to time constraints. The sampling was able to provide data quickly and efficiently, despite senior members of staff being under-represented in the sample.

4. Data Analysis

Descriptive analysis was conducted to generate information about the data collected. Among the information generated are the mean, median, maximum and minimum of all the variables used for this study.

Table 1 shows a total of 287 responses collected from across both universities, 61.4 percent of which were from University A. 40.1 percent of the respondents were in the age group 26-30 years old, which represented the most common age group in the survey. Only 2.1 percent of the respondents were at the level of associate professor/professor and only 1 percent held doctorates, both indicative of the under-representation of those with the highest academic qualifications.

Table 1. The distribution of descriptive statistics for demographic data collected from respondents

	UNIVERSITY A	UNIVERSITY B
Gender	**SAMPLES (N=176)**	**SAMPLES (N=111)**
Males	28	33
Females	148	78
Below 25 years old	24	3
26-30 years old	74	41
31-35 years old	29	22
36-40 years old	19	28
41-45 years old	13	12
46-50 years old	10	2
Above 50 years old	7	3
Academic Rank		
Lecturer	164	105
Associate Professor	6	0
Associate Professor, Dr	0	1
Professor	0	1
Others	6	5
Academic Qualification		
Professional Degree	1	3
Bachelor Degree	27	48
Master Degree	146	57
Doctoral Degree	2	3

A reliability test was conducted to measure the internal consistency between the items in the questionnaires. The reliability test statistic shows a Cronbach's alpha value of .938, suggesting a very good internal consistency reliability of the corporate governance practices scale. In sum, all the items in the questionnaire are strongly related to each other. The normality test was conducted on the distribution of total governance scores and the results of the Kolmogorov-Smirnov indicated a significant result (Sig. = .001). This value suggests a potential violation of the assumption of normality, so that the study adopts non-parametric statistical techniques for further data analysis.

The main objective of this study is to examine the perception of the academics towards the IC and CG practices in public and private universities so as to examine the argument that intellectual capital is important to the University. Referring to Table 2, 89.2 percent 'strongly agrees and agrees' that the university's competitive position improves with the increase in its intellectual capital and 86.1 percent believe that the success of the university depends on the contribution from academics. These results support Yusof (2008) who suggested that IC is the most important and strategic resource for universities.

Table 2. The overall perception of respondents toward the importance of IC to a University

		Disagree		**Agree**		**Asymp. Sig.**
		N	***%***	***N***	***%***	
1	The success of University depends on contribution from academics.	14	4.9	247	86.1	.000
2	University's reputation and improvement relies on its academics.	15	5.2	250	87.1	.000
3	University's competitive position improves with the increase of its intellectual capital.	10	3.5	256	89.2	.000
4	University recognizes its existing scholars attract new academics.	15	5.2	209	72.8	.000

The results also support the argument that a university's reputation and improvement relies on its academics (87.1 percent). Interestingly however, there is a significant difference between University A and B on this item: responses from University A noted 90.3 percent of 'strongly agree and agree' whereas only 77.5 percent of the same responses were recorded from University B. The overall score of 87.1 indicates that IC has an important role in the creation of knowledge and advantage to the university.

Furthermore, 72.8 percent 'strongly agrees or agrees' that the university recognizes that its existing scholars do assist in attracting new academics. This is consistent with Assem et al. (2008) who found that IC was attracted by the quality of IC already existing in a university. A Mann Whitney U test revealed a statistically insignificant difference of the level of perceptions of the importance of intellectual capital to the public university (*Md=17*, *n=176*) and private university (*Md=17*, *n=111*), *U*=9234, *z* = -.788, *p*=.431. Tables 3 and 4 show the results for University A and University B.

