

The Future of Intellectual Capital: A Critical Perspective

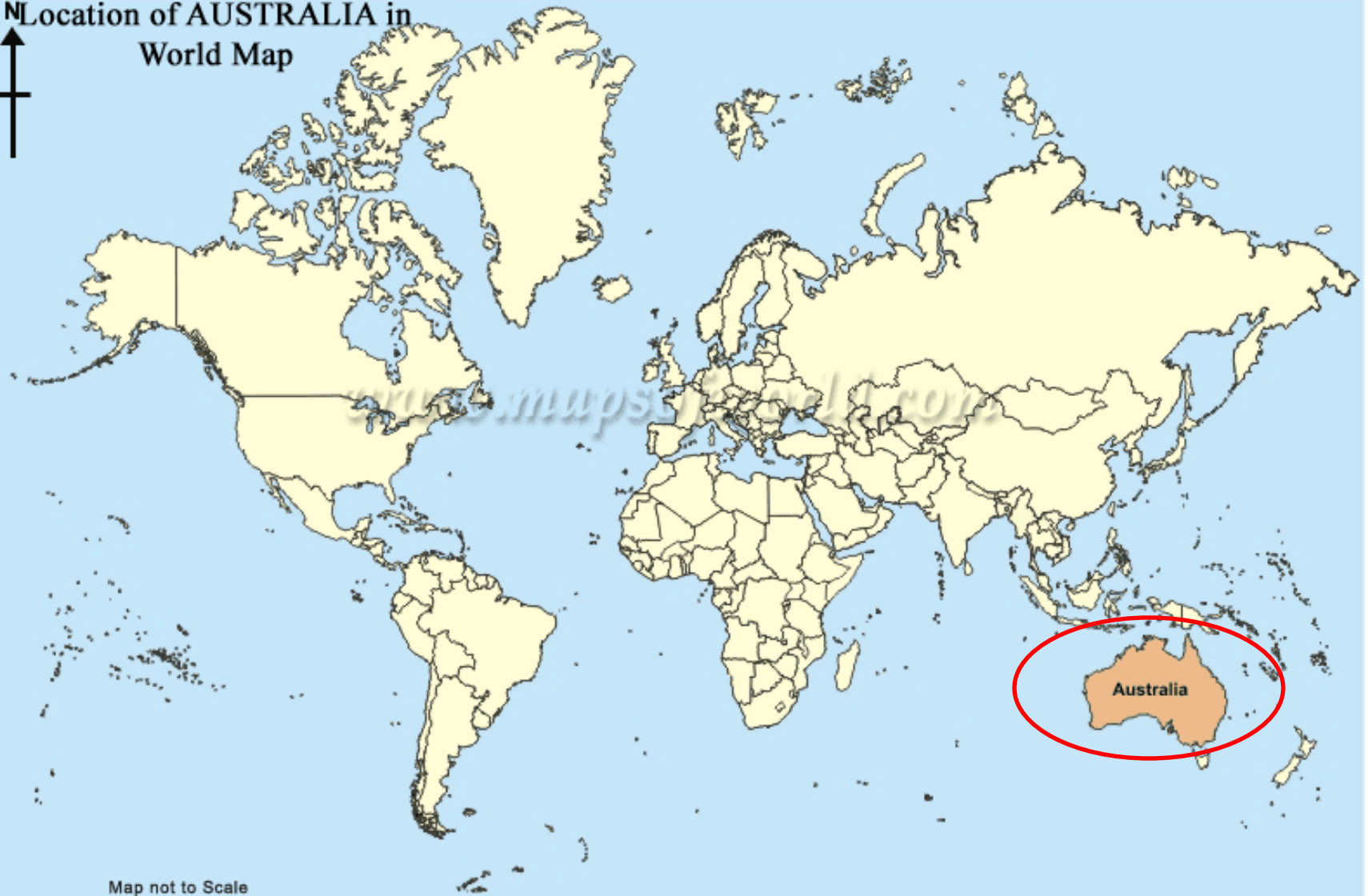


Associate Professor John Dumay
Macquarie University

**10th Interdisciplinary Workshop on Intangibles, Intellectual Capital and
Extra-financial Information**

Ferrara, Italy. Sept. 18-19, 2014.

