

## Intellectual Capital, Corporate Governance, and Financial Performance: The Role of Company Life Cycle

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### Abstract

This research aims to investigate the impact of intellectual capital, board of directors, independent commissioners, and audit committee meetings on financial performance, with the company life cycle as a moderator. The company life cycle comprises the birth, growth, mature, shake-out, and decline stages. This research uses data from non-cyclical consumer companies listed on the Indonesia Stock Exchange (IDX) for the period from 2019 to 2022. In total, there are 300 observations. The data were then analyzed utilizing SPSS 23. The results of this research indicate that the board of directors and independent commissioners positively affect financial performance. Intellectual capital and audit committee meetings have no effect on financial performance. The company life cycle can moderate the influence of the board of directors and independent commissioners on financial performance. Meanwhile, the company life cycle cannot moderate the influence of the intellectual capital and audit committee meetings on financial performance.

**Keywords:** Company Life Cycle, Financial Performance, Intellectual Capital, Good Corporate Governance

## Modal Intelektual, Tata Kelola Perusahaan, dan Kinerja Keuangan: Peran Siklus Hidup Perusahaan

### Abstrak

Penelitian ini bertujuan untuk menguji pengaruh modal intelektual, dewan direksi, dewan komisaris independen, dan rapat komite audit terhadap kinerja keuangan dengan siklus hidup perusahaan sebagai pemoderasi. Siklus hidup perusahaan dikelompokkan menjadi tahap *birth*, *growth*, *mature*, *shake-out*, dan *decline*. Penelitian ini menggunakan data perusahaan *consumer non-cyclicals* yang terdaftar di Bursa Efek Indonesia (BEI) periode 2019 sampai 2022. Total dilakukan sebanyak 300 observasi. Data kemudian diolah menggunakan SPSS 23. Penelitian ini menunjukkan bahwa dewan direksi dan dewan komisaris independen berpengaruh positif terhadap kinerja keuangan. Modal intelektual dan rapat komite audit tidak berpengaruh terhadap kinerja keuangan. Siklus hidup perusahaan dapat memoderasi pengaruh dewan direksi dan dewan komisaris independen terhadap kinerja keuangan, sedangkan, siklus hidup perusahaan tidak dapat memoderasi pengaruh modal intelektual dan rapat komite audit terhadap kinerja keuangan.

**Kata Kunci:** Siklus Hidup Perusahaan, Kinerja Keuangan, Modal Intelektual, Tata Kelola Perusahaan

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**INTRODUCTION**

Along with the development of this increasingly advanced era, every company is in a competitive business competition. Business competition requires companies to improve performance to achieve their goal of optimizing profits. Every company needs to have an understanding and sensitivity to all economic situations. That way, companies can set the right policies and strategies to improve their financial performance and continue to survive the competition.

Financial performance is the ability of the company to create long-term value for shareholders. Financial performance is measured by analyzing the data in the company's financial statements. By measuring financial performance, companies can evaluate their activities over a given period to determine subsequent business strategies and policies. Financial performance can serve as a benchmark for how well the company compares with its competitors. In addition, financial performance can help investors in making investment decisions. When the company has strong financial performance, investors will be interested in investing. However, when the company's financial performance is poor, investors will not be interested in investing their money in the company.

One of the most important things for a company is to understand each stage of its condition to optimize its profits. Companies have a life cycle, namely the stages of birth, growth, mature, shake-out, and decline (Dickinson, 2011). In general, companies have distinct characteristics at each stage of the life cycle, so their financial condition also varies.

The following is a graph of the financial performance of consumer non-cyclicals companies at each stage of the company's life cycle.

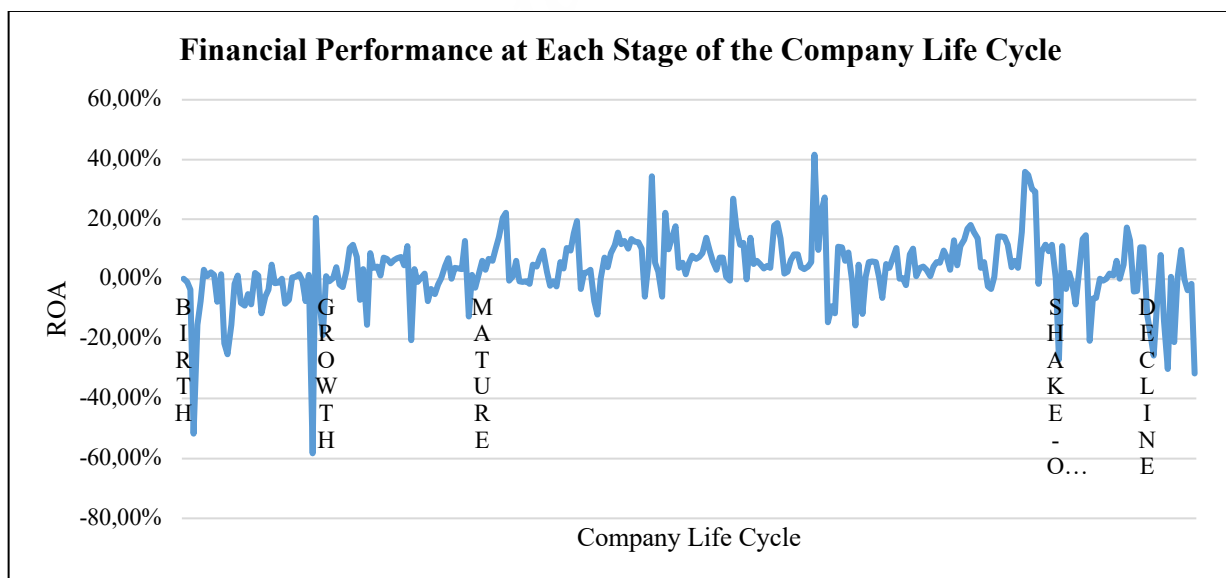


Figure 1. Financial Performance of Consumer Non-Cyclicals Companies at Each Stage of The Company Life Cycle (Data Processed, 2024)