Table 3. The perception of respondents from a public university towards the importance of IC to the university – University A

		SD	***MD***	***N***	***MA***	***SA***	***Asymp.***
		%	***%***	***%***	***%***	***%***	***Sig.***
1	The success of University depends on contribution from academics.	1.7	2.8	4.0	39.2	52.3	.008
2	University's reputation and improvement relies on its academics.	0	5.1	4.5	44.3	46.0	.118
3	University's competitive position improves with the increase of its intellectual capital.	1.1	1.1	5.1	45.5	47.2	.895
4	University recognizes its existing scholars attract new academics.	1.1	5.1	22.2	43.2	28.4	.503

Table 4. The perception of respondents from a public university towards the importance of IC to the university – University B

		SD	***MD***	***N***	***MA***	***SA***	***Asymp.***
		%	***%***	***%***	***%***	***%***	***Sig.***
1	The success of University depends on contribution from academics.	3.6	1.8	10.8	30	53.2	.008
2	University's reputation and improvement relies on its academics.	3.6	1.8	17.1	36.9	40.5	.118
3	University competitive position improves with the increase of its intellectual capital.	2.7	2.7	12.6	42.3	39.6	.895
4	University recognizes its existing scholars attract new academics.	0.9	2.7	21.6	44.1	30.6	.503

The second part of the analysis is devoted to a discussion of the factors that influence the academics' decision to join a university. Table 5 shows that the most important factor considered by the academics when joining a university is the potential for that university to add value to their academic advancement (79.04 percent). Good governance becomes a secondary factor (75.03 percent). There is however a significant difference in the governance scores, with the score for University B higher than that for University A. The results also suggest that academics in University B were attracted to join the university primarily because of its governance

In addition, 71.8 percent of respondents agree that governance at the university is related to intellectual capital retention. 63.4 percent of respondents agree that the university reputation is a third important factor to be considered when joining a University, followed by 46 percent identifying location of the university, and associated travelling time, as a determining factor.

Table 5. Significant factors considered in joining a university

		Disagree		Agree		Asymp. sig.
		N	*%*	*N*	*%*	
1	I joined University because of its reputation.	37	12.9	182	63.4	.000
2	I joined University because it pays better.	57	19.9	125	43.6	.000
3	I joined University because I believe it will add value to my academic advancements.	21	7.3	228	79.4	.000
4	Governance at University is a key factor/consideration in attracting new academics.	19	6.6	216	75.3	.000
5	Governance at University is certainly related to intellectual capital retention.	23	8	206	71.8	.000
6	I joined University because of its location.	68	23.7	132	46	.000

The least likely factor to be considered is apparently the remuneration package offered by the institution, with only 43.6 percent of the respondents who strongly agree and agree to join a university because of its salary. Interestingly, there is a significant difference between universities in the scores on this item, with the score of University B (*Md=4*, *n=111*) being higher than that for University A (*Md=3*, *n=111*), *U*=8024, *z* = -2.678, *p*=.007. This may reflect the greater employment opportunities available in the private university sector. Overall, the results suggest that good corporate governance is the second most influential factor in the attraction of IC towards the university as well as its retention in the university. Tables 6 and 7 show the results for significant factors considered in joining University A and University B.

Table 6. Significant factors considered in joining a university – University A

		SD	*MD*	*N*	*MA*	*SA*	*Asymp.*
		%	*%*	*%*	*%*	*%*	*Sig.*
1	I joined University because of its reputation.	6.3	9.1	24.4	40.9	19.3	.118
2	I joined University because it pays better.	10.2	13.6	38.1	31.3	6.8	.007
3	I joined University because I believe it will add value to my academic advancement.	4.0	4.5	10.8	51.7	29.0	.441
4	Governance at University is a key factor/consideration in attracting new academics.	3.4	5.7	19.9	50.0	21.0	.005
5	Governance at University is certainly related to intellectual capital retention.	2.3	6.8	21.6	50.0	19.3	.079
6	I joined University because of its location.	16.5	13.6	27.3	23.3	19.3	.055

Table 7. Significant factors considered in joining a university – University B

		SD %	*MD* %	*N* %	*MA* %	*SA* %	*Asymp. Sig.*
1	I joined University because of its reputation.	3.6	5.4	22.5	45	23.4	.118
2	I joined University because it pays better.	5.4	8.1	34.2	41.4	10.8	.007
3	I joined University because I believe it will add value to my academic advancement.	0.0	5.4	17.1	53.2	24.3	.441
4	Governance at University is a key factor/consideration in attracting new academics.	0.0	2.7	15.3	48.6	33.3	.005
5	Governance at University is certainly related to intellectual capital retention.	0.9	5.4	18.4	47.7	27.9	.079
6	I joined University because of its location.	7.2	6.3	35.1	34.2	17.1	.055

The following section reveals more about the academics' perceptions of governance and the IC management at a university. Table 8 shows that a large percentage (80.8 percent) of the respondents agree that their work supports the mission and vision of the university. This provides evidence that the university board has successfully identified the university's specialization and core competencies.

