

# A DOZEN ANSWERS

in regard to

## **Swiss Made INTANGIBLES REPORT**

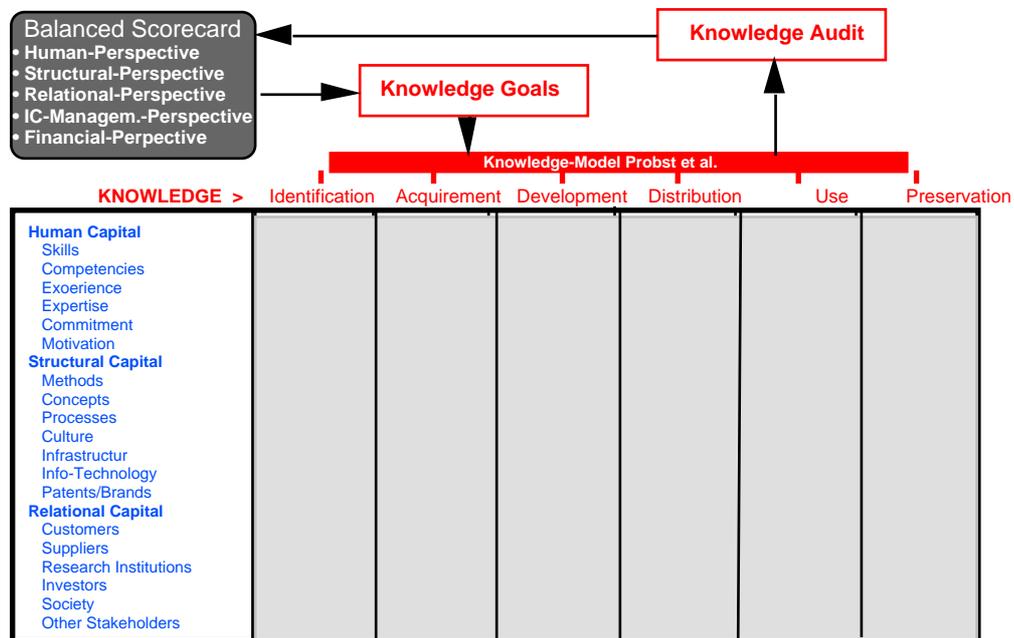
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### **1 Why accounting knowledge?**

Intellectual Capital (Intangibles) is widely recognised to be an important innovation driver and a key resource for each type of organisation. Stakeholders (especially investors) ask in these days for *Intellectual Capital Statements* in addition to the conventional financial reports. Thus, practicable tools are needed to include IC in the organisation's performance reports. Target groups of intangibles report include all stakeholders, divided in internal and external groups.

## 2 What is the architecture of *Swiss Made* Intangibles Report?

An intangibles report shall account the organisation's immaterial assets. They are usually not declared in conventional annual reports. A matrix serves as a tool to set goals, to measure and control knowledge work, consisting of established and approved oper-ands:



Identified organisational knowledge contents are dedicated to the responding categories of intellectual capital (vertical axis). The characters of the knowledge-based initiatives define the points of intersection in the matrix. On the strategic level this model includes two additional processes: *Knowledge Goals* and *Knowledge Audit* are essential to generate data (indicators) for internal target groups. To measure and control knowledge initiatives serves a mutated Balanced Scorecard (BSC). In addition, an integrated *Intellectual Management System* (ICMS-15649) allows a harmonised reporting, that allows comparing intangibles reports.

## 3 What means the term "*Swiss Made*"?

That isn't a national chauvinism, but shall indicate an exclusivity of this approach: While analysing the concepts introduced in Scandinavia, Germany and Austria we found out, that the stakeholders acceptance (especially investors) is moderate. They claim the missing benchmark ability to compare similar organisations. Our answer to this challenge is a harmonised reporting form for external target groups.

## 4 Why a harmonised and not a standardised reporting form?

A standardised reporting form requires that all organisations shall report about the same facts using common indicators. But, depending on the type of organisation, different IC aspects dominate. Thus, a true standardised IC evaluation, as required by the financial markets, cannot be fulfilled or at best partly. In addition, many organisations refuse to disclose their IC data. They declare them as strategic and secret information, which are reserved for the internal IC management. IC data demonstrate how resource processes contribute to competitive advantage. IC oriented organisations show (somehow legitimate) reservations, since the newly realised advantages might be negated by full IC transparency.

