



10 Years of Austrian Intellectual Capital Report

**A milestone in a new understanding of
organisations and their value**

Prof Göran Roos

Should we be celebrating ?

Einladung zur Konferenz

10 Jahre Wissensbilanz in Österreich

Erfahrungen, Wirkungen und Perspektiven



National systems

Japanese guidelines for disclosure (IAbM)

38 indicators in 7 groups

(Management stance/leadership, Selection and concentration, External negotiation power, Knowledge creation and innovation speed, Teamwork/organisational knowledge, Risk management/governance, Coexistence in society)

Denmark

Variable matrix of indicators of case-specific indicators

A matrix structure whose columns are: Statements, Management challenges, Initiatives and Indicators is constructed with guidelines. These are followed over time.

Australia

Variable matrix of indicators similar to Denmark

The statements column is now Relational, Structural and Human capital. The other columns are: Strategic objectives, Managerial efforts (current & planned), Indicators (nature, past/current, target)

Austria

Integrated model

Model connecting corporate vision and goals, the value adding potential of the IC resource groups, the key processes, pointing separately (but not connected) to the key financial and non-financial results

Should we be celebrating ?

No !

60% of listed companies use the Balanced Scorecard

AIM Research 2008

> 700 companies in the EFQM network, more using it unofficially

EFQM website 2008

,000s of companies and individuals competing for the NIST Baldrige Award

NIST website 2008

**How many companies are using intellectual capital
or reporting their positions using IC ?**

National systems

All the national systems and the international initiatives (EU, OECD) have the same faults:

1. They are all indicator systems and not measurements and are therefore unreliable
2. They are usually case-specific so benchmarking seems possible but is meaningless
3. They usually list only the capability to act and not the nature of, the efficiency of or the effectiveness of the resource interactions which generate wealth
4. None offers a causal link between inputs and outputs

Ontology and taxonomy

Some results of a review of JIC papers between 2000 and 2006

ONTOLOGY

41% OF PAPERS STILL DISCUSS THE MEANING OF IC

Why do you think IC has not taken off in the business community ?
Is interest in IC waning ?
Is it time to be rigorous and if so, how shall we achieve rigour?

TAXONOMY

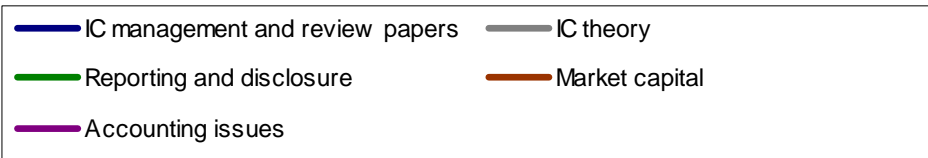
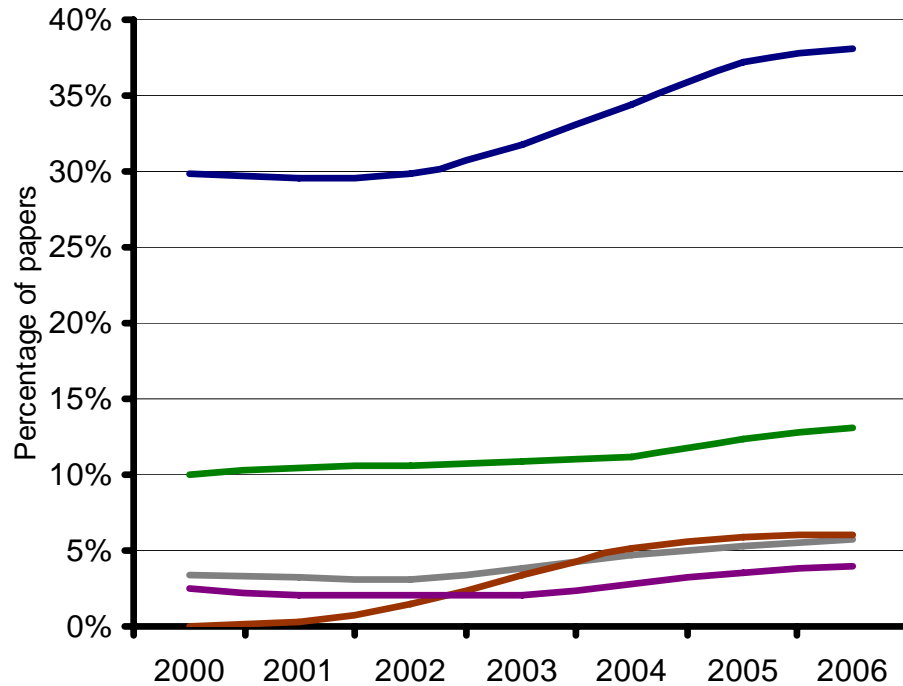
67% FOLLOW THE EDVINSSON PATTERN BUT 16 DIFFERENT TAXONOMIES WERE FOUND IN THE PAPERS