Table 8. The overall perceptions of the University's general governance practices

		Disagree		**Agree**		**Asymp.**
		N	***%***	***N***	***%***	***Sig.***
1	There are guidelines to clarify the responsibility of all academicians.	31	10.8	208	72.5	.000
2	University is a transparent organization.	51	17.8	133	46.3	.000
3	University has a proper system for dissemination of information.	37	12.9	177	61.7	.000
4	University's policies and procedures are clearly defined for all academics.	40	13.9	175	61	.000
5	University's policies and procedures are the same for all academics.	58	20.2	140	48.8	.000
6	University takes the necessary corrective action in case of wrongful behaviour committed by its academics.	38	13.2	172	59.9	.000
7	University is a well governed institution.	24	8.4	194	67.6	.000
8	My rights at University are well-protected.	29	10.1	159	55.4	.000
9	Accurate and relevant information in University is easy to access.	32	11.1	168	58.5	.000
10	There is no potential for corruption at University.	101	35.2	63	22	.000
11	University emphasizes inter-organizational relationships.	18	6.3	189	65.9	.000
12	University emphasizes collaboration between colleagues.	20	7	198	69	.000
13	Academics are encouraged to take part in the decision making process.	38	13.2	160	55.7	.000
14	Academics are encouraged to give suggestions on how to improve the operations within University.	34	11.8	175	61	.000
15	Our work supports the mission and vision of University.	10	3.5	232	80.8	.000

72.5 percent of respondents agree that the university has clear guidelines for all the academics' responsibilities and 69 percent agree that the university emphasizes collaboration between colleagues. Overall, a majority of the respondents perceive the university as a properly governed institution in the context of enforcement of the rules and regulations, policies and procedures, and with an information system which includes the dissemination of information and access to accurate and relevant information.

However, the results show that there are three noteworthy areas with respect to CG practices in the university: disclosure and transparency; fair policies and procedure for all academics, and integrity and trust. Only 48.8 percent agree that policies and procedures are fair for all academicians and only 46.3 percent agree that their university is a transparent institution. Interestingly, the results also show that University B is perceived to be more transparent than University A (*Md=4*, *n=111*), *U*=7642, *z* = -3.288, *p*=.001, the only element that is significantly different across the two universities.

In particular, transparency refers to the concept of removing all barriers to corporate information and the laws and processes that facilitate and protect academics in a university to freely join, develop, and improve the process as well as enabling them to see what actions are performed. The results found no significant difference in the perception of respondents from University A who agree and disagree in the context of access to accurate and relevant information (p=0.074), encouragement in taking part in decision making processes (p=0.194).

As shown in Table 9, there are mixed findings with respect to calls for more transparency. 72.8 percent agree that the two universities should be more transparent in their evaluation system. This refers to how the academics are promoted and the kind of rewards offered to them with regard to their performance. A total of 57.5 percent agree that the university should be more transparent in its financial allocation and 56.4 percent agree that the university should be more transparent in its provision of facilities.

Table 9. Perceptions toward transparency and disclosure at the university

		A	***B***		***Agree***	***Asymp***
		%	***%***	***N***	***%***	***Sig***
1	University should be more transparent in evaluation system.	77.3	65.8	209	72.8	.046
2	University should be more transparent in financial allocation.	61.9	47.7	162	56.4	.025
3	University should be more transparent in imposing new rulings.	61.9	35.1	148	51.6	.000
4	University should be more transparent in provision for facilities	69.3	38.7	165	57.5	.000

The third area of concern was integrity and trust. This element affects the level of job satisfaction of employees (Anisa, et al, 2012). When there is no trust, employees become may believe that the university is not worthy of their loyalty (Brooks, 2009). The results show that only 22 percent of the respondents believe that there is no opportunity to commit corruption in the university while 42.8 percent are neutral on this issue. There is no significant difference in academics' perception in University A between those who agree and disagree that their rights are well protected by the university (p=0.169). Tables 10 and 11 show perceptions toward the university's general governance practices in each of universities. Overall, the results show there is no significant difference in perceptions of general governance practices between University A (*Md=56*, *n=176*) and University B (*Md=56*, *n=111*), *U*=9353, *z* = -.606, *p*=.545.