Figure 1 explains the financial performance conditions at the five stages of the company life cycle. At the birth stage, the company is still a small business. Executives do not understand the market well, do not understand market needs, and lack entrepreneurial skills. As can be seen in Figure 1, most companies in the birth stage have a negative ROA

(below 0%). This means that the company is experiencing losses and has not been able to generate profits from its assets.

At the growth stage, the business expands, and the company's scale grows, opening up many new investment opportunities. As shown in Figure 1, the company's financial performance during the growth stage is higher than during the birth stage. The company is in the growth stage and has started to show good financial performance, as it has been able to generate profits.

At the mature stage, the company's profitability reaches its highest level, and it has positive net operating cash flow. As shown in Figure 1, companies in the mature stage have higher ROA than those in the growth stage. Companies in the mature stage are at the peak of financial performance because they manage their assets wisely, generating high profits.

At the shake-out stage, the conditions the company faces are highly complex. Financial performance begins to decline because the company cannot maintain its market in the mature stage. As can be seen in Figure 1, the ROA of companies in the shake-out stage begins to decline relative to those in the mature stage. If companies at the shake-out stage fail to increase their growth rate, they risk entering the final stage of the life cycle, the decline stage. In the decline stage, companies can quickly lose market share and incur losses. As can be seen in Figure 1, most companies in the decline stage have negative ROA (less than 0%), indicating they incur losses and cannot generate profits from their assets.

Based on the aforementioned phenomenon, companies with different life cycles have different financial conditions. Managers must pay attention to each stage of the company's life cycle to maintain market share and improve financial performance. This can be done by identifying what needs to be optimized at each stage of the company's life cycle. One of them is to pay attention to Intellectual Capital (IC) and Good Corporate Governance (GCG) within the company.

IC has become very important with the rapid development of knowledge and technology in recent years. IC is an intangible value that can contribute to the company's competitive advantage, which is related to company performance. Previous research found that IC has a significant and positive effect on firm performance (Xu et al., 2023; Xu & Li, 2019). Meanwhile, other research has found that IC has a negative effect on company performance (Ting et al., 2020). These inconsistent results strengthen the reason for using IC as an independent variable in this research. IC in this research uses the Modified Value-Added Intellectual Coefficient (MVAIC) proxy to measure IC, incorporating Relational Capital (RC) and Innovational Capital (INC), which are usually ignored in previous studies. Usually, IC in previous studies has only included Human Capital (HC) and Structural Capital (SC).

GCG is very important for companies. It allows companies to implement business ethics in a conducive manner and can create a healthy and transparent corporate environment (Parianti et al., 2023). GCG in this research comprises the board of directors (BoD), independent commissioners (INDCOM), and the audit committee meetings (ACM). BoD is responsible for determining the direction of the company's resources, both in the short and long term. Hence, the presence of the BoD will affect financial performance. Previous research found that the BoD has a positive effect on financial performance (Darwanto & Chariri, 2019; Napitupulu et al., 2020; PeiZhi & Ramzan, 2020). Meanwhile,

a similar research found that the BoD has a negative effect on financial performance (Rosada, 2021).

The independent commissioners are one part of GCG that can make a significant contribution to board decision-making. Previous research found that the independent commissioners have a positive effect on financial performance (Napitupulu et al., 2020; Sofia & Januarti, 2022). Meanwhile, other research found that the independent commissioners have no effect on financial performance (Darwanto & Chariri, 2019). The next GCG component is the number of audit committee meetings in a certain period. The more often the audit committee meets, the better management decision-making will be. As a result, financial performance will be even better. Previous studies have found that audit committee meetings positively affect financial performance (Al Farooque et al., 2020; Ashari & Krismiaji, 2020). Meanwhile, a similar research found that audit committee meetings have no effect on financial performance (Nadila & Annisa, 2021).

This research builds on the work of Xu et al. (2023) which investigates the effect of IC efficiency on financial performance based on different stages of the company's life cycle. The differences between this research and that of Xu et al. (2023) are: (1) The addition of an independent variable, namely GCG, which is a suggestion from the research of Xu et al. (2023). (2) The company's life cycle variable in previous studies was not used as a moderating variable, but in this study, it was used as a moderating variable. (3) The object of previous research used manufacturing companies in China, while this research uses Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange. (4) The previous research period was 2014-2018, while this research is 2019-2022. The selection of 2019-2022 is because that period is the latest, so it is expected to describe the current state of the company.

Consumer Non-Cyclicals companies were selected in this research because the Consumer Non-Cyclicals sector, also known as the primary consumer, is one of the manufacturing industries that plays a strategic role in the survival of Indonesian society. Products in this sector are needed to meet daily needs and are the community's primary needs. The high public demand for Consumer Non-Cyclicals goods is an advantage for this sector, as basic consumer goods remain in demand despite rising prices. This sector has a stable economy and future potential as it produces and distributes primary goods. The more products from Consumer Non-Cyclicals that are needed in the market, the higher the market competition will be. Thus, this company must continue to improve its financial performance in order to compete with other companies.