**Location of AUSTRALIA in
World Map**



Map not to Scale



Diavolo di Tasmania



Previous life as a consultant



Accidental Accountant



Definition of Intellectual Capital

- *“... the sum of everything everybody in a company knows that gives it a competitive edge... Intellectual Capital is intellectual material, knowledge, experience, intellectual property, information... that can be put to use to create wealth [value].”*

Stewart (1997)

What is value?

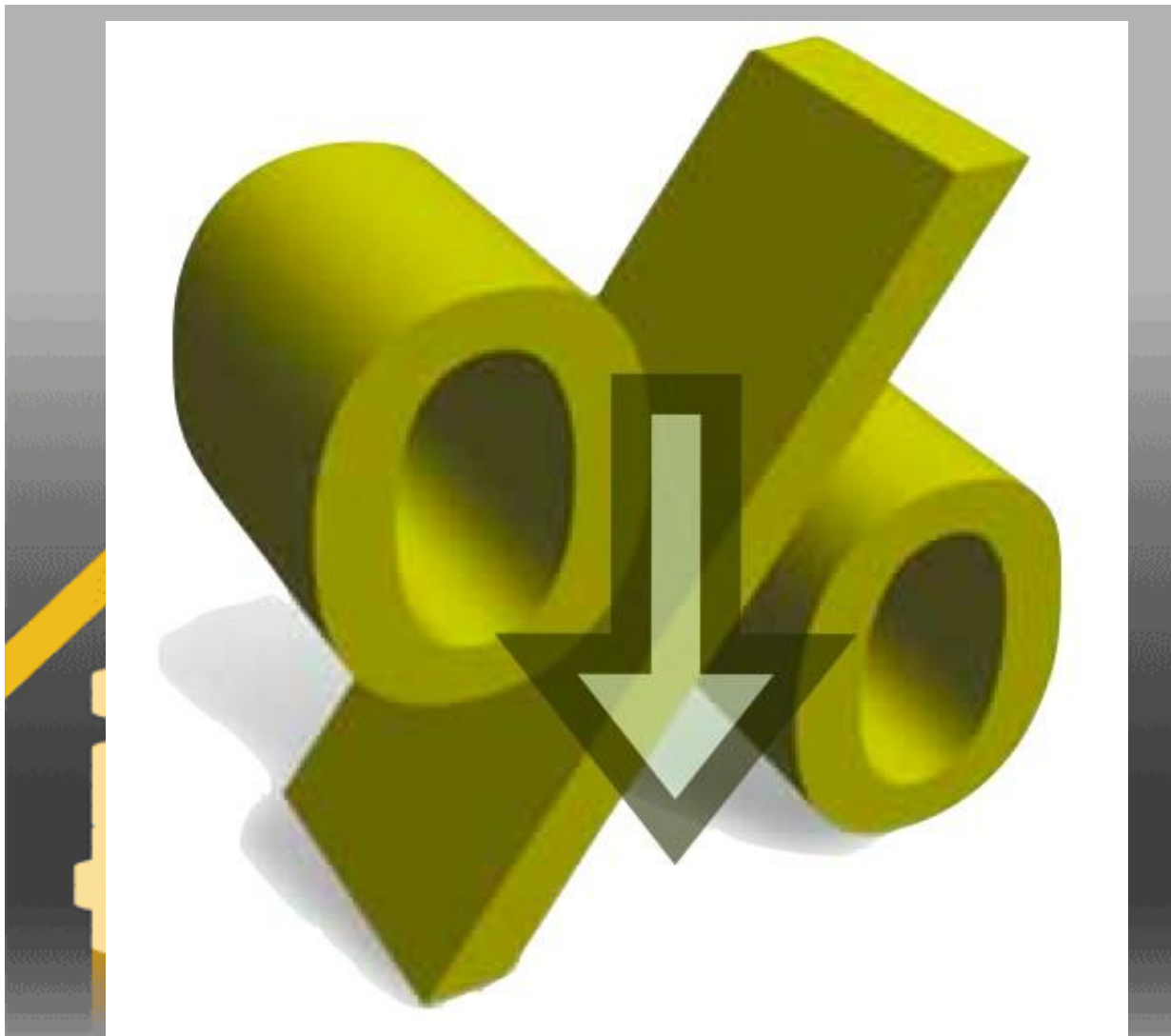
- Monetary
 - Cash, profit, return to shareholders.
- Utility
 - Usefulness, serves a purpose, satisfaction derived from consumption, e.g. a bank account.
- Social
 - Provision of jobs, social and economic infrastructure. E.g. a Bank provides employment as well as providing a means to perform transactions
- Sustainability value
 - Ecological footprint with zero impact as opposed to not paying for externalities

“can sell at £4.95 because it is total crap”!