Table 10. Perceptions of University's general governance practices – University A

		SD %	*MD* %	*N* %	*MA* %	*SA* %	*Asymp. Sig.*
1	There are guidelines to clarify the responsibility of all academics.	3.4	9.1	14.2	55.1	18.2	.910
2	University is a transparent organization.	5.1	15.3	39.8	36.9	2.8	.001
3	University has a proper system for dissemination of information.	2.3	14.8	23.3	47.2	12.5	.067
4	University's policies and procedures are clearly defined for all academics.	5.1	12.5	22.7	47.2	12.5	.178
5	University's policies and procedures are the same for all academics.	4.5	15.9	29.0	40.3	10.2	.607
6	University takes the necessary corrective action in case of wrongful behaviour committed by its academics.	1.1	14.2	24.4	49.4	10.8	.412
7	University is a well governed institution.	1.7	8.5	23.9	50.0	15.9	.457
8	My rights at University are well-protected.	3.4	8.5	32.4	43.2	12.5	.757
9	Accurate and relevant information in University is easy to access.	2.3	10.8	28.4	49.4	9.1	.374
10	There is a potential for corruption at University.	10.2	20.5	45.5	17	6.8	.075
11	University emphasizes inter-organizational relationships.	2.3	4.0	29.0	54.0	10.8	.525
12	University emphasizes collaboration between colleagues.	1.7	4.5	21.6	57.4	14.8	.211
13	Academics are encouraged to take part in the decision making process.	3.4	10.8	29.0	49.4	7.4	.684
14	Academics are encouraged to give suggestions on how to improve the operations within University.	2.3	11.9	27.3	46.6	11.9	.070
15	Our work supports the mission and vision of University.	1.1	2.3	11.9	58.0	26.7	.294

Table 11. Perceptions of University's general governance practices – University B

		SD %	*MD* %	*N* %	*MA* %	*SA* %	*Asymp. Sig.*
1	There are a guidelines to clarify the responsibility of all academics.	3.6	4.5	20.7	51.4	19.8	.910
2	University is a transparent organization.	3.6	9.9	29.7	42.3	14.4	.001
3	University has a proper system for dissemination of information.	2.7	3.6	28.8	45.0	19.8	.067
4	University policies and procedures are clearly defined for all academics.	0.0	8.1	28.8	46.8	16.2	.178
5	University policies and procedures are the same for all academics.	6.3	13.5	34.2	36	9.9	.607
6	University takes the necessary corrective action in case of wrongful behaviour committed by its academics.	0.9	9.0	30.6	42.3	17.1	.412
7	University is a well governed institution.	3.6	1.8	24.3	54.1	16.2	.457
8	My rights at University are well-protected.	2.7	4.5	37.8	41.4	13.5	.757
9	Accurate and relevant information in University is easy to access.	0.9	7.2	33.3	43.2	15.3	.374
10	There is no potential for corruption at University.	12.6	29.7	38.7	13.5	5.4	.075
11	University emphasizes inter-organizational relationships.	2.7	3.6	26.1	54.1	13.5	.525
12	University emphasizes collaboration between colleagues.	2.7	5.4	27.9	50.5	13.5	.211
13	Academics are encouraged to take part in the decision making process.	4.5	7.2	34.2	39.6	14.4	.684
14	Academics are encouraged to give suggestions on how to improve the operations within University.	4.5	3.6	27	44.1	20.7	.070
15	Our work supports the mission and vision of University.	0.9	2.7	21.6	47.7	27.0	.294

Table 12 reveals more about the efficiency of IC management in the university as it further reinforces the observations of CG in Universities A and B. The results show that 80.5 percent 'strongly agree or agree' that their performance improved when their efforts were appreciated, and they also believe that their intellect (knowledge, skills and competencies) improves at the University.