### **The Effect of Intellectual Capital on Financial Performance**

When a company manages its resources effectively and efficiently, the results can give the company a competitive advantage. One intangible asset that companies can leverage to gain a competitive advantage is intellectual capital. By utilizing IC components such as HC, SC, RC, and INC, the company will be able to encourage innovation and the development of new products that meet consumer needs, provide satisfactory service to customers, and maintain good relationships with customers and partners. The use of IC components can enhance a firm's competitive advantage, thereby increasing profitability and improving financial performance. IC can also be considered by investors when making investment

decisions. Hence, it is hoped that companies will pay attention to the use of IC to attract investment and achieve strong financial performance (Azis & Habbe, 2019). Research by Xu & Li (2019), Soewarno & Tjahjadi (2020), Olarewaju & Msomi (2021), and Xu et al. (2023) state that IC has a positive effect on financial performance. Thus, when companies can manage IC well, financial performance will increase.

**H<sub>1</sub>:** Intellectual capital has a positive effect on financial performance.

### **Effect of Board of Directors on Financial Performance**

The board of directors is the leader responsible for managing the company, authorized to set strategic direction and operational policies, and in charge of ensuring the company's management activities are running well. A large number of BoD members can lead to a clearer division of tasks among the members, which will benefit the company. In addition, more members on the BoD also allow for a wider network with external parties. Hence, having more members on the BoD can enhance the company's financial performance. Research by PeiZhi and Ramzan (2020), Napitupulu et al. (2020), and Pramudityo & Sofie (2023) state that the BoD has a positive effect on financial performance. The greater the number of BoD, the more they interact with external parties and stakeholders involved in managing company resources. In addition, the number of BoD can increase the determination of strategies, both short- and long-term, potentially enhancing the company's financial performance.

**H<sub>2</sub>:** The board of directors has a positive effect on financial performance.

### **The Effect of Independent Commissioners on Financial Performance**

The independent commissioners have a strong role in supervising and controlling company management. The independent commissioners can help ensure that management runs the company's operations ethically. This can reduce the risk of fraudulent or misleading practices that harm the company's finances, thereby impacting financial performance. This is supported by research conducted by Saifi (2019), Napitupulu et al. (2020), and Sofia & Januarti (2022) (2022), which find a significant positive influence of independent commissioners on financial performance. The more independent commissioners there are in a company, the better the financial performance will be because the supervisory function is optimized.

**H<sub>3</sub>:** The independent commissioners have a positive effect on financial performance.

### **Effect of Audit Committee Meetings on Financial Performance**

Audit committee meetings provide a forum for members to coordinate and communicate in carrying out the company's reporting and supervisory functions. The frequency of meetings held by the audit committee reflects the cooperation of audit committee members in preparing, asking questions, and pursuing answers to problems that emerge while interacting with management, internal auditors, external auditors, and other related parties. Formal interactions among audit committee members, management, directors, and internal and external auditors are important factors in successful financial performance. Audit committee meetings are an opportunity to analyze performance and provide financial

briefings and solutions to problems. When they meet frequently, accounting and auditing issues can be resolved more quickly and effectively, improving financial performance. Therefore, it can be concluded that the more frequently audit committee meetings are held, the faster and better financial problems can be resolved, thereby improving financial performance. Research conducted by Al Farooque et al. (2020) as well as Ashari and Krismiaji (2020) state that the frequency of audit committee meetings has a positive effect on financial performance. Thus, the more often the audit committee meets, the better the performance analysis and the resolution of financial problems. Hence, it can be said that as the audit committee holds more meetings, the company's financial performance will likely also improve.

**H<sub>4</sub>:** Audit committee meetings have a positive effect on financial performance.

### **Company Life Cycle in Moderating the Effect of Intellectual Capital on Financial Performance**

The company life cycle, which includes the birth, growth, mature, shake-out, and decline stages, provides a view of the company's changing conditions from the introduction stage to the decline stage. At the birth stage, IC may contribute significantly to the company's financial performance through its focus on innovation, product development, and value creation. In this context, knowledgeable and talented employees may be key in bringing new ideas to the market and helping the company gain market share. This is consistent with the research findings of Xu et al. (2023), which indicate that at the birth stage, HC, SC, and INC have positive effects on financial performance

However, when companies enter the growth stage, the influence of IC is more complex. While IC still plays an important role in driving innovation, companies may face challenges in leveraging IC at this stage. In this case, companies need to ensure they have systems and processes in place to effectively manage, renew, and optimize their IC to support company expansion. At the mature stage, the role of IC in influencing a firm's financial performance may become stronger in terms of maintaining competitive advantage and improving operational efficiency. Mature companies still need IC to maintain their market position amid increasingly fierce competition. This is consistent with the research findings of Xu et al. (2023) that at the growth and mature stages, all IC components have a positive effect on financial performance.

At the shake-out stage, companies may experience challenges and must change direction to recover their performance. IC can play a key role in the recovery process through innovation, restructuring, and better risk management. This is consistent with the research findings of Xu et al. (2023). They find that HC and SC play an important role in the shake-out stage. When a company is in the decline stage, the influence of IC can be very important in helping it deal with business decline. In this situation, the company may rely heavily on physical capital and human resources to maintain its business. This is in line with the research findings of Xu et al. (2023). They find that in the decline stage, only HC has a positive effect on financial performance.

Thus, the company life cycle moderates the influence of IC on financial performance in ways that vary across its stages. Improved understanding of the stages of the company's

life cycle can help management manage its IC more effectively and maximize its contribution to the company's financial performance.

