

SUMMARY

The title of this research is “The Effect of Intellectual Capital Toward Business Performance”. Intellectual capital is intangible corporate assets that invaluable asset. Intellectual capital is not widely known in Indonesia because of the lack of information about implementation of intellectual capital. The problem is intellectual capital is not usually used effectively by companies in Indonesia to run a business, whereas intellectual capital can improve business performance of company. The purpose of this research is to analyze the positive effect of intellectual capital toward business performance of company.

Population of this research are companies listed in Disperindagkop of Tasikmalaya. Samples are selected using purposive sampling, with 50 managers of companies in Tasikmalaya used as the sample. The hypothesis are: 1.) Human capital positively affect the customer capital, 2.) Human capital positively affect the structural capital, 3.) Customer capital positively affect the structural capital, and 4.) Structural capital positively affect the business performance.

This research used analysis technique *Partial Least Square* (PLS) with designing outer test model such as: convergent validity, discriminant validity, composite reliability. Then, designing inner model by looking the R-square for each variable and hypothesis testing by *bootstrapping*. The result show that human capital positively affect the customer capital and human capital positively affect the structural capital. customer capital positively affect the structural capital, and structural capital positively affect the business performance.

Keywords: *Business Performance; Customer Capital; Human Capital; Intellectual Capital; Structural Capital.*