Table 12. Overall perceptions of respondents from the university toward intellectual management in the university

		Disagree		**Agree**		**Asymp sig.**
		N	***%***	***N***	***%***	
1	University encourages my research work.	34	11.8	182	63.4	.000
2	University provides the necessary resources to achieve my research work.	45	15.7	159	55.4	.000
3	University management system facilitates the work of academics.	39	13.6	156	54.4	.000
4	University rewards new ideas and outstanding output.	26	9.1	166	57.8	.000
5	University encourages creativity and innovation.	20	7	202	70.4	.000
6	University has the necessary tools to evaluate my competency.	36	12.5	164	57.1	.000
7	University has a fair reward system.	46	16	128	44.6	.000
8	At University, everyone takes credit for his/her own work.	25	8.7	150	52.3	.000
9	If my work is appreciated, my performance improves.	16	5.6	231	80.5	.000
10	My intellectual (knowledge, skills and competencies) contributions improved at University.	13	4.5	226	78.7	.000
11	I am motivated to do research because other faculty members do.	31	10.8	162	56.4	.000
12	University provides appropriate and adequate training for my career development.	34	11.8	178	62.0	.000
13	At University, nobody takes credit for your own work.	98	34.1	51	17.8	.000

70.4 percent of respondents agree that the university encourages creativity and innovation among its IC. Furthermore, the university also encourages the research work of faculty members and also provides the necessary resources for them to achieve their research targets (63.4 percent). In line with that, a majority of the academics (62 percent) agree that the university provides appropriate and adequate training for their career development, consequently, encouraging them not to switch to other universities. Although these results came from both of the Universities, statistically, the mean rank of University A is slightly higher than that for University B, suggesting that University A provides more training opportunities to its academics.

Moreover, 57.8 percent of the respondents agree that the university rewards new ideas and outstanding output and 57.1 percent support the notion that the university has the necessary tools to evaluate academic competencies. However, only 52.3 percent agree that everyone takes credit for his/her own work, a result supported by the 34.1 percent who 'strongly agrees or agrees' that somebody else takes credit for others' work. Furthermore, only 44.6 percent of respondents agree that the university has a fair reward system, a reflection of the perception that fairness of policies and procedures is low.

Based on these results, the study found that there are significant differences in the scores between University A and University B in the context of supporting research work (p=.000). The results imply that University A is more determined in encouraging its academics' research work, and thus, it provides more training and resources

in support. There were also significant differences in views on intellectual capital management between University A (*Md=48*, *n=176*) and University B (*Md=45*, *n=111*), *U*=8277.5, *z* = -2.179, *p*=.029, as illustrated by the findings reported in Tables 13 and 14.

Table 13. Perceptions of respondents from the public university toward intellectual capital management in the university – University A

		SD	***MD***	***N***	***MA***	***SA***	***Asymp***
		%	***%***	***%***	***%***	***%***	***Sig.***
1	University encourages my research work.	3.4	6.3	18.2	47.7	24.4	.000
2	University provides the necessary resources to achieve my research work.	2.3	11.4	24.4	49.4	12.5	.042
3	University's management system facilitates the work of academics.	2.3	13.6	25.0	49.4	9.7	.424
4	University rewards new ideas and outstanding output.	2.3	6.3	25.6	54.0	11.9	.010
5	University encourages creativity and innovation.	1.1	5.1	16.5	54.0	23.3	.004
6	University has the necessary tools to evaluate my competency.	2.8	10.2	25.0	54.5	7.4	.296
7	University has a fair reward system.	2.8	14.8	35.8	39.2	7.4	.689
8	At University, everyone takes credit for his/her own work.	1.7	6.8	40.9	42.6	8.0	.461
9	If my work is appreciated, my performance improves.	.6	5.1	14.2	39.8	40.3	.220
10	My intellectual (knowledge, skills and competencies) contributions improved at University.	.6	5.1	14.2	55.1	25.0	.960
11	I am motivated to do research because other faculty members do.	4.0	6.3	25.6	48.3	15.9	.001
12	University provides appropriate and adequate training for my career development.	2.8	7.4	17.6	55.1	17.0	.000
13	At University, nobody takes credit for your own work.	6.3	30.1	48.3	9.1	6.3	.221

Table 14. Perceptions of respondents from the public university toward intellectual capital management in the university – University B