**H<sub>5</sub>:** Company life cycle can moderate the effect of intellectual capital on financial performance.

### **Company Life Cycle in Moderating the Effect of Good Corporate Governance on Financial Performance**

The company life cycle illustrates the changing conditions of a company from birth to decline and can provide insights into how GCG may affect financial performance at each stage. At the birth stage, GCG may be an important factor in determining the company's strategic direction and long-term success. In this case, decision-making by the BoD, the independent commissioners, and the audit committee can provide clear direction to increase investor confidence, ultimately strengthening the company's capital and improving its financial performance.

When companies are in the growth stage, the role of GCG can become more complex. Companies may need to adapt their governance practices to match the increased size and complexity. At the mature stage, GCG can play an important role in maintaining the stability and efficiency of the company's operations. Companies at the mature stage have better governance compared to companies at the birth stage (Esqueda & O'Connor, 2020). This is because competition becomes fiercer and the need for transparency and accountability increases. A good GCG structure, comprising a BoD, an independent commissioner, and an audit committee, can help companies stay focused on achieving their long-term goals and better manage risks.

When a company is in the decline stage, GCG still plays an important role in helping it face challenges and manage risks associated with declining performance. In this situation, high transparency and sound decision-making can help the company address the problems it faces, minimizing the impact on deteriorating financial performance. Thus, the company's life cycle may moderate the influence of GCG on financial performance in ways that vary by life cycle stage. A better understanding of the company's life cycle stage can assist management in designing and implementing GCG practices that suit the company's needs and conditions at any given time.

**H<sub>6</sub>:** Company life cycle can moderate the effect of the board of directors on financial performance.

**H<sub>7</sub>:** Company life cycle can moderate the effect of the independent commissioners on financial performance.

**H<sub>8</sub>:** Company life cycle can moderate the effect of the audit committee meetings on financial performance.

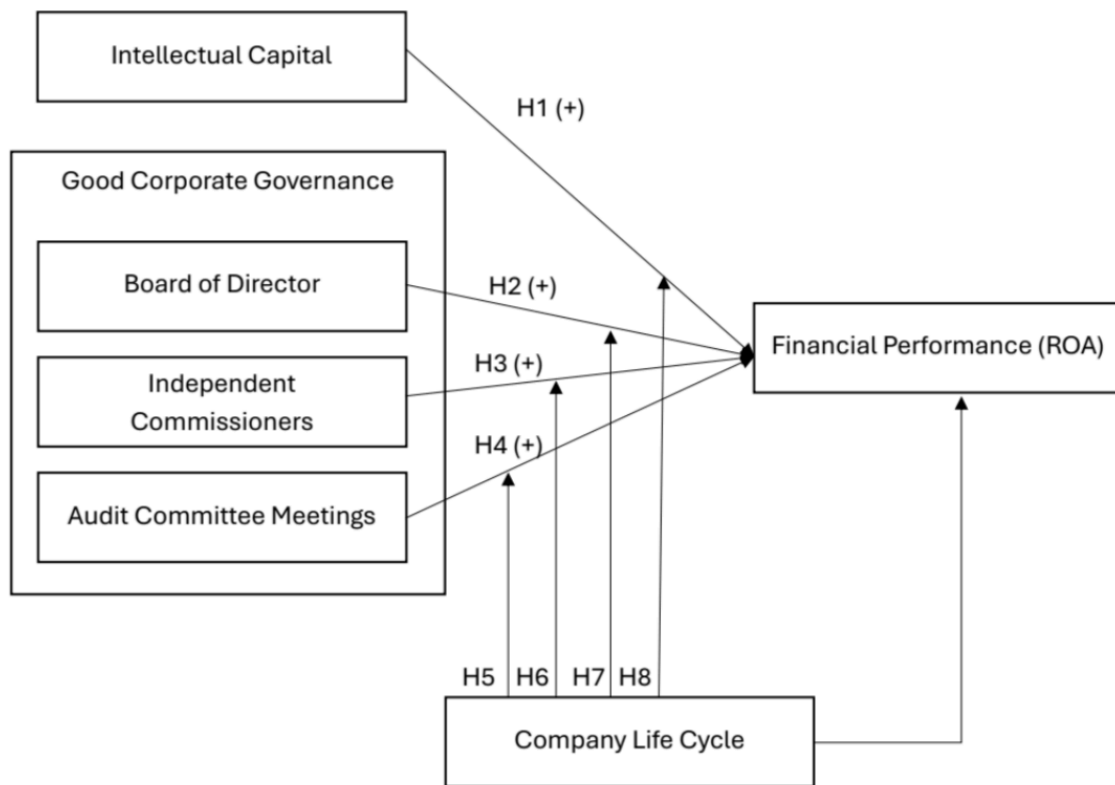


Figure 2. Conceptual Framework

**METHOD**

This research uses secondary data from the annual reports of Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange for the 2019-2022 period, available at [www.idx.co.id](http://www.idx.co.id) and on the companies' websites.

The population in this research is all Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange from 2019 to 2022. The sampling technique used in this research was purposive sampling. Based on the sampling technique, 75 Consumer Non-Cyclicals companies were obtained that fit the research criteria. The total number of research samples multiplied by the research period of 4 (four) years is 300 observations.

Table 1. *Sample Selection Summary*

No	Description	Total
1	Consumer Non-Cyclicals companies listed on the IDX in 2019-2022 and not delisted during that year	78
2	The company that not published their financial statements for the years 2019-2022	(3)
	Number of samples	75
	Research period	4
	Number of research data (observations)	300

The dependent variable in this research is financial performance proxied in Return on Asset (ROA). ROA is used to measure the efficiency of the company's asset utilization in generating profits (Xu & Li, 2019). The higher ROA indicates the higher profitability achieved by the company.

