



Nordic Harmonized Knowledge Indicators








Workshop Brjónsstaðir Iceland

4. – 6. September 2003

Report



Nordic harmonized Knowledge indicators workshop Information and Agenda Iceland 4. – 6.th of September

Thursday 4 th		Arrival
		Transfer to Brjónsstaðir, Southern Iceland
Friday 5 th	09.00 09.15	Introduction to the project ideology. The need for IC accounting and reporting
	09.15- 10.00 10.10- 11.00	Status of IC accounting and reporting in the Nordic countries* a) presented by representatives of the IT industry organisations 10 minutes each b) presented by the companies participating 10 minutes each. What they are doing in IC issues now and what they hope to achieve by participating
	11.00- 11.30	IC reporting best practice: The Use and Analysis IC reports
	11.30- 12.30	IC indicators, measurement and meaning, interpretation and benchmarking
	12.30	LUNCH
	13.30- 14.30	IC reporting and managerial steering models. A great value to SME's?
	14.30- 15.00	The role of the IT organisation in the IC benchmarking project – creating a comparative benchmarking tool for the IT industry
	-15.30	COFFEE
	15.30 – 17.00	The final outcome: A full scale project application Why, Who, How
	18.00	Dinner
	20.00	Evening excursion to Gullfoss, Geysir and Skalholt
Saturday 6 th	09.00 – 12.00	The Project outcome – working on a project plan Discussion forum – executing the project in each country
	12.00	Lunch
	13.00 – 14.00	Continuation Defining roles
	15.00+	Arriving in Reykjavík

Following is a summary of material presented at the workshop. This summary also represents the minutes of the workshop. The workshop was chaired by Ásta Þorleifsdóttir, project leader of the pre-project.

List of participants:

Participants:	C	Email	Organisation
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Tomi Rauste	FI	tomi.rauste@creanor.com	Creanor Oy
Henrik Egede	Dk	heg@tb.dk	Danish IT industry ass.

Introduction to the project ideology. The need for IC accounting and reporting Eggert Claessen M.Sc.

Abstract:

Following the rise and fall of IT companies in market value during the years 2000-2002 the issue of reporting intangible valuables has been the topic of discussion as a mean of explaining the real values residing within IT companies. The IC report is intended to supplement the traditional financial accounts and provide a fuller understanding of the potentials of the company and/or industry in question.

By better understanding its intellectual competence, a company should be able to enhance its image, both internally and externally. When using IC reporting the company reveals hidden assets that can have a major impact on the profitability and even core existence of the company. Companies need to report and manage their IC but need a less complicated entry level for using IC tools. Harmonizing IC indicators and reporting is an important step in this direction as it allows for comparison between companies and/or industries but also it creates a common context for understanding the various aspects of intangible values.

IC reporting best practice: The Use and Analysis IC reports Ásta Þorleifsdóttir

Abstract

Can intellectual capital statements be systematically read and analysed in a way that is comparable with the reading and analysis of financial statements? Can their usability be made more transparent to stakeholders?

Unlike financial statements, Intellectual capital reporting is not based on a double entry system, ensuring assets and liabilities balance. It is based on a single entry system, so 'assets' can exceed 'liabilities', thus many see intellectual capital statements as giving less credible and less relevant company evaluations. This problem with the data does exist. Not all financial statement figures are, however, as unambiguous and informative as one would like to think. Therefore, a detailed grid work of accounting standards has been established over time that

specifies the correct use and interpretation of figures and concepts. One goal of the proposed project is to develop a similar set of standards for intellectual capital statement transactions to aid their interpretation.

The analytical method's goal is to create sufficient distance from the intellectual capital statement figures that a company presents in text and illustrations by grouping them in to three categories as to answer three general questions.

Intellectual capital statement
What are the company's knowledge resources and their composition?
What has the company done to strengthen its knowledge resources?
What are the effects of the company's knowledge work?

Most companies write their intellectual capital statements, adapting element content and interrelationships to the company's particular situation. The content is therefore determined by the characteristics of the individual company. Intellectual capital statements therefore show wide variations, reflecting the differences in how they use knowledge resources and how knowledge is transformed to create value. The knowledge narrative, management challenges, initiatives and indicators are in principle unique to each company.

Critical evaluation is therefore dependent on the reader's ability to systematically analyse the information given in intellectual capital statements, analysis being based on statement figures. The goal of such an analysis is to evaluate whether the information provided by the company is relevant and whether the development in company activities is reasonable. An analytic tool should therefore be able to provide an overview of the company's knowledge resources, including current knowledge resource stock, development initiatives and their effects.

