

THE ROLE OF INTELLECTUAL CAPITAL IN ENHANCING THE VALUE ADDED OF THE CREATIVE INDUSTRY IN INDONESIA IN THE DIGITAL ERA

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ABSTRACT

The digital era brings significant changes across various sectors, including the creative industry. In this era, the creative industry in Indonesia has great opportunities to thrive and enhance its value-added. Intellectual Capital (IC) can be a valuable resource for creating innovative products and services that can increase the value-added of the creative industry. The purpose of this research is to determine the role of Intellectual Capital in enhancing the value-added of the creative industry in Indonesia in the digital era. This research uses a qualitative descriptive method. Data were collected through literature review. The collected data were then analyzed in three stages: data reduction, data display, and conclusion drawing. The results show that intellectual capital plays a role in various important aspects of enhancing the value-added of the creative industry, including enhancing creativity and innovation within the industry, strengthening the competitiveness of the creative industry, assisting in expanding market reach, and improving operational efficiency and effectiveness. Creative industries that effectively manage intellectual capital can achieve significant value-added and success in the continually evolving global market.

KEYWORDS Intellectual Capital, Value Added, Creative Industries, Digital Era



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INTRODUCTION

The development of information and communication technology, especially in the digital era, has been a major driver in transforming the landscape of the creative industry. Digital innovation has opened the door to various new opportunities in creating, distributing, and consuming creative content. This change not only affects the way companies in the creative industry operate but also creates new value-added (Riswanto et al., 2023). Efforts by companies to increase value-added in the

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creative industry include various methods, one of which is through intellectual capital.

Intellectual capital (IC) is one of the crucial strategic assets in knowledge-based economies (Prasetio & Rahardja, 2014). According to Roos and his colleagues, intellectual capital encompasses all processes and assets that are not typically displayed in financial reports, including intangible assets such as trademarks, patents, and copyrights. Modern accounting approaches also consider the knowledge held by members of the organization and how that knowledge is applied in everyday practices (Yudhanti & Shanti, 2011).

Intellectual capital plays a crucial role as a valuable resource in creating innovative products and services that can increase value-added in the creative industry. By leveraging the knowledge, skills, and expertise possessed by both individuals and organizations, IC enables creative companies to generate new ideas, develop unique and attractive products or services, and improve production and distribution processes. Therefore, with access to strong IC, creative companies can create unique and high-quality content that attracts consumer interest, distinguishes them from competitors, and creates sustainable growth opportunities (E. R. Lestari, 2019). Hence, effectively managing and utilizing IC can be the key to success for the creative industry in creating significant value-added in an increasingly competitive market.

Previous research by (Berliana & Hesti, 2021) examined the role of intellectual capital in company value. The results showed that intellectual capital significantly affects company value, with financial performance as an intervening variable, meaning financial performance can mediate the relationship between intellectual capital and company value. Higher financial performance of the company leads to higher company value because investors respond positively, and improved financial performance indicates that the company's intellectual capital has been effectively and efficiently managed.

Another study by (Fristiani et al., 2020) examined intellectual capital and financial performance on company value. The results showed that client size has a significant positive influence on audit quality detecting misstatements but has no influence on audit quality reporting misstatements. However, industry-specialist auditors have no influence on audit quality detecting misstatements but have a significant influence on audit quality reporting misstatements. Clients may choose auditors who charge lower fees but can provide positive signals to stakeholders or select auditors listed by the Supreme Audit Agency (BPK) or the Financial Services Authority (OJK) because such audit firms are more acceptable to stakeholders. As for external auditors, high-quality audits are required to avoid litigation risks besides maintaining independence.

The novelty of this research lies in its object of study, which is the creative industry that has not been previously studied. This study provides a significant contribution to understanding the relationship between intellectual capital and value-added in the context of the creative industry in the digital era. The findings and analysis obtained from this research can help enrich existing theories and conceptual frameworks in this field. Additionally, this research can serve as a basis for further research on intellectual capital management strategies in the creative

industry and broaden understanding of how the creative industry can adapt and thrive in the ever-changing digital era. The aim of this research is to determine the role of Intellectual Capital in enhancing the value-added of the creative industry in Indonesia in the digital era.

RESEARCH METHOD

This research uses a qualitative descriptive method. Qualitative descriptive method is a research approach used to describe phenomena or events that occur in natural contexts, focusing on deep and interpretative understanding. This approach emphasizes uncovering the meaning and complexity of the phenomena under study rather than hypothesis testing or statistical generalization (Yuliani, 2018). Data is collected through literature review. Literature review is a research method conducted by collecting, reviewing, and analyzing literature or relevant written sources related to the research topic. This method aims to gain a deep understanding of specific issues, identify existing conceptual frameworks, and gain insights into recent developments in the research field in question. The collected data is then analyzed in three stages: data reduction, data presentation, and drawing conclusions.