The dependent variable in this research is intellectual capital, board of directors, independent commissioners, and audit committee meetings. Intellectual capital in this research uses the MVAIC (Modified Value Added Intellectual Coefficient) proxy. MVAIC was developed by Ulum (2015) as a modification of VAIC<sup>TM</sup>. The difference between MVAIC and VAIC<sup>TM</sup> is the addition of Relational Capital (RC), which is measured by marketing costs (Nazari & Herremans, 2007). In this research, the authors add an IC component, Innovational Capital (INC), which is usually ignored in previous studies related to IC. INC includes a firm's capital related to research and development and the process of developing new products or new services. Therefore, this research utilizes the MVAIC model with HC, SC, CE, RC, and INC components. The following are the steps to calculate MVAIC:

$$VA = \text{OUTPUT} - \text{INPUT}$$

$$CEE = VA/CE$$

$$HCE = VA/HC$$

$$SCE = (VA - HC)/VA$$

$$RCE = RC/VA$$

$$INCE = INC/VA$$

$$MVAIC = CEE + HCE + SCE + RCE + INCE$$

VA = *Value Added*

OUTPUT = Total sales and other income

INPUT = Operating expenses except employee expenses

CE = Capital Employed (Total net profit after tax and total equity)

HC = Human Capital (Employee expenses)

RC = Relational Capital (Marketing, sales and advertising expenses)

INC = Innovational Capital (R&D expenses)

The BoD is measured by the number of directors in the company. The measurement of the BoD in this research refers to the measurements used by Darwanto and Chariri (2019), PeiZhi & Ramzan (2020), and Napitupulu et al.(2020). The independent commissioners' measurement is calculated by dividing the number of independent commissioners by the total number of commissioners on the board. The measurement of the independent commissioners in this research refers to the measurements used by Darwanto & Chariri (2019) and Napitupulu et al. (2020). Measurement of meeting frequency uses the number of the audit committee's meetings during one year as recorded in the company's financial statements. The measurement of audit committee meetings in this research follows the approach used by Al Farooque et al. (2020) and Ashari & Krismiaji (2020). The use of audit committee meetings as a measurement is based on the provisions of POJK No. 55/POJK.04/2015, which states that the number of audit committee members consists of at least three people from independent commissioners and external parties of

issuers or public companies (Otoritas Jasa Keuangan, 2015). Based on the POJK provisions, most companies have fulfilled it, so the number of audit committee members tends to be the same between companies. This uniformity can make the data homogeneous, violating the heteroscedasticity assumption in regression analysis. Therefore, the authors choose to use audit committee meetings because the number of meetings can vary across companies depending on their respective needs and interests. This variation provides more heterogeneous data, thereby increasing the likelihood of passing the heteroscedasticity assumption test and can be used for regression analysis.

This research uses the company's life cycle as a moderating variable to examine whether it moderates the influence of IC and GCG on financial performance. This research classifies the company life cycle into five stages: birth, growth, mature, shake-out, and decline. Measurement of the company's life cycle in this research uses cash flow patterns (Dickinson, 2011). The main advantage of cash flow patterns is that they can display complete financial information and not just one indicator of company-specific characteristics (e.g., size, age, and sales growth). Cash flow patterns can indicate the economic conditions and market behavior of a company because they can describe profitability, growth, and risk at each stage of a company's cycle, thus influencing managers' financial decision-making. Dickinson (2011) argues that cash flow can divide a company's life cycle into five stages: birth, growth, mature, shake-out, and decline.

Table 2. *Company Life Cycle Grouping Based on Cash Flow Patterns*

Cash Flow Patterns	<i>Birth</i>	<i>Growth</i>	<i>Mature</i>	<i>Shake-Out</i>		<i>Decline</i>		
Net cash flow from operating activities	-	+	+	-	+	+	-	-
Net cash flow from investing activities	-	-	-	-	+	+	+	+
Net cash flow from financing activities	+	+	-	-	+	-	+	-

Source: Dickinson (2011)

After being grouped, the company's life cycle is categorized with a nominal scale for hypothesis testing. The nominal scales used are (1) for companies in the birth stage, (2) for companies in the growth stage, (3) for companies in the mature stage, (4) for companies in the shake-out stage, and (5) for companies in the decline stage.

The hypotheses in this research were tested using multiple linear regression and moderated regression analysis. The regression model is shown in the following equation:

Model 1:

$$Y = \alpha + \beta_1 IC + \beta_2 BoD + \beta_3 INDCOM + \beta_4 ACM + \varepsilon$$

Model 2:

$$Y = \alpha + \beta_1 IC + \beta_2 BoD + \beta_3 INDCOM + \beta_4 ACM + \beta_5 LC + \beta_6 IC*LC + \beta_7 BoD*LC + \beta_8 INDCOM*LC + \beta_9 ACM*LC + \varepsilon$$

Description:

Y = Financial performance (ROA)

- $\alpha$  = Constant (fixed)
- $\beta$  = Regression coefficient
- IC = Intellectual Capital
- BoD = Board of Directors
- INDCOM = Independent Commissioners
- ACM = Audit Committee Meetings
- LC = Company Life Cycle
- $\varepsilon$  = Error

The authors tested the moderated variables by conducting multiple regression analysis. The first step was to create interaction variables between the independent variables (IC, BoD, INDCOM, ACM) and the moderator variable (LC) to produce IC\*LC, BoD\*LC, INDCOM\*LC, and ACM\*LC. The author runs a linear regression analysis by entering the dependent variable, the independent variable, the moderator variable, and the interaction variable into the model. The test results are seen from the significance of the interaction variable coefficient. If the significance value is less than .05 ( $p < .05$ ), it indicates that the moderating variable significantly moderates the relationship between the independent and dependent variables. Conversely, if the significance value is greater than .05 ( $p > .05$ ), it indicates that the moderating variable does not moderate the relationship between the independent and dependent variables.