Gerald Ratner (1991)

Disclosing IC?



“... I find [IC] not being practiced by managers far as much as it’s being preached by us academics...”



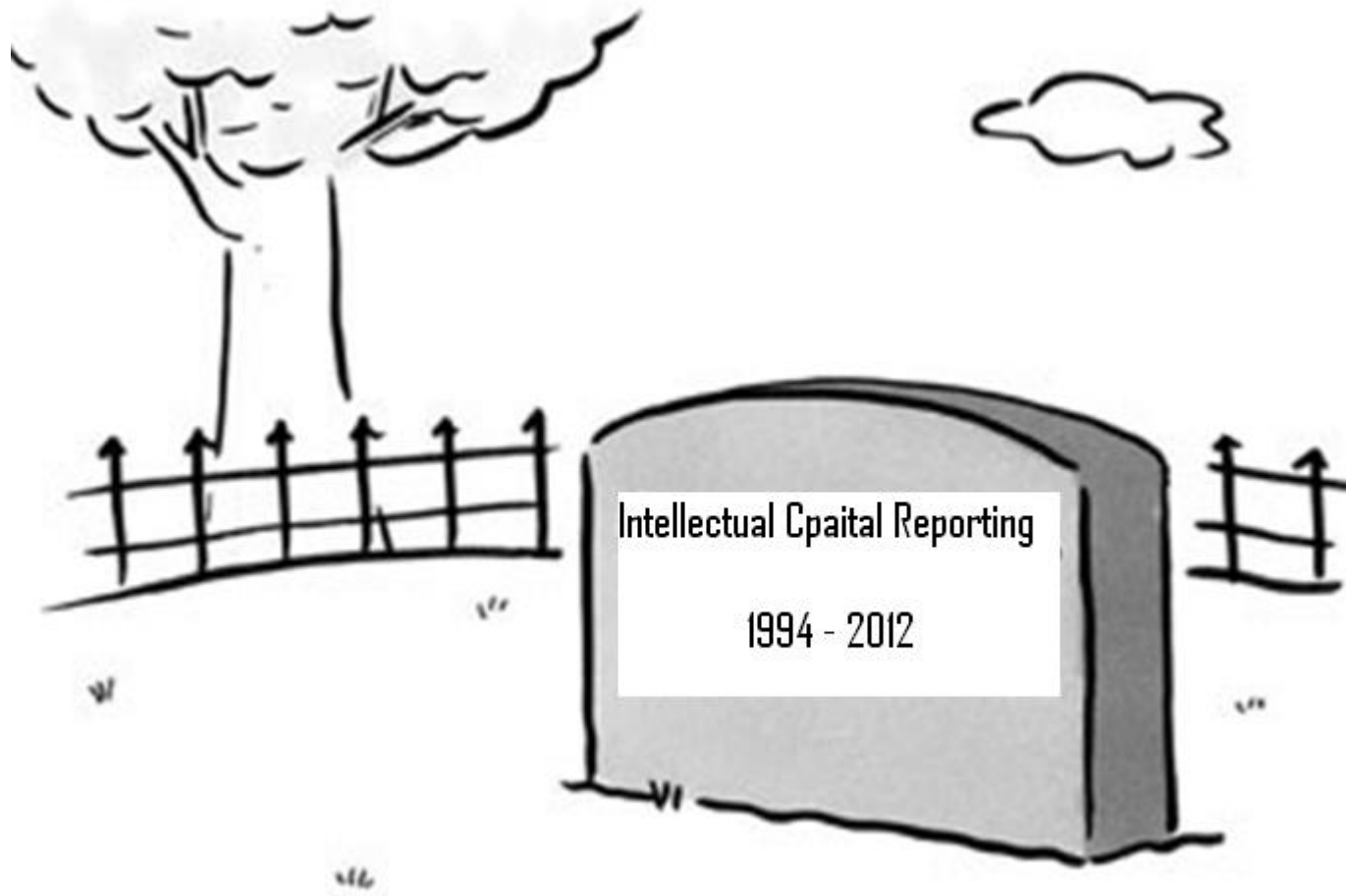
Aino
Kianto

The Intellectual Capital Church



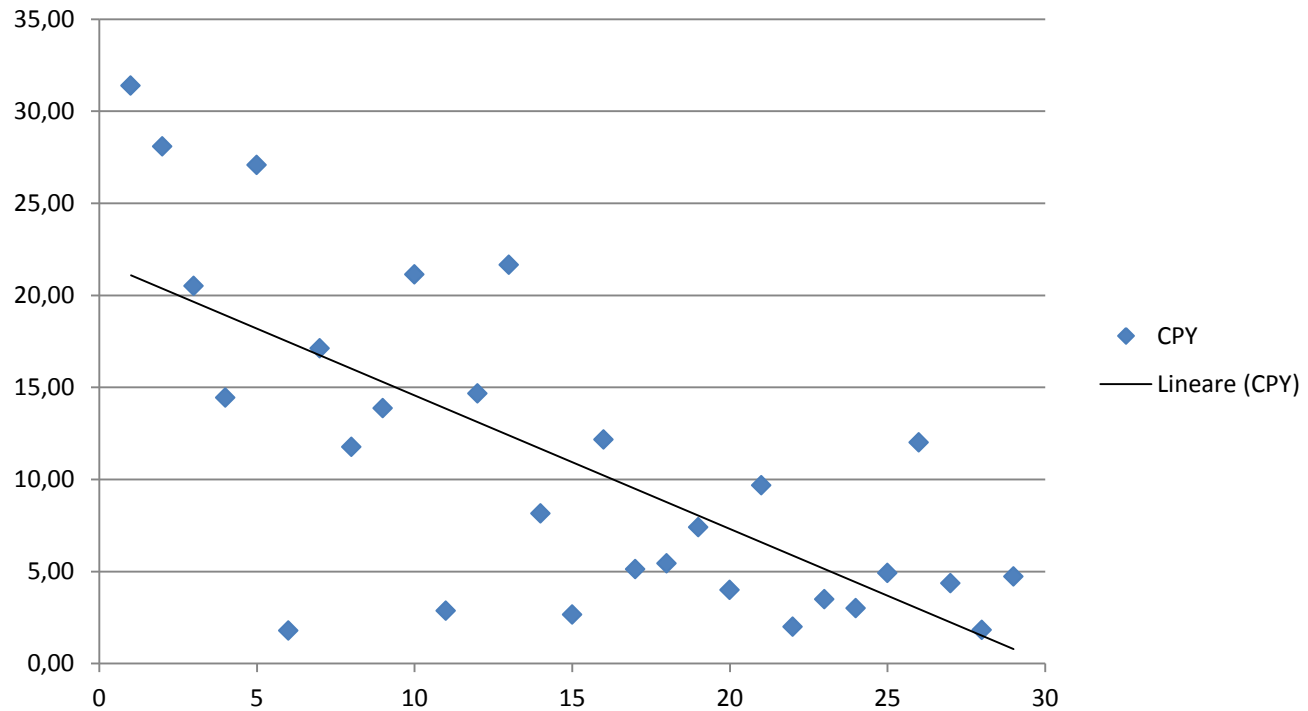
Intellectual Capital Reporting: RIP?

(Rest in Peace)