How much time do we waste agreeing terms when we talk ?
Why is measurement, disclosure and benchmarking so difficult ?
Why is practical management so difficult ?
Do we need to be concerned with the “level 1” differences
How shall we standardise on “level 2” component resources
Do you confuse, resources, attributes, competencies and activities ?

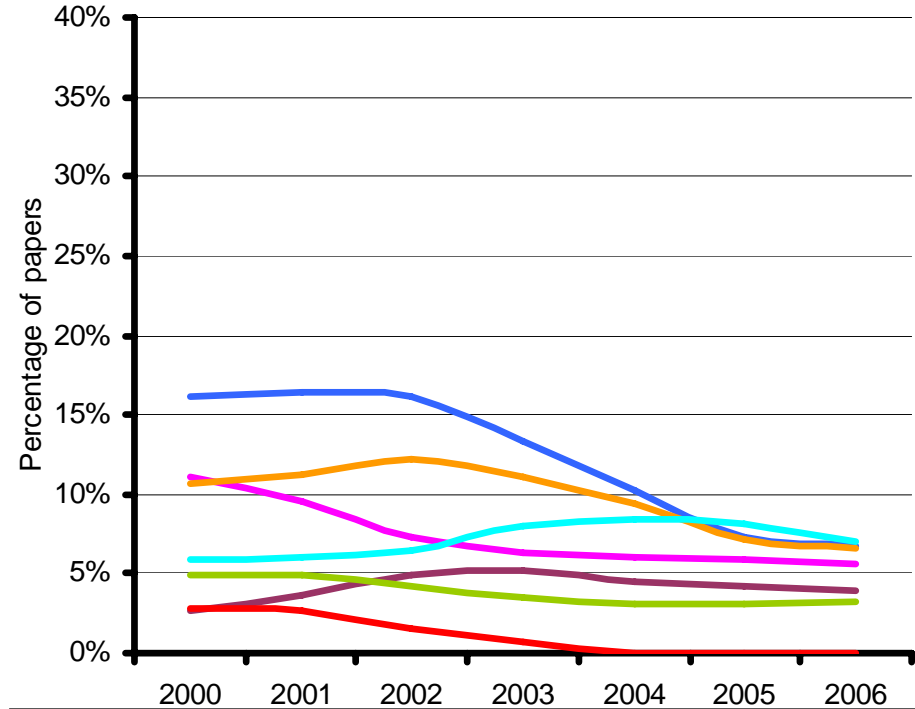
Although taxonomic standardisation will be very helpful, intellectual capital’s failure to thrive has little to do with words and meanings but a lot to do with the purpose of intellectual capital.

The trends in thinking

Going up



Going down



Publications are dominated by reviews. Reporting & disclosure may be increasing but the key underpinning disciplines of measurement and business performance are declining.