## FINDING AND DISCUSSION

The research data were obtained from the annual reports of Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange for the 2019-2022 period, which can be accessed through the website [www.idx.co.id](http://www.idx.co.id) and the companies' websites. The frequency of each stage of the company life cycle is presented in Table 3.

Table 3. *Company Life Cycle Frequency*

Company Life Cycle	Frequency	Percent
<i>BIRTH</i>	44	14.7%
<i>GROWTH</i>	46	15.3%
<i>MATURE</i>	169	56.3%
<i>SHAKE-OUT</i>	26	8.7%
<i>DECLINE</i>	15	5.0%
TOTAL	300	100.0%

At the birth stage, there are 44 companies, accounting for 14.7% of all companies observed. At the growth stage, there are 46 companies, representing 15.3% of all observed companies. At the mature stage, there are 169 companies with a percentage of 56.3% of all companies observed. The mature stage is the largest because most companies listed on the Indonesia Stock Exchange are already in that stage. At the shake-out stage, there are 26 companies with a percentage of 8.7% of all companies observed. In the decline stage, 15 companies account for 5.0% of all companies observed. The shake-out and decline stages

are the least in number because most bankrupt companies are no longer listed on the Indonesia Stock Exchange.

Table 4 shows the results of the hypothesis test, with an R-Square Adjusted value of .102 or 10.20%. This shows that the independent variables, namely IC, BoD, INDCOM, ACM, and LC, explain only 10.20% of the variance in the dependent variable. Factors outside this research can explain the remaining 89.8%. It can be concluded that the independent variables in this research are relatively limited in their ability to explain the dependent variable.

Table 4. *T-Test Result*

Variables	Model 1	Model 2
	Coef. Reg.	Coef. Reg.
Constant	-0.109	0.062
IC	-9.329	6.179**
BoD	0.012***	-0.014
INDCOM	0.258***	-0.152
ACM	-0.003	0.005
LC		-0.062
IC*LC		-8.473
BoD*LC		0.009**
INDCOM*LC		0.162**
ACM*LC		-0.003
F Value	9.478***	6.802***
R Square Adjusted		0.102

Notes: \*Significant at the level of 0.10; \*\*Significant at the level of 0.05; \*\*\*Significant at the level of 0.01

### Effect of Intellectual Capital on Financial Performance

The results of the t-test on hypothesis 1 regarding the effect of IC on financial performance indicate that IC has no effect on financial performance ( $p > .05$ ), so hypothesis 1, which posits that IC affects financial performance, is rejected.

IC does not affect financial performance because the benefits of IC may not be directly reflected in the company's financial performance in the current period. Investments in human resource development or research and development take time to produce measurable results, such as improved performance, so that the effect of IC on financial performance can be reflected in subsequent periods. In addition, many companies have not fully utilized assets, including IC, to create added value, so that the IC owned by the company does not contribute to improving financial performance. The relationship between IC and financial performance is influenced not only by internal factors but also by external factors, including market conditions, industry competition, government policies, and economic fluctuations. The results of this research are consistent with those of Rahayu et al. (2020), who found that intellectual capital has no effect on financial performance. However, the results of this research are inconsistent with those of (2019) and Xu et al. (2023), which report that IC has a positive effect on financial performance.

### **Effect of Board of Directors on Financial Performance**

The results of the t-test on hypothesis 2 indicate that the board of directors has a significant positive effect on financial performance ( $p < .05$ ). These results indicate that the board of directors has a positive effect on financial performance, supporting hypothesis 2. The more the board of directors, the more it can improve financial performance with its role as a policy and strategy maker. The board of directors is responsible for managing the company, is authorized to set strategic directions and operational policies, and ensures that the company's management activities are running well. In addition, the greater the number of board members, the wider the network with external parties, which can improve the company's financial performance. The results of this research are in line with agency theory by Jensen and Meckling (1976) which explains that the existence of the board of directors as a principle can set policies and strategies and provide supervision to management as an agent in managing the company, thereby improving the company's financial performance.

The results of this research are consistent with those of Darwanto & Chariri (2019), PeiZhi & Ramzan (2020), and Napitupulu et al. (2020). They find that the board of directors had a positive effect on financial performance. However, the results of this research are inconsistent with those of Rosada (2021), who finds that the board of directors has a negative effect on financial performance, and Hariadi (2022), who finds no effect on financial performance.

### **The Effect of Independent Commissioners on Financial Performance**

The results of the t-test on hypothesis 3 regarding the effect of the independent commissioners on financial performance indicate that the independent commissioners have a significant positive effect on financial performance ( $p < .05$ ). These results indicate that the variable of independent commissioners has a positive effect on financial performance, supporting hypothesis 3. The more independent the commissioners are, the more they can improve financial performance through better supervision. The independent commissioners have a role in supervising and controlling company management. The independent commissioners can help ensure that management carries out company operations in an ethical manner. This can reduce the risk of fraudulent or misleading practices that harm the company's finances and, in turn, affect financial performance.