## 5 How does the harmonised reporting form work?

The impossibility of comparing IC data in a standardised and benchmarked manner requires an alternative IC evaluation. Instead of identifying specific IC data their value is compared to previous defined knowledge goals leading to an anonymous benchmark in percentages. In addition we defined an Intellectual Capital Management System covering all components of the Intellectual Capital. The reporting organisation are obliged to respond to each item how they fulfil the ICMS requirements. In fact, this proceeding doesn't focus on WHAT (resulting IC data), it measures the HOW (implemented and documented processes and tools). This is comparable with the established ISO-9000, where the resulting product quality isn't the subject of interest, but the efforts to reach quality including the documentation and traceability.

**ICMS-15649:**

**1 IC-Management**  
Policy (Normative Knowledge Goal)  
Commitment of the Top-Management

**2 Human Capital**  
Declaration of the implemented processes and tools

**3 Structural Capital**  
Declaration of the implemented processes and tools

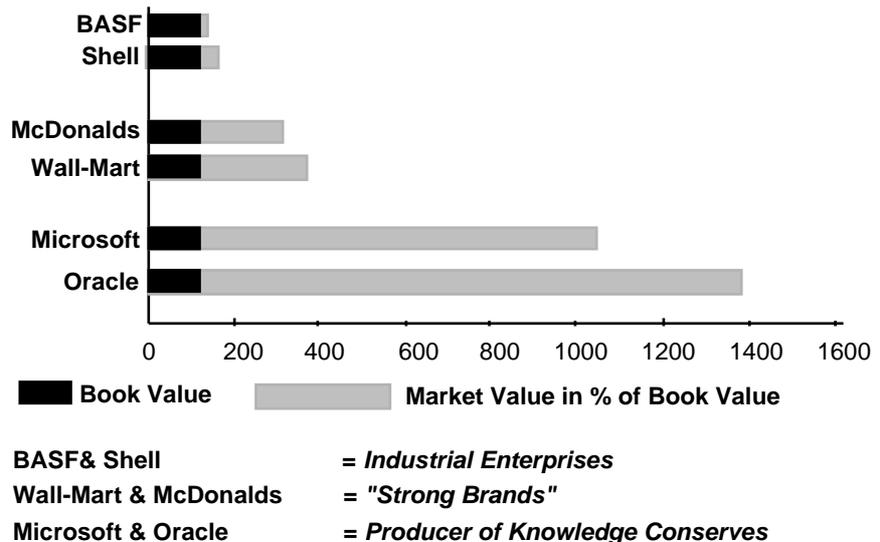
**4 Relational Capital**  
Declaration of the implemented processes and tools

## 6 Are all the harmonisation requirements mandatory for each organisation?

On principle: Yes! Since every knowledge based organisation does already something for each of the IC components, even when this doesn't run under the knowledge management label. However, it is thinkable, that (similar to ISO-9000) specific requirements have no relevance in fact. In such a case the reporting organisation is asked to conclusively show and explain the non-relevance. This proceeding has the advantage, that it becomes visible, which knowledge based initiatives are subjects to be optimised and/or can be managed in a more systematic approach.

## 7 Isn't an Intangible Report just another PR tool?

No, for external target groups the intangibles report offers insight in the organisation's immaterial assets and how their sustainable treatment is. The change from the agrarian economy to the knowledge society has led to the situation, that the 'unreported' assets in a balance sheet are on average several times those of the tangible assets.



These informations are for investors substantial indices about the economic future survival and/or creditability. This is not only a matter of stock market enterprises, it influences microfinance decisions for SME's too. An important additional external target group are potential employees. Empirical studies show the increasing consideration of immaterial assets by job prospects

Besides the communication to external target groups an intangibles report offers different information to internal target groups: The brought up indicators serve (exclusively internally) as parameters for strategic decisions, where a mutated balanced scorecard is used to evaluate and control knowledge work.