RESULT AND DISCUSSION

In the 21st century, life faces various challenges and intense competition. The impact of digital era development is significant in changing the dynamics of life, especially in the business realm (Riswanto et al., 2024). This era accelerates access to business opportunities in easier and faster ways. Interestingly, large capital or physical space is no longer needed to start a business, as digital technology enables people to run businesses through platforms such as e-commerce, Facebook, Instagram, websites, and other social media. The digital era is inseparable from an era of overall change, as per Hussey's understanding (2000) in (Maryati & Masriani, 2019) identifying six drivers of change, namely:

1. Continuous technological advancements
2. Increasingly intense and global competition
3. Rising customer demands
4. Changing demographic profiles
5. Ongoing privatization of community-owned businesses
6. Shareholders demanding more value

Changes due to the impact of the digital era involve all aspects, including the creative industry. According to the Ministry of Trade (2007), the creative industry is defined as an industry that originates from the utilization of creativity, skills, and talents of individuals to create prosperity and job opportunities by harnessing the creative power and creativity of those individuals (Kamil, 2015). Furthermore, the Ministry of Trade of the Republic of Indonesia also identifies 14 sectors in the creative industry, including:

1. Advertising
2. Architecture
3. Art markets

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4. Crafts
5. Design
6. Fashion
7. Video, film, and photography
8. Interactive games
9. Music
10. Showbiz
11. Publishing and printing
12. Computer services
13. Software
14. Television & Radio

The uniqueness of the creative industry lies in its ability to survive amid limitations as small and medium-sized enterprises (SMEs). Although facing fierce competition, companies in the creative industry are driven to persist. This sustainability is due to their ability to create different and rapidly evolving products, meeting consumer desires or even exceeding consumer expectations (Satyarini, 2016). However, challenges arise in the digital era where the creative industry expands due to easily accessible technology, requiring continuous advantages for sustainability.

According to (Kusuma, 2015), superior companies are those that possess truly unique strengths that are difficult to imitate by their competitors, seen through adaptation, innovation, and quality of human resources in anticipating rapid changes. Such superiority can only be achieved if the company has a resource base. One key factor that can make companies in the creative industry excel is the presence of intellectual capital (Gea, 2014).

According to Brooking (1996), intellectual capital is a combination of intangible assets, consisting of market, intellectual property rights, human resources, and infrastructure that can function in a job. Knowledge can be categorized into three main categories: employee-related knowledge (human capital), customer-related knowledge (customer capital), and company-related knowledge (structural capital). These three categories together form the intellectual capital of a company (N. Lestari & Sapitri, 2016). Another definition of intellectual capital refers to non-physical or intangible assets that are not tangible or visible. Intellectual capital is related to human knowledge and experience as well as the technology used (Hartati, 2015).

The benefits of intellectual capital for companies manifest through its contribution to increasing added value and providing different utilities. This knowledge has the potential to provide unique contributions and distinguish companies from their competitors. This means that the ability of knowledge to be one of the identification factors that differentiate the characteristics of a company from other companies (Kusuma, 2015). Utilizing intellectual capital means companies are striving to win the competition in a competitive industry market.

The role of intellectual capital in increasing the added value of the creative industry in the digital era begins with how intellectual capital can enhance creativity and innovation in the industry. Intellectual capital consists of intangible resources and assets that can be used to create added value by transforming them into new processes, products, and services in a company. These resources, which are

valuable, rare, inimitable, and non-substitutable, according to Barney et al. (2001), are valuable if they can be used for company activities, rare if only a few companies possess them, inimitable if these resources are protected from being imitated by competitors, and non-substitutable if they are only owned by specific companies and cannot be replaced by other products (Hartati, 2015).

Quoting from the study by (Anggraini et al., 2020), as one form of intangible asset, intellectual capital has a positive impact on business progress by enabling companies to compete through innovation, supported by effective information systems, deep knowledge, good organizational management, and competent human resources. The implication is to encourage the growth of entrepreneurial spirit and enthusiasm within the organization, with the aim of developing new products or services that meet customer needs and desires.

Therefore, it can be said that intellectual capital is the key to stimulating innovation in product and service development. A reliable information system can provide quick and accurate access to the data needed to support innovative decisions. Accumulated and well-managed knowledge can be a source of new ideas and creative solutions. Efficient organizational management and skilled human resources assist in the successful implementation of innovation, ultimately strengthening the competitiveness of the creative industry.