The results of this research are consistent with those of Napitupulu et al. (2020) and Sofia & Januarti (2022) which states that the independent commissioners have a positive effect on financial performance. However, the results of this research are not in line with the findings of a study by Rosada (2021). The study finds that the variable of independent commissioners has a negative effect on financial performance. The results were not consistent with those of the studies by Darwanto (2019) and Wahyu (2011). They find that the variable of independent commissioners has no effect on financial performance.

### **The Effect of Audit Committee Meetings on Financial Performance**

To test Hypothesis 4, a t-test was conducted to assess the effect of audit committee meetings on financial performance. The result indicates that audit committee meetings have no effect on financial performance ( $p > .05$ ). This means that Hypothesis 4, which posits that audit committee meetings have a positive effect on financial performance, is rejected. The number

of audit committee meetings, whether large or small, cannot affect financial performance. This could be due to the audit committee meeting being ineffective. Audit committee meetings may be held only to meet the minimum number of meetings required each year, rather than to discuss company financial issues that could improve financial performance. The results of this research are in line with research conducted by Nadila and Annisa (2021), which states that the frequency of audit committee meetings has no effect on financial performance. However, the results of this research are inconsistent with those of Al Farooque et al. (2020), which states that the frequency of audit committee meetings has a positive effect on financial performance.

### **Company Life Cycle in Moderating the Effect of Intellectual Capital on Financial Performance**

The results of hypothesis 5 testing, obtained from the t-test regarding the role of the life cycle in moderating IC and financial performance, indicate that the company's life cycle does not moderate the effect of intellectual capital on financial performance, so hypothesis 8 is rejected.

The company's life cycle cannot moderate the effect of intellectual capital on financial performance because the effect remains constant across stages (Table 5). Intellectual capital, consisting of employee knowledge, trademarks, and technology, tends to have relatively stable value or can increase when managed properly. The value of intellectual capital may remain stable or even increase if its utilization is maximized despite the company's decline. In addition, intellectual capital is a long-term investment that is not affected by the company's life cycle. Therefore, the effect of intellectual capital on financial performance is not moderated by the company's life cycle stage. Companies need to optimize their intellectual capital to enhance financial performance, regardless of the stage of the company's life cycle. Good management of intellectual capital can help companies achieve long-term success.

### **Company Life Cycle in Moderating the Effect of the Board of Directors on Financial Performance**

The results of hypothesis 6 testing, obtained from the t-test regarding the role of the life cycle in moderating the relationship between the board of directors and financial performance, show that BoD\*LC is significant with a positive coefficient. The t-test results regarding the effect of BoD on financial performance, before being moderated by the corporate life cycle, also show a positive coefficient. This result shows that the company's life cycle can moderate, that is, strengthen the effect of the BoD on financial performance, which means hypothesis 6 is accepted.

The company's life cycle can moderate the board of directors' effect on financial performance because the board's role varies across stages. Companies face different challenges and opportunities at each stage of the company's life cycle. The board of directors plays a role in helping the company get through those stages. The board of directors needs to understand and adjust the strategy to the stage of the company's life cycle to provide better direction and improve financial performance.

### **Company Life Cycle in Moderating the Effect of Independent Commissioners on Financial Performance**

The results of hypothesis 7 testing, obtained from the t-test regarding the role of the life cycle in moderating the independent commissioners and financial performance, indicate that INDCOM\*LC is significant with a positive coefficient. The t-test results regarding the effect of INDCOM on financial performance, before being moderated by the company's life cycle, also show a positive coefficient. These results indicate that the company's life cycle can moderate (strengthen) the effect of INDCOM on financial performance, supporting hypothesis 7.

The company's life cycle can moderate the effect of independent commissioners on financial performance because their roles vary across its stages. Companies in the decline stage usually face greater risks, so they need close supervision to manage them. The independent commissioners can provide valuable views and advice to help the company navigate these stages effectively. In addition, independent commissioners can make a significant contribution to formulating and implementing effective strategies that positively impact the company's financial performance.

### **Company Life Cycle in Moderating the Audit Committee Meetings on Financial Performance**

The results of hypothesis 8 testing obtained from the t-test regarding the role of life cycle in moderating audit committee meetings and financial performance show that the company's life cycle does not moderate the effect of audit committee meetings on financial performance, so hypothesis 8 is rejected.

Regardless of the company's life cycle stage, the effectiveness of audit committee meetings in improving financial performance depends more on their quality and practice than on the company's life cycle. Other factors, such as meeting quality, audit committee member participation, and implementation of meeting outcomes, are more important in determining the effect. Companies at any stage of the life cycle can improve financial performance by implementing effective meeting practices. Therefore, the company life cycle cannot moderate the effect of audit committee meetings on financial performance.