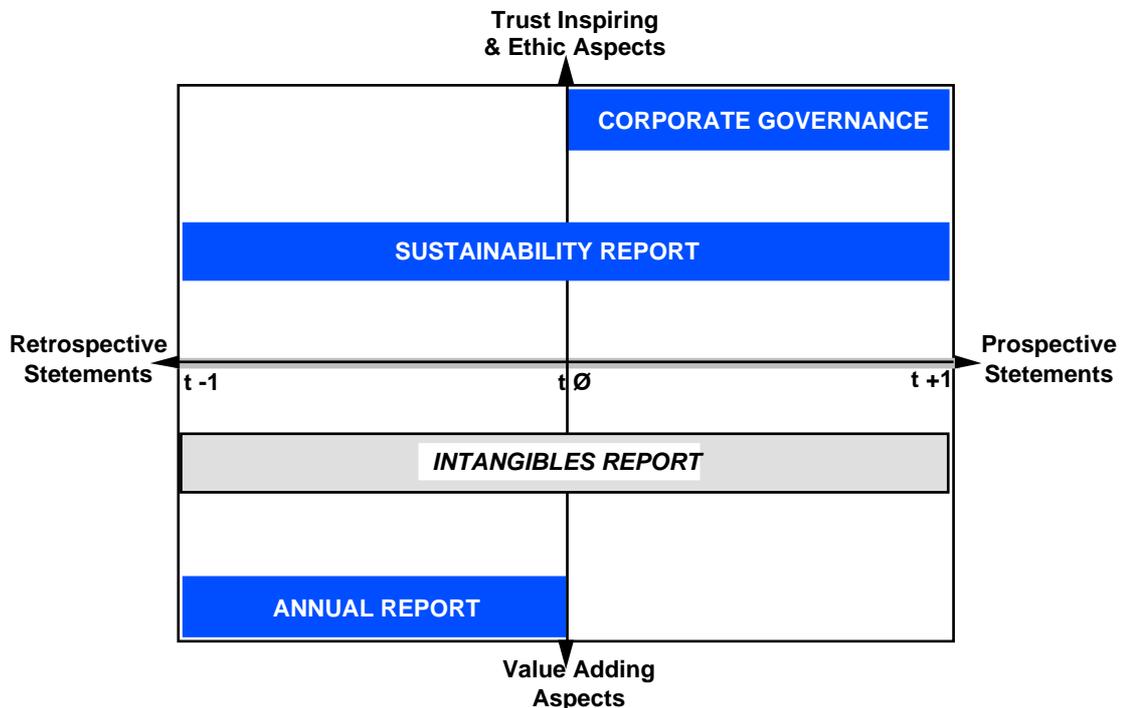
### 8 Which skills are necessary to analyse an Intangibles Report?

This doesn't require a master degree in knowledge management: Nevertheless, a solid understanding of the intellectual capital composition and its resources processes are mandatory. Such skills can be acquired by attending a 2 – 3 days workshop as described in [http://www.hrm-auer.ch/english\\_docs.php](http://www.hrm-auer.ch/english_docs.php) (Knowledge Management for Non-Knowledge Managers).

### 9 How is the Intangibles Report positioned in context to the established corporate communication?

Even when the Intangibles Report contains *trust inspiring aspects*, its true value are prospective indices in the value adding aspects: An innovative capacity of an organisation relies mainly on the non-financial assets and its sustainable management. Other than in the conventional annual reports the Intangibles Report doesn't aspire full benchmark ability, but an adequate level of harmonisation. This doesn't focus on WHAT (resulting IC data), it measures the HOW (implemented and documented processes and tools).