IC indicators, measurement and meaning, interpretation and benchmarking **Ásta Þorleifsdóttir**

Abstract

Intellectual capital reports give an annual overview of the effectiveness of the daily handling of knowledge resources, knowledge management. Measuring IC is an internal, self-assessment and can be used for continuous improvements and organisational development. By continuously assessing the IC knowledge management becomes more in tune with the needs of management, employees and the market. Intellectual capital reports give an annual overview of the effectiveness of the daily handling of knowledge resources, knowledge management.

To facilitate the first steps for IT companies towards IC accounting and reporting, We need to establish a generally accepted set of figures that can give an intellectual capital statement bottom line. Harmonizing IC the common IC indicators that form the base or bottom line is the main goal of the proposed project. Some of the basic work has already been done and is available to this project – but a lot more is needed before we can present the IT environment with a responsible working model.

Which general indicators should be present in an IC report and how they are to be measured, what questions or parameters, are underlying, to ensure the comparisons of apples to apples etc. The first steps in to IC accounting can be very time consuming but then it becomes quite easy to monitor changes to these key performance indicators as the process can to a certain extent be automated.

Selecting and setting general indicators and parameters, which could apply to all IT organisations, is a major task for the group. It has to be kept in mind at all stages the vital indicators to some organisations can be useless to others, depending on economic environment, field of practice and organisational structure. It must also be clear that those indicators may be vital to point out a company's uniqueness. What makes it special in how it differs from others in its value creation? The diversity of meanings of a simple indicator sets the necessity of defining for each indicator how exactly it should be calculated or harmonized.

IC reporting and managerial steering models. A great value to SME's

Eggert Claessen M.Sc.

Abstract:

SME's do not enjoy the same possibilities as larger organizations to explain themselves to the business environment and therefore have the same possibilities to raise funding capital on a fair basis that takes into consideration the intangible valuables that the company possesses. In addition, by using IC reporting, the SME reveals hidden assets that can have a major impact on the profitability and even core existence of the company.

SME's need to report and manage their IC but need a less complicated entry level for using IC tools. By developing a harmonized baseline for IC reporting, such a model will benefit SME's. It will lower the entry level for using IC tools and evaluating their IC base and value, thereby making the transformation process more applicable and affordable. In addition this model will enable SME's to profit and prosper from improving operations and increasing market value. The benefit of harmonizing IC indicators is their important relation to present popular organisational steering models such as Balanced Scorecard, Microscope Benchmarking, EFQM and ISO9001. As IC indicators form a baseline for these models, it is important that the rational behind measurement is harmonized. By harmonizing IC reporting and adding IC reporting to existing financial reporting it is believed that SME's have a better chance of realising the intangible values within their companies by providing a platform for comparison for the mutual benefit for stockholders, investors and the financial community

Harmonizing IC indicators and reporting is an important step in this direction as it allows for comparison between companies and/or industries but also it creates a common context for understanding the various aspects of intangible values. Such harmonization does not only affect the SME's but has also impact on other stakeholders and thereby the value proposition that the company has to offer.

The final outcome: A full scale project application. Why, Who, How.

Eggert Claessen M.Sc.

Abstract

The main goal of the pre-project is to establish if there is an interest amongst IT organisations in the Nordic countries to push forwards the objective of harmonizing IC indicators as to enable the industry to account and report its intangible assets. The proposal is based on the idea of applying for a further grant to enable that work to be accomplished. A project life of 3 years is suggested. The project is to be based and structured as four phases with active roles of companies and added value for participants.

The first phase will start by identifying and harmonizing indicators where a work-group with input from participating companies will further decide on meaning of indicators. During this phase there will be efforts to create liaison networks with accountants, consultants etc. When this work is done the work group will prepare the results for dissemination.

The second phase will start with implementation of indicators in participating companies. This will be done by means of seminars and follow up. When this is complete there will be external reporting of results from implementation to stakeholders and the work group will start revision based on the results to ensure the quality of the suggestions made by the project.

The third phase will concentrate on identifying proper management tools for participating companies. This is done by a work group with participating companies. It is of major importance that there is a measurement of input into models provided by harmonized indicators. This is why an evaluation of contribution, both to transformation process and economic result is necessary.

The fourth and final phase will include a report that contains an open source framework for transforming the knowledge base of SME's. The results will be disseminated in each of the participating countries in co-operation with the relative IT organization. Finally the steering committee will decide on how post project continuum will be conducted.