



SYMPOSIUM INTERNATIONAL

Évaluation et valorisation des actifs immatériels

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ORGANISATEURS

PARTENAIRES

Intellectual capital: Key effects



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Agenda

- Intellectual capital reporting
- Relationship with Financial Capital
- Intellectual capital outside the balance sheet: Preparers' views in IC reporting – pros and cons
- Financial value of non-financial information

Intellectual Capital Reporting

- The contribution of insight and creativity (human capital)
- The contribution of best practices (organisational capital)
- The contribution of knowledge about and from relations (relational capital)

An IC Statement (The DK Guideline)

Writing an IC Statement – Movements between 4 items

- An account (narrative) of the usefulness of knowledge – Ambitions
- A set of challenges for managing knowledge resources – Hurdles
- List of efforts to develop knowledge resources – Actions/Investments
- Visualisation of size of, investments in, and effects of knowledge resources – Reports

Reading an IC Statement

- Analytical tool parallel to reading a financial statement
- Analysing assets -> analysing the portfolio of knowledge resources
- Analysing investments -> analysing the qualifying activities regarding knowledge resources
- Analysing profitability -> analysing the effects (competencies) of knowledge resources

	Financial / Control Report	Intellectual Capital Statement
Analysing the numbers of a report/statement	Results Investments/cash flows Assets and liabilities	Effects Upgrades of knowledge resources Portfolio of knowledge resources
Analysing explanations	<u>Management report</u> <ul style="list-style-type: none"> • Attainment of objectives • Statement about strategy • Statement about future goals 	<u>Narrative</u> <ul style="list-style-type: none"> • Usefulness of knowledge • Difference the firm makes to someone or something • Statement about the challenges to the firm's capabilities

Society of Knowledge Economics (2011)



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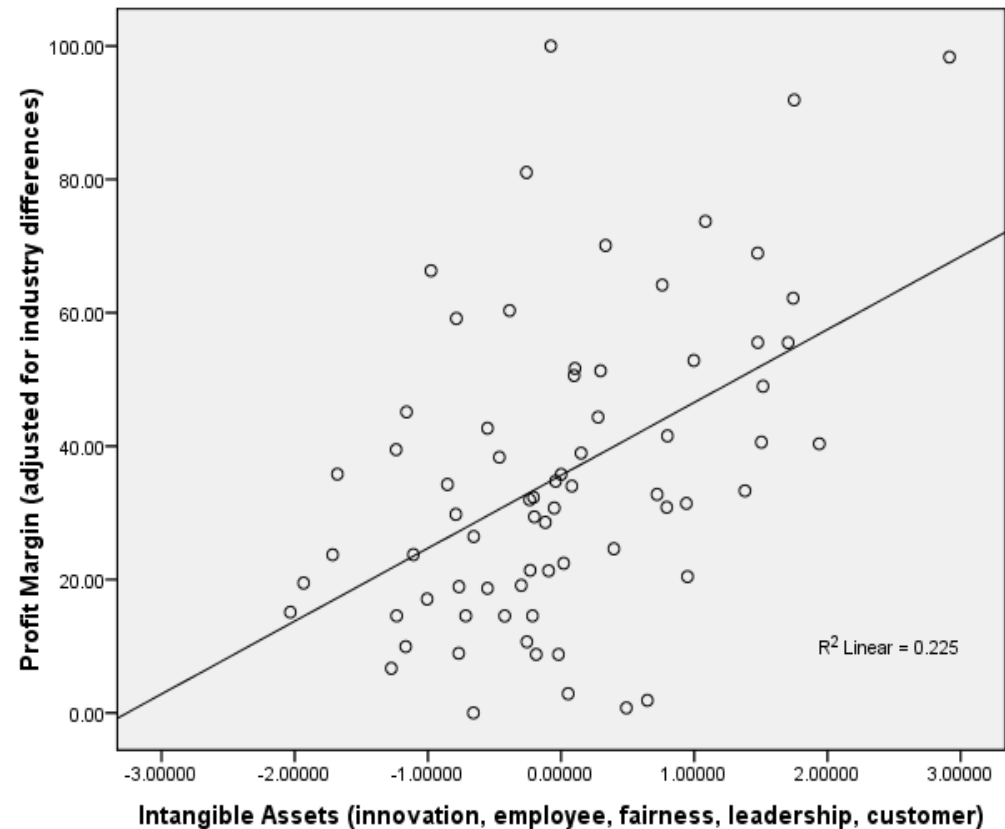


Leadership, Culture and Management Practices
of High Performing Workplaces
in Australia

High Performing Workplaces Index



A study funded by the
Department of Education, Employment and Workplace Relations