**INTANGIBLES REPORT in the environment of Corporate Communication**



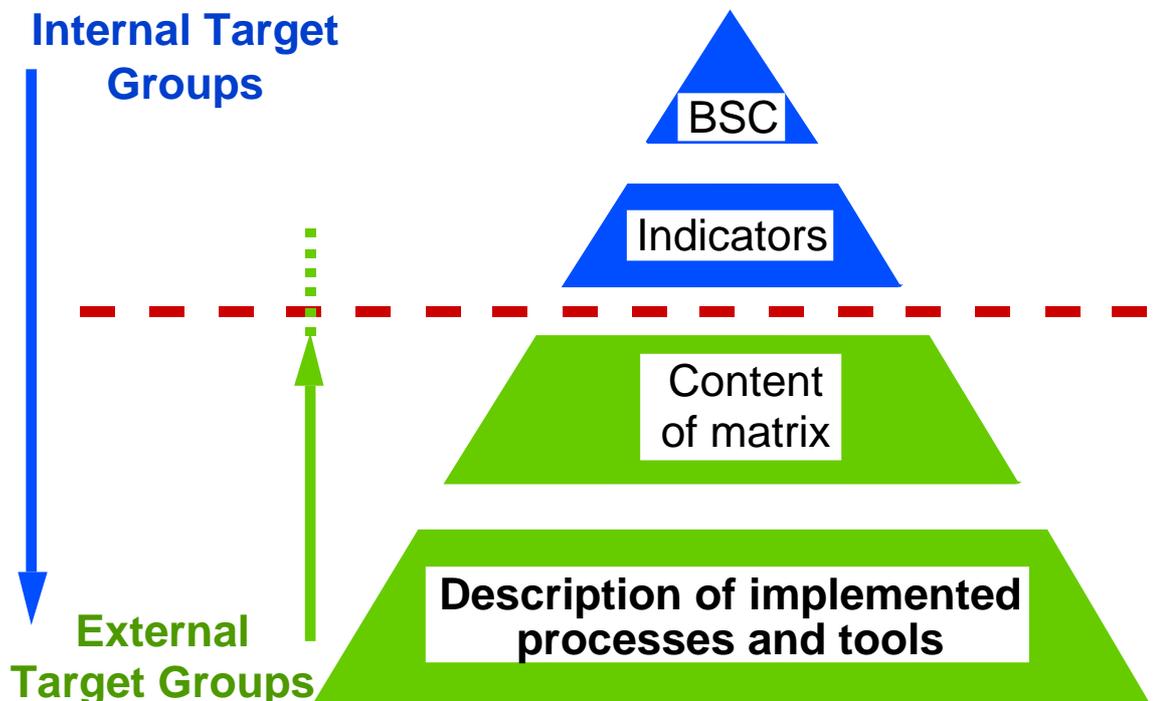
**10 What are the costs for project partners?**

First of all it is necessary to remember, that the highest cost arise internally: The project Intangibles Report isn't a "one man show"! Since a complete work on intellectual capital includes aspects of HRM (especially management development), strategic leadership, innovation management, customer relation ship and communications, a set up of a project team is recommended. Important is a participation of a top management member. That doesn't mean, that the project leader shall be a top management member. External costs may be in a bandwidth between \$ 8'000 and \$ 13'000, depending on the project-coaching intensity.

**11 What are the reported contents for external and internal target groups?**

The graph below shows the relation between information content and target groups:

- Disclosure of implemented tools & processes and content of matrix for external target groups.
- BSC data for internal target groups to control knowledge work and to support strategic decisions.
- The disclosure of key performance indicators is somehow difficult! Here, the following subjects shall be considered:
  - What do we intend to show?
  - How much can we disclose internal information without cannibalising our market advantages?
  - Is our communication aiming towards our target groups?



## 12 Is there any literature available on intangibles reports?

Below is a literature list containing supporting papers for the development of *Swiss Made Wissensbilanz*. Informative is a look to the web: The table below shows the number of pages by end of June 2005.

Search option	Search term	# of pages
Pages in Switzerland	Wissensbilanz	76
Pages in German speaking countries	Wissensbilanz	15'100
Web	Intellectual Capital Report	5'240'000

### Literature:

#### **Wissen als bedeutender Aktivposten**

Thomas Auer; *io-new management* 7 - 8 / 2005

#### **Intellectual Capital Statements – The New Guideline**

Mouritsen, Bukh; *Danish Ministry of Science, Technology and Innovation*; Feb. 2003

#### **Wie kann man Wissen bewirtschaften, das nicht gemessen wurde?**

Wolter, St.; *Education permanente* 4/2000

#### **Intellectual Capital Analysis as a Strategic Tool**

Roos, G./ Bainbridge, A./ Jacobsen, K.; *Strategy & Leadership Journal* July/Aug. 2001

#### **Wissensbilanz – Made in Germany**

Alvert, K.; Bornemann M.; Kivikas M.;  
*Bundesministerium für Wirtschaft und Arbeit*. August 2004

#### **Wissensbilanzierung für Universitäten**

Leitner, Sammer, Graggober, Schartinger, Zielowski;  
*Auftragsprojekt für das bm:bwk*, 2001

#### **Benchmarking Intellectual Capital**

Thomas Auer; *Wissensmanagement - Das Magazin für Führungskräfte* 02/2004

### **Swiss Made WISSENSBILANZ**

*Swiss Made Wissensbilanz* is a pilot project supporting knowledge based organisations to raise and publish reports on their intellectual assets. The project aspiration aims to set up a heterogeneous group of project partners. This includes profit- and non-profit-organisations, institutions of public services and education. The project is characterised by a conceptual and organisational preparation phase (1st half year 2005) and an operative realisation phase (2nd half year 2005). The overall goal are finished manuscripts of INTANGIBLES REPORTS by week 49/2005 to allow a simultaneous publication with the conventional annual reports.