

UN-LOCKING INTELLECTUAL CAPITAL



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Intellectual Capital (IC)

...as all of the intangible resources, including knowledge, which can be used towards creating wealth.

(Stewart, 1997, p. x)

Internal / Structural Capital
External / Relational Capital
Human Capital

IC at a crossroads of relevance



Journal of Intellectual Capital (2004)
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Third stage of IC research takes a critical examination of IC in practice.

“Newcomers to IC”



“Lock-in” to accounting!



“Lock-in” to accounting is detrimental!

-because it can reduce the “potential for change and novel management actions”.

(Chaminade & Roberts, 2003)

-“that the relationship between indicating and acting is not significant and that the introduction of mobilizing gives a better model fit”

(Catasús *et al.*, 2007).

-“that it is possible to effectively implement IC practices without necessarily needing concrete IC measures”

(Dumay & Rooney, 2011)

Hypothesis

- If IC becomes ‘locked-in’ as an accounting framework, IC will get lost inside the organisation; and
- ‘un-locking’ IC allowing managers to use IC to achieve individual goals will it ever be effectual.

Research has three distinct phases:

- Phase 1 – Mid 2004 to Mid2005:
 - Design, develop and implement an IC measurement system
 - external IC Statement (ICS)
- Phase 2 – Late 2005 to end of 2007:
 - Worked with IC
- Phase 3 – 2008
 - Produce new ICS

Why IC?

- Company B is an Italian Utilities Company
 - Supplies water, energy, environmental services and street lighting
 - Progressive deregulation of traditional monopolies
 - Competitive market for the supply of utilities

Why IC?

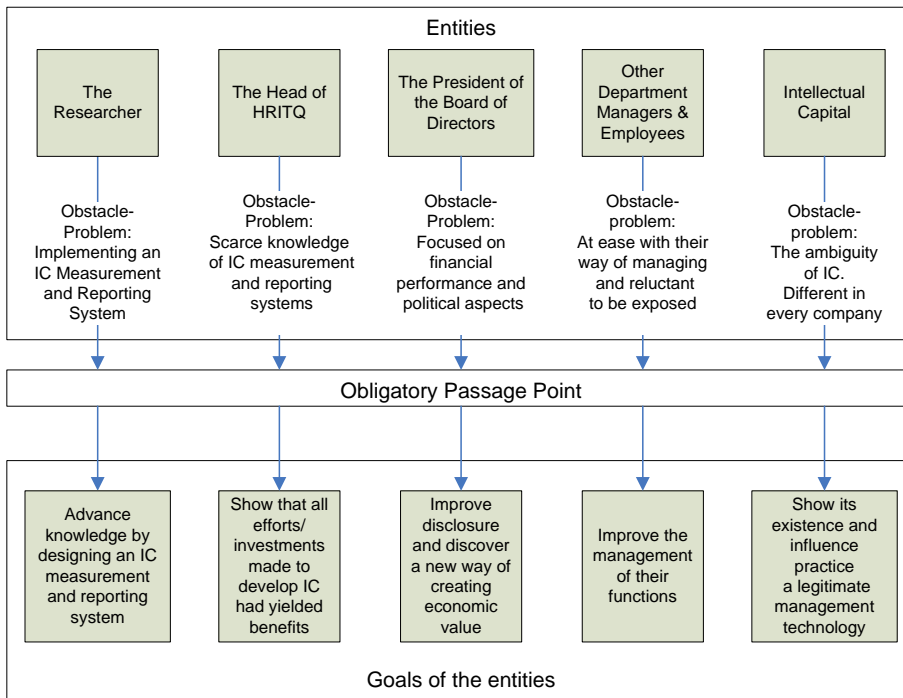
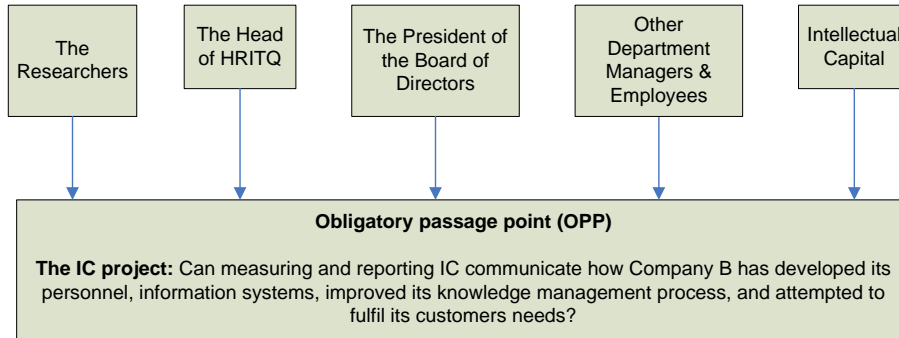
- Developed ISO9001 quality system
- Published a sustainability report
- IC was “*a natural progression*” for a company working on managing its “*softer side*”

Why IC?

“Measuring IC should help me to show that all efforts made... have yielded important results, have generated benefits for us and for the stakeholders.”