Further results of a review of JIC papers between 2000 and 2006

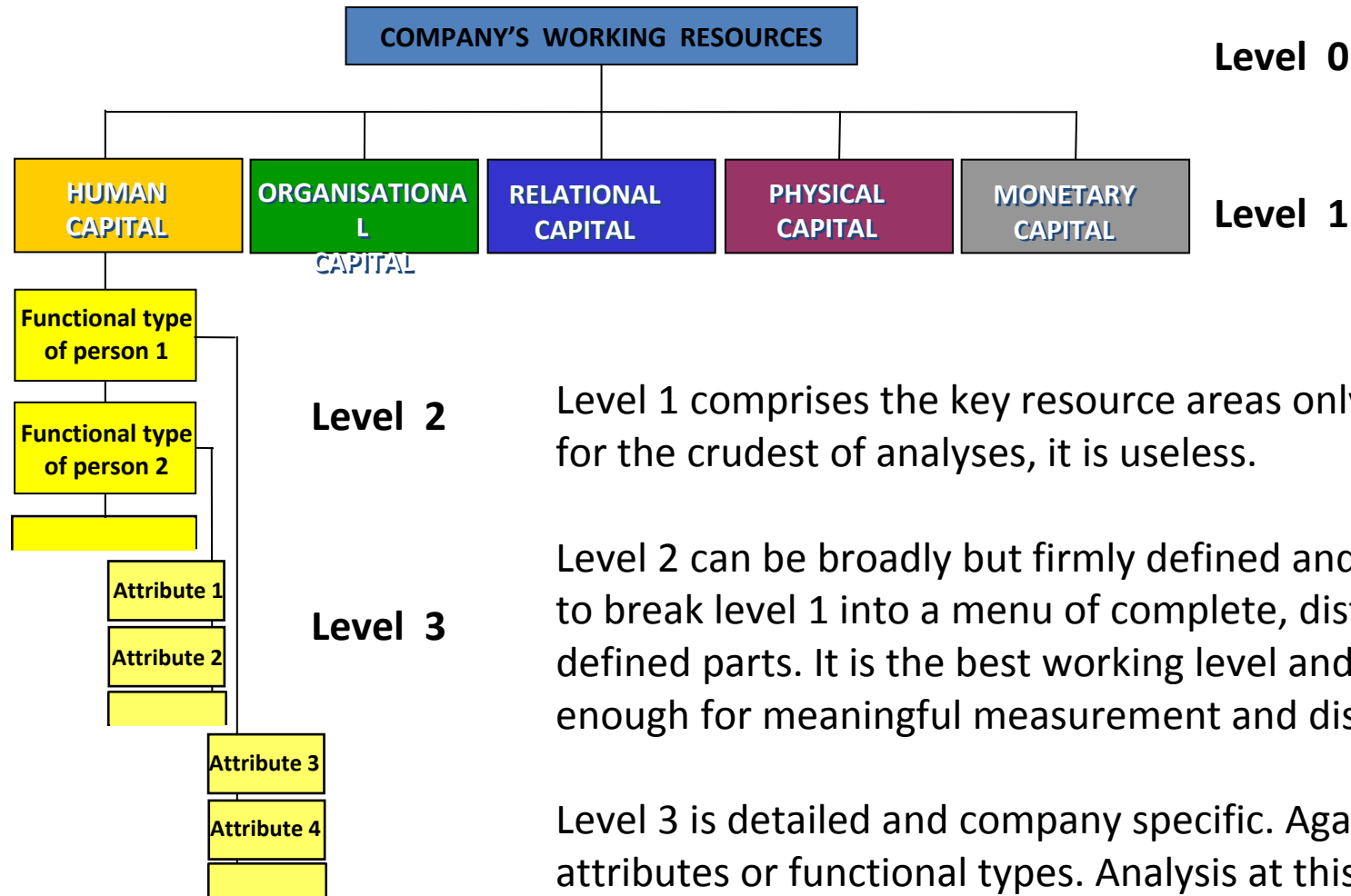
The big questions

What do we need to do to make people want to disclose IC ?

- a) Make it useful and understandable to the “users”
- b) Make sure companies are not exposed to unwanted breaches

What can we do now that isn't just counting beans ?