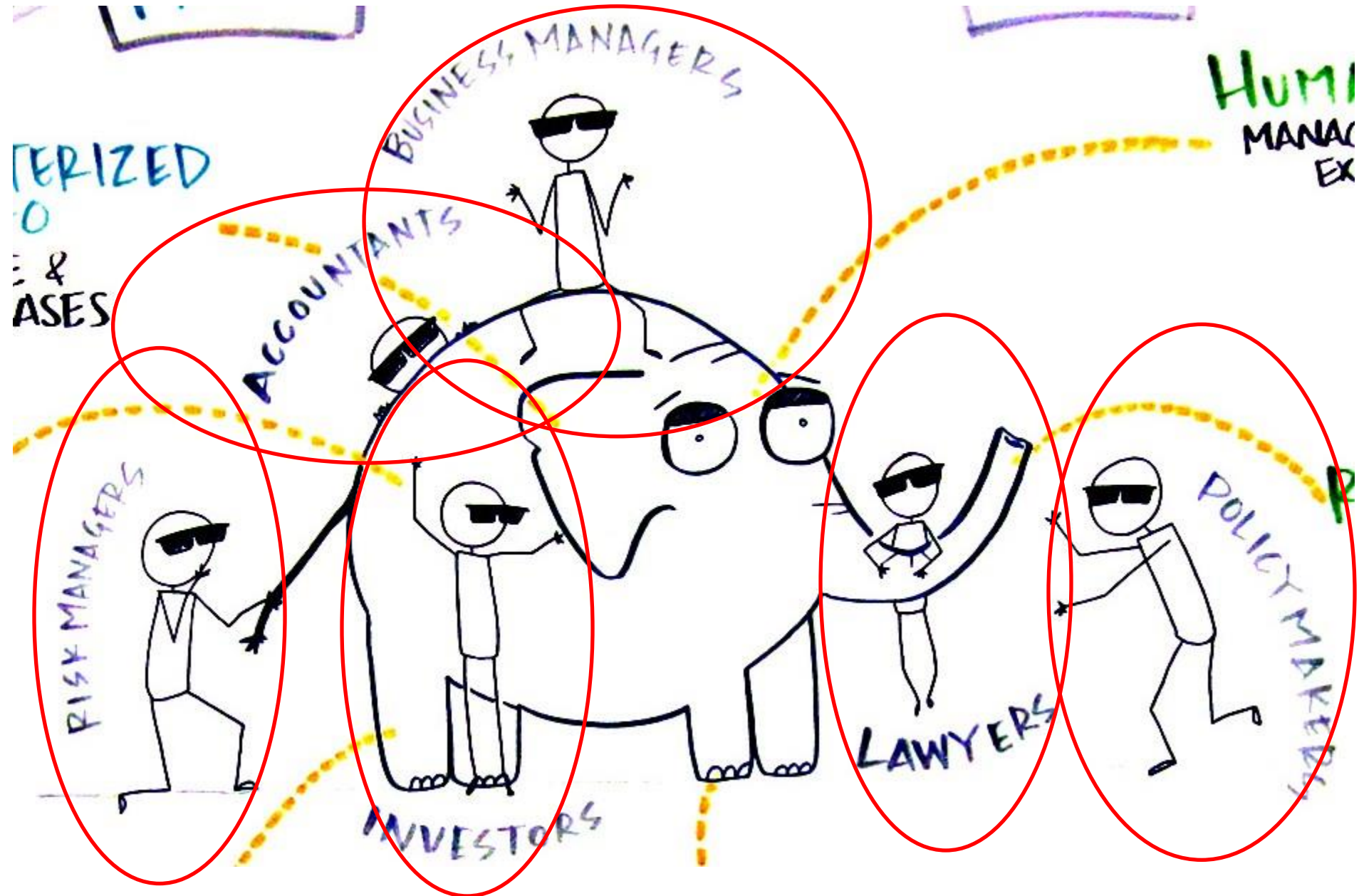


Do academics react or over-react?

Impact of content analysis research in the *Journal of Intellectual Capital* (2000-10)



How do we see (interpret) IC?