A company's ability to compete depends not only on tangible assets but also on intangible assets, such as intellectual capital. By leveraging knowledge and technology, companies can understand efficient and economical ways to use other resources, creating advantages in a competitive environment. Utilizing intellectual capital becomes the key to helping companies sustain their business and achieve long-term competitiveness (Puspita et al., 2017).

Human capital, as a fundamental element of intellectual capital, has a significant impact on other components, thus directly influencing company performance. The presence of human capital in a business process provides a significant contribution to running a sustainable business. This occurs because human capital brings knowledge that can be used to create added value to products or services, providing the necessary guidance to achieve the desired performance by the company. Having superior human capital means providing a competitive advantage for the company. Therefore, investment in and effective management of human capital can be a key factor in achieving and maintaining a competitive advantage in a competitive market.

Furthermore, because intellectual capital has the ability to enhance the competitiveness of the creative industry, it then has the potential to expand market reach. Additionally, intellectual capital can expand market reach through marketing strategies using social media. By utilizing social media, businesses can conduct more personal and responsive marketing, establishing faster connections with customers. According to Lardi and Fuchs, social media strategy can be interpreted as steps based on searching throughout the business value chain to identify the contributions of social media in achieving business goals. From this strategy, a social media vision for the company is formed, the organization's readiness to adopt social

media, and a social media adoption plan aligned with business goals (Anggia & Shihab, 2018).

According to Firdiyasnah et al., (2023), in the current digital era, online marketing has become very important because it can reach a wider audience, generate higher engagement, and provide opportunities for direct interaction with potential customers. Marketing using social media platforms such as Facebook, Instagram, Twitter, and WhatsApp is an important means of building an online presence, communicating with customers, promoting products or services, and sharing relevant and engaging content. If social media marketing strategies succeed, industries can expand their market reach not only locally but also with the help of technology, market coverage can be significantly expanded, enabling companies to reach consumers in broader regions and even globally.

Furthermore, intellectual capital also has the potential to enhance operational efficiency and productivity in the creative industry. Production efficiency and effectiveness can be assessed through the application of company management aspects such as human resource management, production management, financial management, and marketing management. The evaluation of efficiency and effectiveness can be reflected in several aspects, such as the level of waste due to production errors, accuracy in production capacity planning, inventory management, and other factors. Company management aspects are important guidelines for running business operations, and good management can help companies evaluate their efforts and understand the developments that occur (Bismala, 2016). Therefore, the application of intellectual capital, especially in effective management implementation, has the potential to be a catalyst in improving operational performance and achieving business goals effectively and efficiently in helping the creative industry.

Here are some examples of how intellectual capital can be applied in the creative industry, facing competition in the digital era, such as:

1. Graphic design industries use their knowledge of the latest design trends to create innovative and attractive works for customers.
2. A film company uses a digital copyright management system to protect its films from piracy.
3. A musician uses social media platforms to build a global fan base and market their music directly to consumers.
4. A screenplay writer organizes and manages a database of ideas and creative concepts through digital platforms, facilitating access and development of ideas for future projects.
5. Advertising agencies use consumer data analysis from social media and websites to understand the preferences of target audiences, enabling the preparation of more targeted and effective promotions.

Intellectual capital (IC) is a crucial asset for the creative industry in the digital era. The role of intellectual capital in increasing the added value of the creative industry in the digital era includes several important aspects. First, intellectual capital plays a role in enhancing creativity and innovation within the industry. Second, intellectual capital strengthens the competitiveness of the creative industry. Third, intellectual capital helps expand market reach, and fourth, intellectual capital can enhance operational efficiency and effectiveness. By managing intellectual capital

effectively, industry players in the creative sector can achieve significant added value and success in the continuously evolving global market. This indicates that not only products or services are the focus, but also how companies can optimize the knowledge and expertise of intellectual capital to create a positive impact in the creative industry in the digital era.

CONCLUSION

Intellectual capital plays a crucial role in enhancing the added value of the creative industry. Intellectual capital contributes to various crucial aspects, including enhancing creativity and innovation within the industry, strengthening the competitiveness of the creative industry, assisting in expanding market reach, and improving operational efficiency and effectiveness. Creative industries that effectively manage intellectual capital tend to achieve significant added value and success in the continuously evolving global market. Therefore, this research provides a deeper understanding of the strategic role of intellectual capital in shaping the success of the creative industry in facing challenges and opportunities in this era of globalization.

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