Chapter VII
The Intellectual Capital Statement:
New Challenges for Managers

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ABSTRACT
The aim of this chapter is to examine how firms measure and report their knowledge-based resources. In the first section of the chapter we analyze the intellectual capital construct and its sub-constructs. In the second section, we review basic models for measuring intellectual capital. The third section examines guidelines for measuring and reporting intellectual capital. Based on the analysis of intellectual capital statements published by 28 pioneering firms from Europe and India, section four explores key issues on building this innovative report. Finally we present major conclusions and implications for management.

INTRODUCTION
The aim of this chapter is to analyze how firms measure and report their knowledge-based resources. Based on the study of intellectual capital statements published by 28 pioneering firms or institutions/organizations from Austria, Denmark, Germany, Italy, India, Spain and UK since 1994, the chapter explores key issues in the field of measuring and reporting intellectual capital.

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BACKGROUND

The literature of intellectual capital emerges in the mid 1990s, with the works of Leif Edvinsson and Karl-Erik Sveiby. In 1994, the first intellectual capital statement ever published in the world comes to light. Although numerous advances have taken place in the field of intellectual capital after the publication of this statement, there is still a long road ahead.

Let us examine the evolution of intellectual capital statements during the first decade of their existence and then propose indicators to build the intellectual capital statement.

Intellectual capital constitutes the most valuable organizational resource of a company. It represents a group of intangible resources of strategic value that does not appear in the financial statements of the company, in spite of contributing to the creation of organizational value. Intellectual capital is not only key to the creation of a competitive advantage but also for its long-term maintenance.

Intellectual capital literature covers diverse typologies of this concept that have been developed recently. Generally, main contributions in this field agree with the idea that intellectual capital is formed by three components or sub-constructs: human capital (HC), structural capital (SC) and relational capital (RC) (Bontis et al., 2002; Bueno 2005; Ordóñez, 2004, 2005; Roos et al., 1997; Sveiby, 1997). It is important to note that usually the order of these sub-constructs is as follows: first the individual, next the organization and finally the relation with the external environment—as a system (see Figure 1). Let’s explore these concepts now.

Human capital reflects the set of knowledge, capabilities, skills and experience of the employees of the company (Becker, 1964). In other words, it encompasses the accumulated value of investments in employee training, competence and future (Skandia, 1996). It also includes an even more intangible element: employee motivation.

Structural capital represents organizational knowledge that has moved from individuals or from the relationships between individuals to be embedded in organizational structures, such as organizational culture, routines, policies or procedures. Generally this sub-construct is divided into technological capital and organizational capital (Bontis et al., 2000; Bueno-CIC, 2003; Skandia, 1996). Technological capital represents industrial

Figure 1. The IC sub-constructs
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