How to make IC reporting relevant – the taxonomy

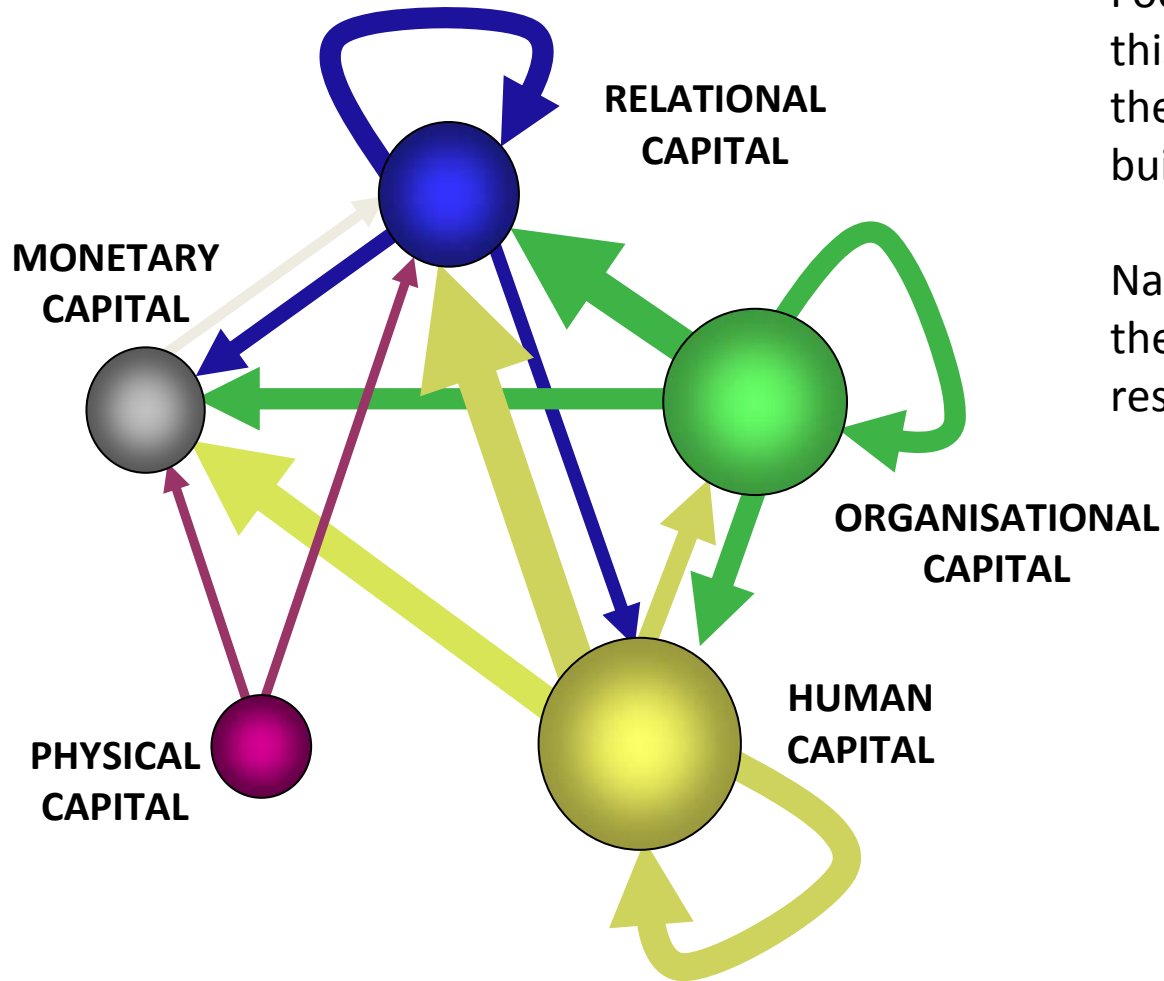


Level 1 comprises the key resource areas only and, except for the crudest of analyses, it is useless.

Level 2 can be broadly but firmly defined and must be used to break level 1 into a menu of complete, distinct and well defined parts. It is the best working level and is detailed enough for meaningful measurement and disclosure.

Level 3 is detailed and company specific. Again it describes attributes or functional types. Analysis at this level is too detailed but it does help define level 2.

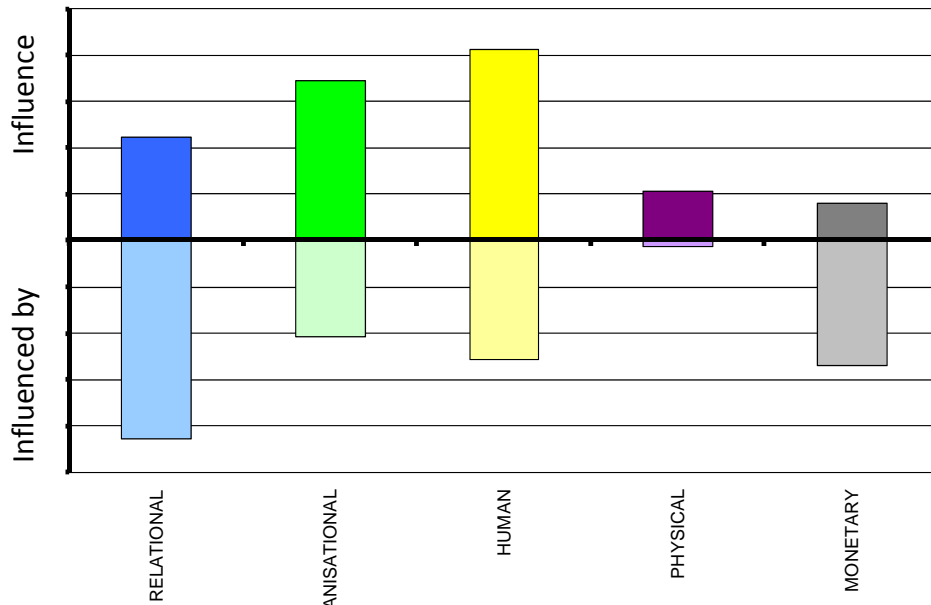
Show CEOs simple but useful visualisations



