



Chapter II

The Intellectual Capital Statements: Evolution and How to Get Started

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Abstract

In light of the latest developments in the field of intellectual capital (IC) measuring and reporting (Asia, Europe, and USA), this chapter aims to help managers measure and report the intellectual capital of their companies. Having first-hand experiences in collaborating with firms in the building of the “intellectual capital report” (ICR)—and therefore knowing weaknesses and major mistakes—the authors of the chapter propose how firms should build the ICR, an innovative corporate report with strategic implications for the achievement and maintenance of a long-term competitive advantage. The first section of the chapter presents a historical review of the development of the intellectual capital report since 1992. The second section analyzes intellectual capital reports, discussing firms’ definition and goals for these reports; the analysis is based on intellectual capital reports published by 38 firms from Europe (Austria, Germany, Iceland, Italy, Spain, Sweden, and UK) and Asia (India and Japan) during the period 1992-2006. From here, we address how

firms can get started building the intellectual capital report, especially regarding the structure of the report as well as the specific indicators.

Introduction

For more than a decade some pioneering firms from Europe and Asia have built an innovative corporate report called the *intellectual capital statement (ICS)*. Based on these intellectual capital reports (ICR) published by these firms and their learning, this chapter presents the evolution up to now on how managers *could now systematize* measuring and reporting intellectual capital (IC), rather than simply describing it.

The chapter is structured in four sections. The first section presents a historical review of the development of the intellectual capital report since the prototype of the first internal intellectual capital report in 1992 to the last advances in the development of intellectual capital guidelines. The second section analyzes intellectual capital reports, discussing firms' definition and goals for these reports. Based on the analysis of intellectual capital reports published by 38 firms from Europe and Asia during the period 1992-2006, we discuss the most frequent weaknesses and errors observed when preparing this innovative report. From here, we address how firms *could build* the intellectual capital report, especially regarding the structure of the report as well as the specific indicators for measuring each intellectual capital construct. The third section covers recommendations for the presentation the intellectual capital report. The last section encourages managers to systematize measuring and reporting knowledge-based resources, showing the tangible benefits derived from these activities. Finally we suggest new avenues for the future of the intellectual capital report.

Historical Review of the Development Intellectual Capital Reports

The very first internal intellectual capital report was prototyped in 1992 and externally published for the first time in 1994. The Swedish stock and Fortune 500 listed the financial and insurance service company, Skandia. This company drew up the first intellectual capital report or statement to be published anywhere in the world. It was based on the Skandia development of the intellectual capital navigator and the newly launched taxonomy of IC, under the leadership of Leif Edvinsson, to visualize the hidden value for a more systematized cultivation.

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