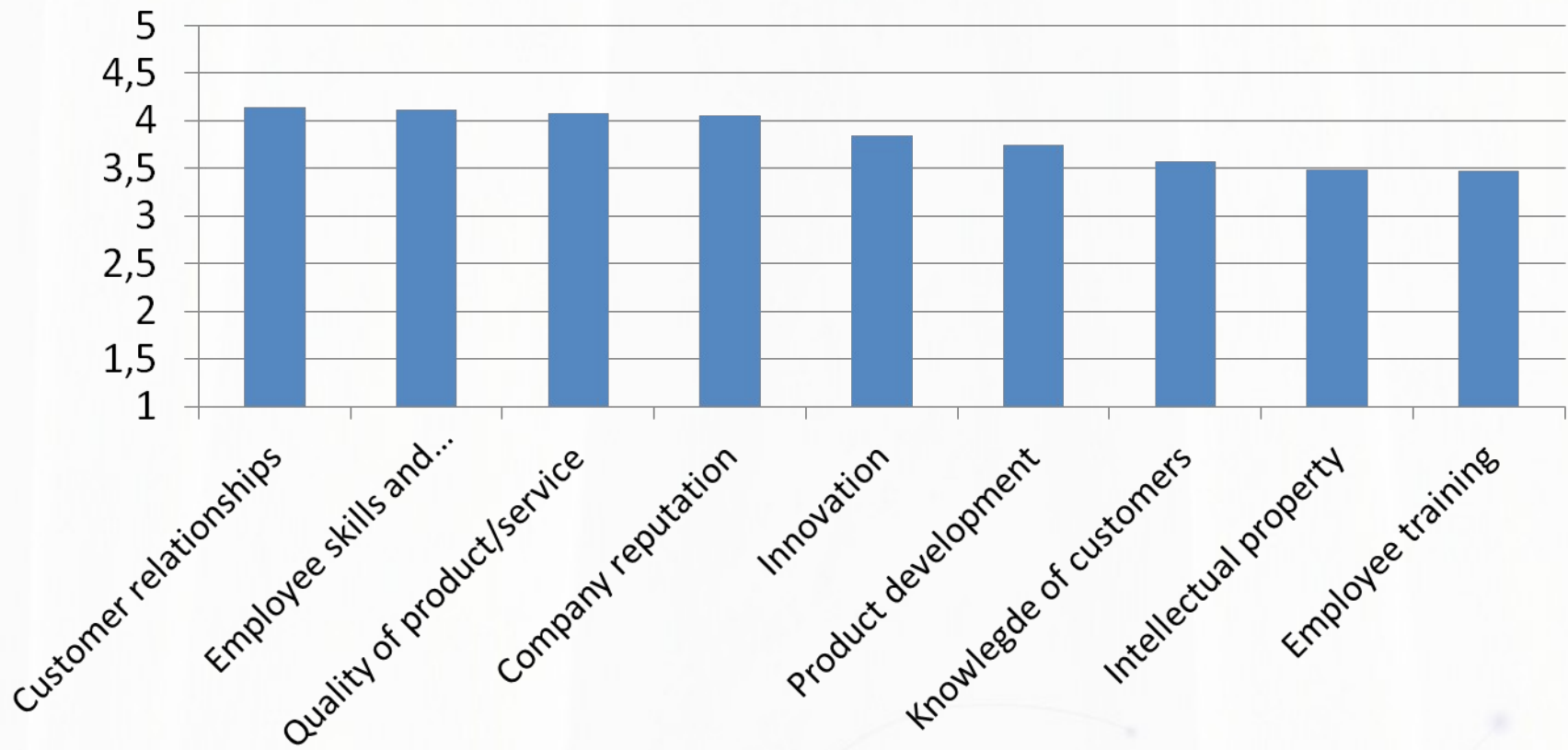


Vivien Beattie and Sarah Jane Thomson (2010)

- The majority of finance directors believe that more than 50% of corporate value is attributable to IC
- All IC components contribute significantly to corporate value
- Top IC components are
 - Relational capital (customer relationships, company reputation)
 - Organisational capital (quality of product and service)
 - Human capital (positive employee behaviour)
- Incentive to disclose
 - Correct undervalued share price
 - Yet, disincentive to avoid giving secrets away
- Differences between industries

Vivien Beattie and Sarah Jane Thomson (2010)

CFO evaluation of importance for value



Economic Effects of Non-financial Drivers

- Customer profile -> revenue at risk
- Customer satisfaction -> repeat business -> revenue at risk
- Employee turnover -> loss of productivity and cost of re-hiring
- Employee satisfaction -> loss of productivity
- Best practice tools -> productivity in service execution
- Key personnel staffing -> effectiveness of execution -> (i) innovation, (ii) productivity
- Investment in process development -> reuse of best practice -> quality of offer -> revenue increase and/or cost decrease
- Pizza-index -> people on overtime assignments -> deadline-adherence -> customer satisfaction -> revenue at risk

Comparability and Consequences

- Not word by word, or number by number – yet people easily make a difference when reading IC statements
- PWC experiment with financial analysts
 - IFRS report -> analysts cautious and recommending selling the share
 - IC report & IFRS report -> analysts recommended holding/buying the share
- Gröyer and Catasús' experiment with bank lending decisions
 - IC makes lending decisions more likely
- Jensen, Petersen and Plenborg's cross sectional analysis of DK firms
 - Increased quality and quantity of supplementary information reduces cost of capital

Disclosing Intellectual Capital Information

- Stand alone essays - chapters in the Annual Report
- Focus on knowledge – focus on sustainability
- Paper information – web information
- Internal emphases – external emphases

Conclusions

- There seems to be strong relations between IC and FC, even if time-lag is difficult to concretise.
- Non-financial indicators have information content and an economic interpretation.
- It is possible to write and read IC statements analytically.
- (it is also possible to verify it by an external body)



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