### **Robustness Test**

*Table 5. Company Life Cycle Data Split*

LC	Model	Unstandardized Coefficients		t	Sig.
		B	Std. Error		
BIRTH	1 (Constant)	-0.004	0.151	-0.026	0.979
	IC	-3.913	0.000	-0.136	0.893
	BoD	-0.011	0.017	-0.612	0.544
	INDCOM	0.125	0.244	0.512	0.612
	ACM	-0.010	0.009	-1.138	0.262
GROWTH	1 (Constant)	-0.065	0.067	-0.978	0.334
	IC	0.000	0.000	0.543	0.590
	BoD	0.008	0.005	1.731	0.091

LC	Model	Unstandardized Coefficients		t	Sig.	
		B	Std. Error			
MATURE	1	INDCOM	0.051	0.156	0.326	0.746
		ACM	0.001	0.002	0.403	0.689
		(Constant)	-0.055	0.030	-1.825	0.070
		IC	0.000	0.000	-1.589	0.114
		BoD	0.005	0.003	1.380	0.170
SHAKE-OUT	1	INDCOM	0.276	0.068	4.030	0.000
		ACM	0.000	0.002	0.148	0.883
		(Constant)	0.033	0.139	0.237	0.815
		IC	0.000	0.000	-0.917	0.370
		BoD	0.004	0.010	0.365	0.719
DECLINE	1	INDCOM	0.121	0.297	0.409	0.686
		ACM	-0.014	0.005	-2.852	0.010
		(Constant)	-0.356	0.273	-1.304	0.221
		IC	0.000	0.000	-1.138	0.282
		BoD	-0.006	0.046	-0.124	0.904
	INDCOM	1.046	0.608	1.721	0.116	
	ACM	-0.012	0.008	-1.478	0.170	

The robustness test in this research uses split data LC to assess the influence of independent variables on financial performance across the five stages of the company's life cycle: birth, growth, mature, shake-out, and decline. Based on Table 5, the effects of the independent variables differ across life cycles. This is because companies have different situations and conditions at each stage of the life cycle. These situations can affect the relationship between IC, BoD, INDCOM, ACM, and financial performance.

At the birth, growth, mature, shake-out, and decline stages, the IC variable has a significance value greater than .05 ( $p > .05$ ), indicating that IC has no effect on financial performance at these stages. The effect of IC on financial performance is not always consistent and can vary across stages of the company's life cycle. Factors such as IC characteristics, management capabilities, and market conditions can influence its influence. Companies need to continue managing IC well, taking into account the conditions and stages of the company's life cycle.

At the birth, growth, mature, shake-out, and decline stages, the variable of the board of directors has a significance value greater than .05 ( $p > .05$ ), indicating that the board of directors has no effect on financial performance at these stages. The effect of the board of directors on financial performance is not always consistent and can be different at each stage of the company's life cycle. Factors such as company conditions, skills, and the board of directors' knowledge can influence their influence. Companies need to continue to manage the board of directors well, taking into account the company's conditions and stage in its life cycle.

At the birth, growth, shake-out, and decline stages, the variable of independent commissioners has a significance value greater than .05, indicating that independent commissioners have no effect on financial performance at these stages. At the mature stage, however, the variable has a significance value of .000 ( $p < .05$ ). It has a positive direction.

This means that at the mature stage, the variable of independent commissioners has a positive effect on financial performance. The effect of the independent commissioners on financial performance is not always consistent and can be different at each stage of the company's life cycle. Factors such as company conditions, skills, and the independent commissioners' knowledge can influence their influence. Companies need to continue to manage the board of directors well, taking into account the company's conditions and stage in its life cycle.

At the birth, growth, mature, and decline stages, the audit committee meeting variable has a significance value greater than .05 ( $p > .05$ ). The data indicate that the audit committee meeting has no effect on financial performance at these stages. At the shake-out stage, the audit committee meeting has a significance value of .010 ( $p < .05$ ) with a negative direction. It means that the audit committee meeting has a negative effect on financial performance. The effect of audit committee meetings on financial performance is not always consistent and can vary across stages of the company's life cycle. Factors such as company conditions, meeting quality, and implementation of meeting results can influence the effect. Companies need to continue to manage audit committee meetings properly, taking into account the company's life cycle stage.

## **CONCLUSION**

This research successfully proved that intellectual capital and audit committee meetings have no effect on the company's financial performance. Benefits of IC may not be directly reflected in the company's financial performance in the current period. Investments in human resource development or research and development take time to produce measurable results in the form of improved performance, so the effect of IC on financial performance may be reflected in subsequent periods. Audit committee meetings are held only to meet the minimum number of required meetings each year and do not really discuss company financial issues that could improve financial performance. The board of directors and the independent commissioners have a positive effect on financial performance. The more the board of directors, the more it can improve financial performance with its role as a policy and strategy maker. The independent commissioners have a role in supervising and controlling company management. This can reduce the risk of fraudulent or misleading practices that can harm the company's finances. With the risk reduced, companies can optimize financial performance. The company's life cycle can moderate (strengthen) the effect of the board of directors and the independent commissioners on financial performance. The roles of the board of directors and independent commissioners differ at each stage of the company's life cycle. The company's life cycle cannot moderate the effect of the intellectual capital and audit committee meetings on financial performance. Intellectual capital is a long-term investment that is not affected by the company's life cycle. Regardless of the company's life cycle stage, the effectiveness of audit committee meetings in improving financial performance depends more on their quality and practice than on the company's life cycle.

The limitation of this research is that the independent variables explain only 10.20% of the variance in the dependent variable. This shows that the variables of intellectual capital, board of directors, independent commissioners, audit committee meetings, and

company life cycle, as moderating variables, can affect financial performance only by 10.20%, and the remaining 89.80% is influenced by other factors not included in this research. It is hoped that future researchers can incorporate additional independent variables that affect financial performance, such as company size and leverage, taking the company's life cycle into account, so that the research results will be more innovative and informative.

Based on the research results, some suggestions can be given. The meeting system may be less effective for discussing the company's financial performance, so the company needs to follow up to improve the quality of the meetings. The company is expected to continue improving the performance of its intellectual capital and the adequacy of its owned capital, and to carry out its social responsibility well. In turn, the improved performance of the capital and the adequacy will also positively impact the company's financial performance.

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