		SD %	*MD* %	*N* %	*MA* %	*SA* %	*Asymp Sig.*
1	University encourages my research work.	4.5	10.8	35.1	35.1	14.4	.000
2	University provides the necessary resources to achieve my research work.	4.5	14.4	36.0	30.6	14.4	.042
3	University management system facilitates the work of academics.	3.6	6.3	43.2	34.2	12.6	.424
4	University rewards new ideas and outstanding output.	4.5	5.4	45	32.4	12.6	.010
5	University encourages creativity and innovation.	4.5	3.6	32.4	43.2	16.2	.004
6	University has the necessary tools to evaluate my competency.	3.6	8.1	38.7	37.8	11.7	.296
7	University has a fair reward system.	7.2	6.3	45.3	34.2	7.2	.689
8	At University, everyone takes credit for his/her own work.	2.7	6.3	36.0	44.1	10.8	.461
9	If my work is appreciated, my performance improves.	1.8	3.6	13.5	51.4	29.7	.220
10	My intellectual (knowledge, skills and competencies) contributions improved at University.	1.8	0.9	20.7	49.5	27	.960
11	I am motivated to do research because other faculty members do.	4.0	6.3	25.6	48.3	15.9	.001
12	University provides appropriate and adequate training for my career development.	3.6	10.8	39.6	36.9	9.0	.000
13	At University, nobody takes credit for your own work.	8.1	22.5	47.7	11.7	9.9	.221

The relationship between IC and CG was measured using Spearman's rho correlation coefficient. There is a positive relationship between the two variables, r=.40, n=287, p=.000; the higher the CG the higher the IC that would be retained by the university. There was no significant difference in corporate governance practices apparent across the two Universities A and B (p=.90). This result is further supported by the 71.1 percent of respondents who have not seriously considered leaving their university. Statistically, it suggests that those academics who prefer not to leave the university, apparently perceived the university as a properly governed institution, supporting the hypothesis that IC retention is positively related to corporate governance.

5. Conclusions and Limitations

This study was undertaken to examine the perception of academics toward intellectual capital (IC) and governance practice in both public and private universities. The study also examined the factors which allow universities to retain qualified academics and the relationship between IC and CG. More than 80 percent of the respondents agree that the universities' reputation, improvement and competitiveness rely on the talents of their academics. This result supports Yusof (2008) who suggested that IC is the most important and strategic resource for universities. In terms of governance, the results suggest that good corporate governance is a secondary factor influencing the attraction and retention of intellectual capital. Both Universities have implemented good governance practices and provided clear guidelines for all academics on their responsibilities, and on the need for collaboration between colleagues.

However, the results illustrate three noteworthy areas regarding CG practices in the universities: disclosure and

transparency, fairness in policies, and integrity and trust. This suggests that the universities should be more transparent in their evaluation system, financial allocation and provision for facilities. It is also suggested that the academics should be rewarded fairly, and merit and effort appropriately recognized. The findings indicate that in general good governance practices have been conducted in both University A and B, but identify a number of improvement opportunities:

University A should put more effort into improving its transparency related to accessing the accurate and relevant information, evaluation system, financial allocation and provision for facilities. It also needs to provide more encouragement for academics' involvement in the decision making processes, providing an opportunity for academics to give feedback and make suggested improvements. Additionally, University A needs to exercise more vigilance in seeking to avoid any violation of the academic's rights, as well as seeking to embrace integrity and trust in all dealings. The study suggests that University B gives more support and training for career development, as well as rewarding new ideas, creativity and innovation. The academics in University B also perceived that the university lacked sufficient support to do research work and the necessary resources to achieve it.

Statistical results show a positive relationship between IC and CG, with the higher the CG the higher the IC that would be retained by the university. This result supports the hypothesis that IC retention is positively related to strong corporate governance.

One of the main limitations of this study is that it is restricted to comparing only two Universities, both drawn from a single Malaysian state. In addition, the sample of academics under-represents those with the highest academic qualifications and those holding the most senior academic posts. The findings therefore may not be representative, and may not be generalisable to the IC and CG in public and private universities as a whole. However, this study does highlight areas of weak governance and provides some inkling of the differences in the relationships between corporate governance and intellectual capital in public and private universities.

This study concludes that there is a positive relationship between IC and CG in University A and University B. Both universities are perceived to be properly governed universities. However, there are elements of corporate governance and management pertaining to each university that need to be improved. Public and private universities may have different styles of management due to different objectives of establishment, given that public universities have been funded by the government while private universities are privately owned having been established by financially sound corporations. Many private universities also have the recognition of foreign bodies through their collaboration with reputable foreign universities. However, these findings do not allow us to draw the conclusion that all public and private universities in Malaysia have good governance; such an assertion might be the subject of future research over an extended sample of universities.

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