Head of HRITQ

The Problem



Getting People Interested in IC

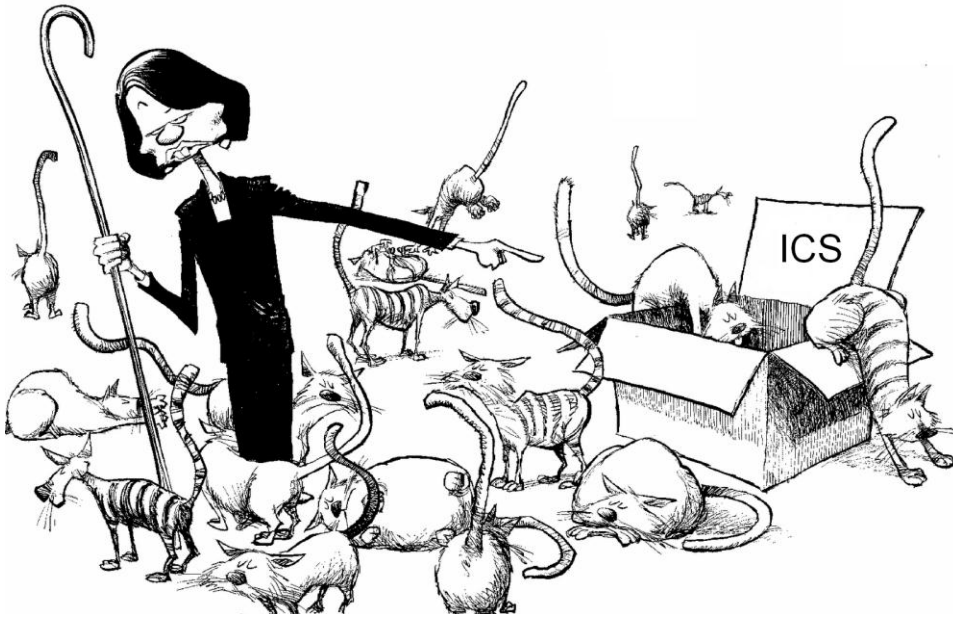
“I am very proud of what we have done in the last few years and I think this is the right path to follow in the future. “

Company President

Developing Interest through Interventionist Research

- Semi-structured interviews
 - Project presentation
 - Explain IC and where it was “located”
 - Examples of IC measures
 - Discussion of how IC could be useful
- Multiple interviews and discussions with managers

Co-ordinating people to work on IC...



*"I can give you all the documents you need; I can help you to accomplish your task in this way. I really believe that [the IC] project is very interesting and I am sure it would give you many hints for understanding human capital and managing knowledge. But, you see, **I am very busy and I cannot participate** further in the project."*

Head of 'Business One' Department

The IC Report

- Project completed within a year
 - analysis of personnel competencies
 - a company climate survey
 - Customer satisfaction survey
 - analysis of the IT system supporting company's activities; and
 - interviews and a survey to assess IT user satisfaction.

The IC Report



19167 words, 103 indicators, 5 images

Was measuring IC useful?

“At first you think that IC is something that has to be put in a balance sheet; then when you see all the possibilities you have to describe its nuances, a single ...measure becomes so reductive.”

Head of HRITQ

Phase 2: Unlocking IC from accounting

- “Official” end to project but it continued
 - Articles were written & conference presentations
 - Researcher wanted to follow the impacts of measuring IC
 - Head of HRITQ wanted to be kept “up to date” on IC developments
 - 2005 to 2007 no ICS was issued

Phase 3: New business partner as motivation for a new ICS

- Company's performance is the result of:
 - relationships with the stakeholders
 - organizational structure and processes; and
 - a deeply-rooted company culture

“Any changes, including the development of new partnerships, should occur without breakdowns in these areas and strong attention must continue to be paid to continuity in business and in values.”

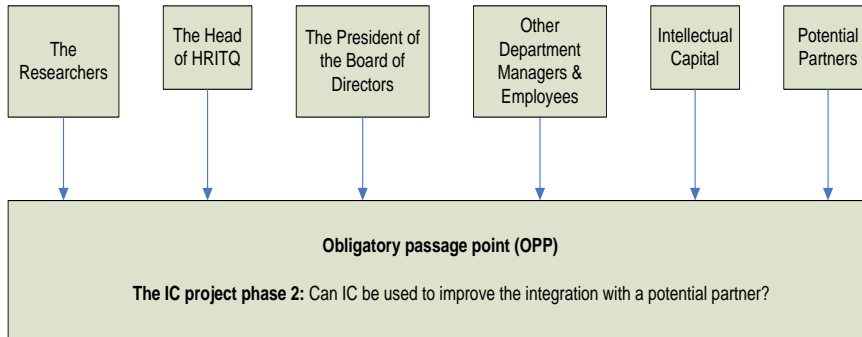
Internal Document

From measuring IC to implementing IC

“I am not sure we can write another company IC statement. Over these last three years we have not produced all the information that was in the previous report ... **The initiatives undertaken are many but numbers referred to them are scarce.**”

Head of HRITQ

A new problem...



Getting people re-interested and working on IC

- IC supporters and detractors

“I got useful information from the previous project but, I am sorry, **I have many things to do and I do not have enough time to participate in the new project.** All in all, I got all the information I need and I am still working to improve the relationships in the direction shown by the questionnaire.”

Senior Manager

Getting people re-interested and working on IC

- Two new managers joined into the project
 - The same “interessement devices” were utilised (interviews etc...)
 - A lock-in to accounting helped them make sense of IC
- “I cannot affect company turnover that much but I can influence company costs. So if **I can use numbers** and if I can comment on them, then **the project can help me in making the others understand what I did** for the company. “

Getting people re-interested and working on IC

- Potential new business partner
 - Was asked to provide information about itself
 - structure, management systems and strategy
 - Needed to be “complete” information in line with ICS
 - Potential partner needed the ICS to understand Company B’s IC before disclosing its own

Conclusion

- Contrary to our hypothesis

“at times a dominant focus on accounting for IC is necessary, especially to allow newcomers to take stock of and make sense of IC.”

Conclusion

Accounting for IC



Mobilizing IC