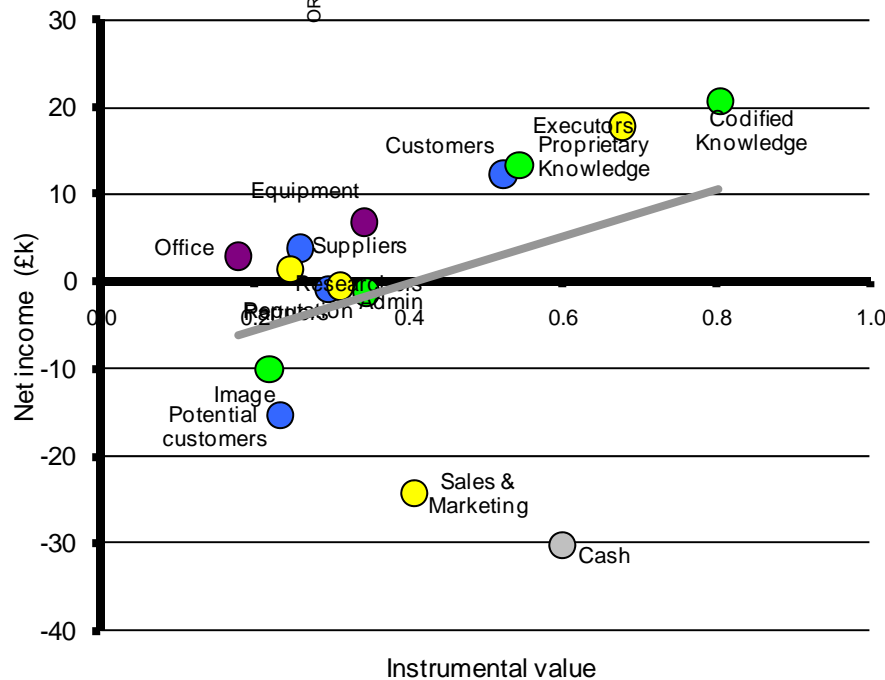
Focus on the use of resources as this is what matters to CEOs, not the sex ratio or the light levels in buildings.

Navigators show real interactions – the causal links – between resources.

Show CEOs what they need to know (1)