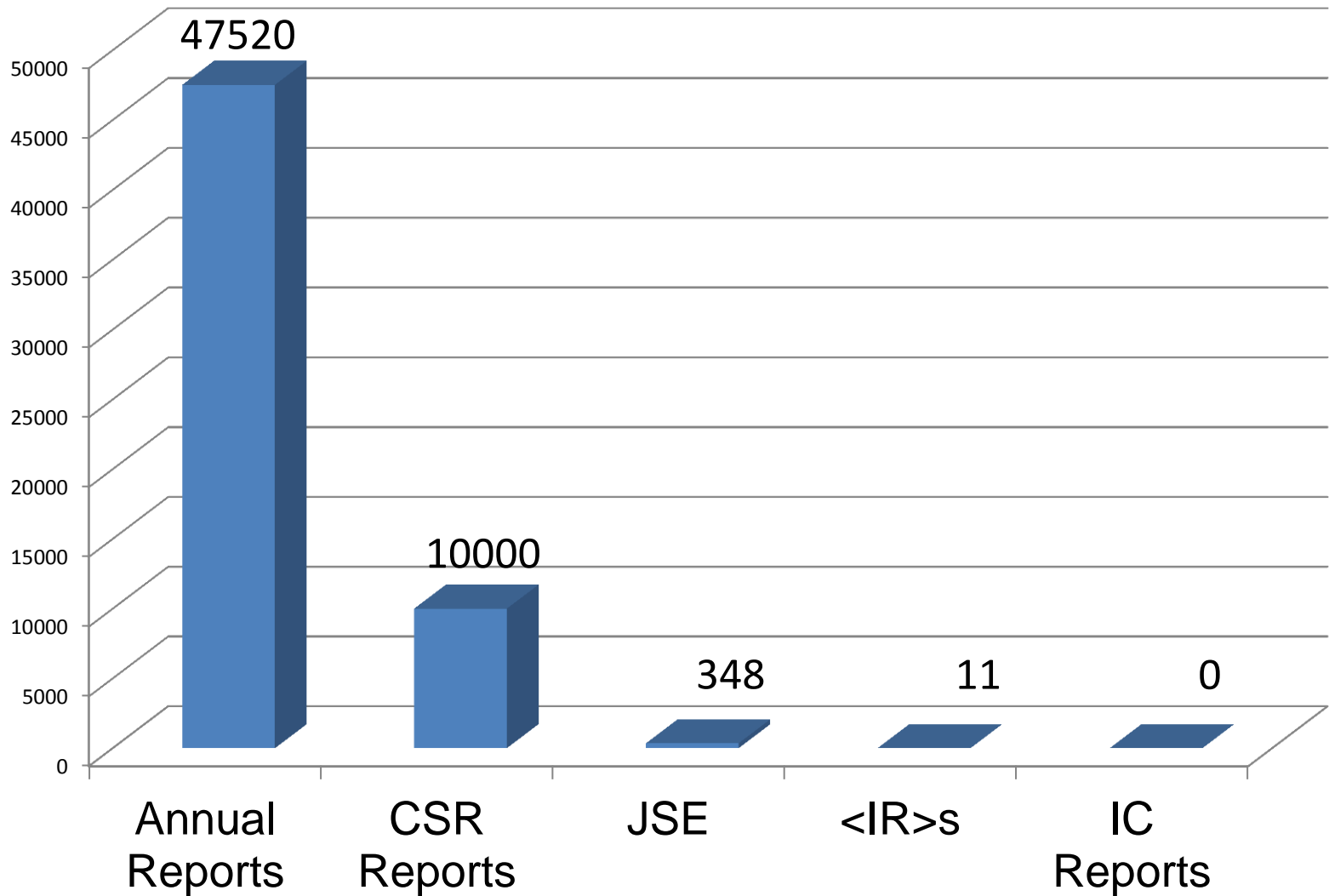
GAAP



Global Reporting Initiative™



Listed Company Reporting 2013





number of intellectual capital reports issued in 2013?



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About 1,440,000 results (0.54 seconds)

[PDF] A template for integrated reporting - Research Online

ro.uow.edu.au/cgi/viewcontent.cgi?article=3928&context... ▾

by I Abeysekera - 2013 - Cited by 12 - Related articles

Abeysekera, I. (2013). A template for integrated reporting. Journal of **Intellectual Capital**, 14 (2), 227-245. This journal article is available at Research Online: ...

Stakeholder Theory and the Voluntary Disclosure of



Intellectual Capital Report 2013



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[PPT] INTELLECTUAL CAPITAL - OCW UPM

ocw.upm.es/.../intellectual-capital.../3.%20INTELLECTUAL%20CAPIT... ▾

2009 – March 2013. Prof. ... INTELLECTUAL CAPITAL REPORT ... Human + **Intellectual capital**; Innovation Power; R&D Pipeline; Brands & Relationships.

You visited this page.

Intellectual Capital Report - AIT Austrian Institute of ...

www.ait.ac.at/press/intellectual-capital-report/?L=1 ▾

Intellectual Capital Report. Here you can find the latest **Intellectual Capital Indicators 2013** of the AIT Austrian Institute of Technology.

SOCIAL

- ✓ HUMAN RIGHTS
- ✓ LABOUR RIGHTS
- ✓ GENDER
- ✓ DIVERSITY
- ✓ DISCRIMINATION
- ✓ COMMUNITIES
- ✓ SAFETY/HEALTH

ECOLOGY

ENERGY-EFFICIENCY SUSTAINABILITY

• SUPPLIED PRODUCTS	• SUPPLY ENERGY	PROCUREMENT
• USE OF ENERGY	• GENERATE ENERGY	OPERATIONS
• ENERGY WATER WASTE	• WASTE MANAGEMENT	EMISSIONS

ECONOMY:

FINANCIAL	REALISABILITY
<ul style="list-style-type: none"> • TURN CAPITAL • COST • PROFIT MARGIN • RISKS • CREDIT • MARKET 	<ul style="list-style-type: none"> • Ecology • Social • Governance • Impact • Benefit • Risks

INTEGRATED REPORTING

GOVERNANCE

- BOARD/ADMINISTRATORS
- INDEPENDENT
- PERFORMANCE & PAY & REWARDS
-
- CORRUPTION
- MONEY LAUNDERING
- CODES OF CONDUCT
- ETHICS & VALUES

STAKEHOLDERS

- ISSUES
- IMPACT
- INCLUSION
- RESPONSIVE

- PRODUCTS
 - SAFE
 - HEALTHY
 - TRANSPARENT
 - SUSTAINABLE
 - RESPONSIBLE
- MARKETS
 - SHARE
 - COMPETITORS
- CLIENTS
 - ACCEPTANCE
 - RISK
- COMPLIANCE
- CONFLICTS
- FINES
- PERFORMANCE
 - PROFIT
 - COSTS

BY: CLAY BRUGHAN
15-6-2010

Integrated Reporting

... Integrated Reporting (<IR>) as the ***corporate reporting norm***. The cycle of integrated thinking and reporting, resulting in ***efficient and productive capital allocation***, will act as ***a force for financial stability and sustainability***.

Integrated Reporting is the new fad!



Integrated Reporting






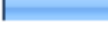



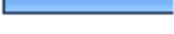
- ***If it can*** be implemented successfully, <IR> will provide greater clarity on a companies' current and future profitability. [...] However, for it to be truly successful, ***<IR>'s need must be driven by these investors and not through regulation.***