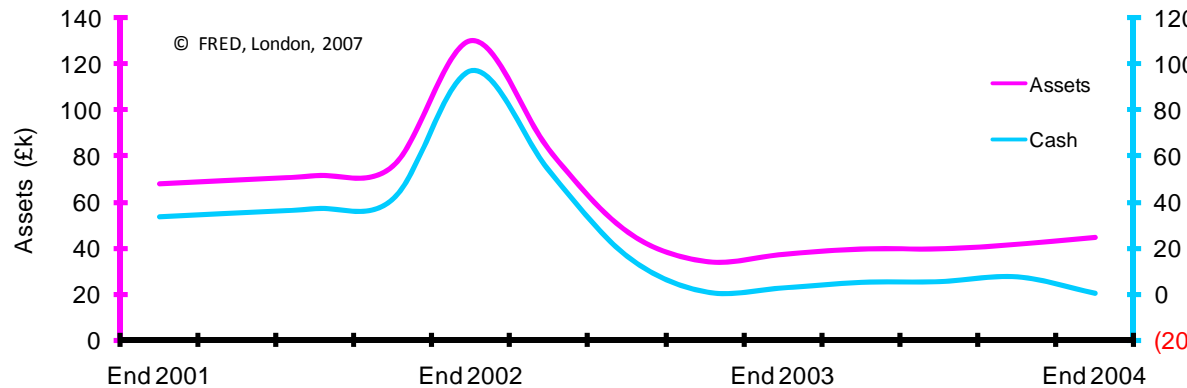
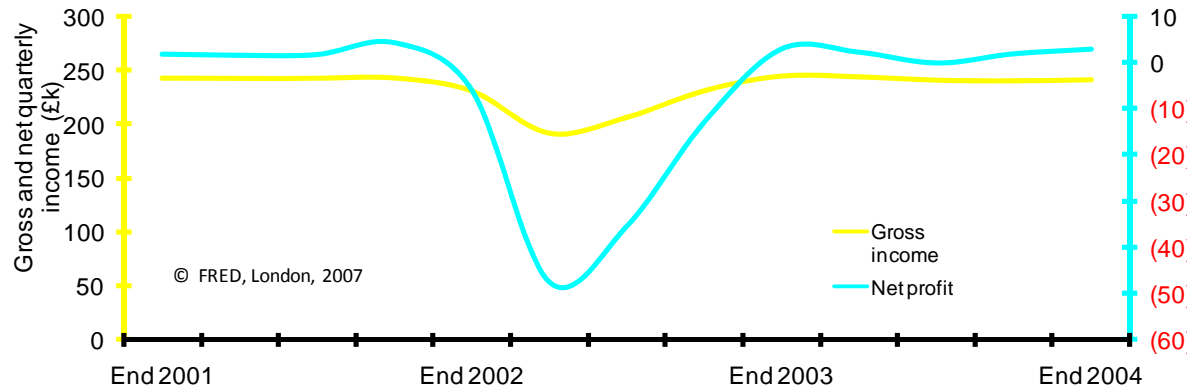
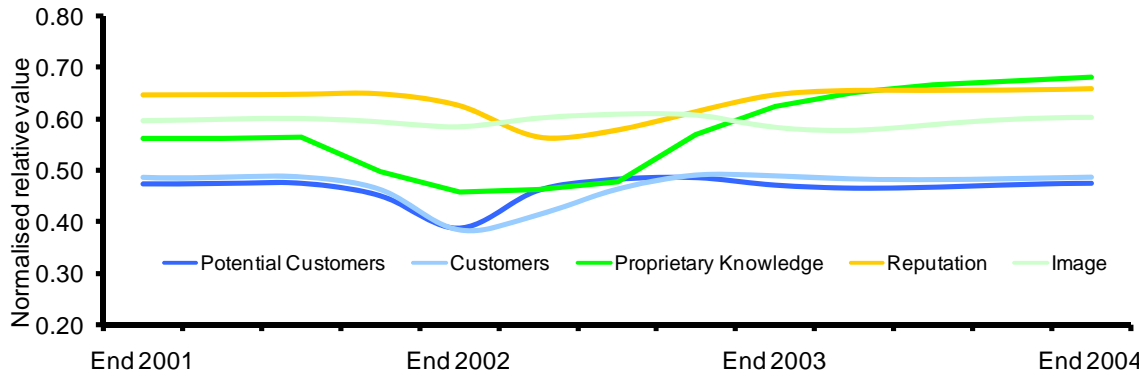


The size of the bar represents the importance of the resource group (this can be done at lower levels of granularity) and the balance above and below the mid-line shows whether the resource group tends to influence others or be influenced by others. This is not sensitive material.



At level 2, show which resources generate net income and which absorb it. This is a very powerful diagnostic but again, at this level, can be disclosed.

Show CEOs what they need to know (2)



If IC reports are to have the same impact as financial results and if we are serious about interpreting financial and non-financial results together then we must link them.

Financial and non-financial results that are independent and have to be analysed separately while hoping for insights using both is a futile exercise.

Conclusions

- Despite voluntary & enforced schemes, IC management & reporting has not taken off.
- Despite the efforts of many to standardise ontology and taxonomy, chaos rules.
- Academic research is tending to review work and away from hard business and measurement research.
- Collections of bespoke indicators cannot be relied upon or benchmarked.
- Collections of resource indicators are of much less value than measures of resource use.

BUT

- We are still here and we know what has to be done.
- We know IC reporting must appeal to CEOs and markets as useful and informative, but not too informative.
- We know that what we want to do can be done.