Peter Meehan

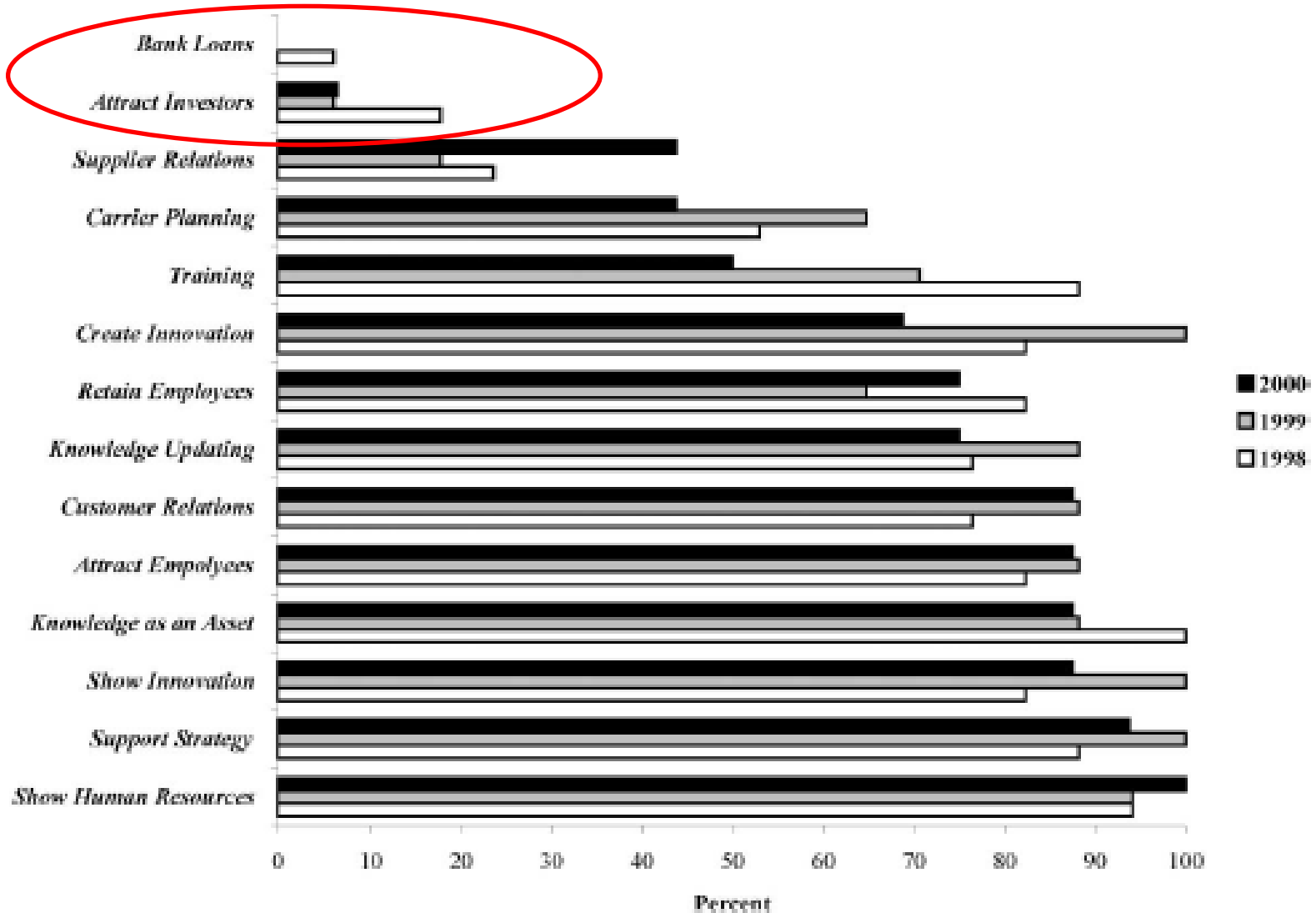
(Former CFO Australia Post, BRLF, CEO Group of 100)

Information for investors

1. As an investor, on which of the following sources of information do you rely? (please select all that apply)

		Response Percent	Response Count
1.1 Investment advisors		29.4%	115
1.2 Financial planners		13.6%	53
1.3 Brokers		39.4%	154
1.4 Auditor's Report		25.6%	100
1.5 Annual Report to shareholders		69.6%	272
1.6 Accountants		14.8%	58
1.7 Newspapers		73.1%	286
1.8 In-house investment teams		10.7%	42
1.9 None of the above		1.8%	7
1.10 Other please specify		23.8%	93

The motivation for reporting?



Do users get the 'right' **information**?

- Despite the shortcomings of external reporting, **users are somehow obtaining the information they need**. But making do imposes costs on all participants in the reporting process. The real solution is to make the necessary capital improvements so the external reporting highway serves everyone's needs with relevant and reliable information.

Jenkins (1994)

An apprentice analyst!



What is the **future**?

Where we are heading is not going to solve anything. **It is a dead end.** It has actually been a dead end for quite some time.

Karl-Erik Sveiby
(September, 2012)

Is IC still at a crossroads of **relevance**?



Journal of Intellectual Capital (2004)

Vol 5, No 2

Third stage IC: Performative IC



Contents lists available at SciVerse ScienceDirect

The British Accounting Review

journal homepage: www.elsevier.com/locate/bar



Reflections and projections: A decade of Intellectual Capital Accounting Research

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^bUniversity of Padua, Italy

^cThe University of Sydney, Australia

And a 'fourth' stage: IC eco-systems.



Advances in Reporting & Technology

- 1934 – Regulated disclosure (USA post 1929 crash)
- 1964 – Fax machine
- 1973 – Mobile phone
- 1981 – IBM PC
- 1990 – Commercial Internet*
- **1994 – IC Report**
- 2004 – Social media – Facebook, Twitter etc...
- 2007 – Smart Phones and Apps
- 2013 – <IR>?
- 2014 – Smart Watches?

Has IC been **abandoned**?

- Employee engagement 87%, (global high performing norm of 85%).
- 42% of Westpac's leadership roles were held by women (target of 50% by 2017).
- 62% of employees use flexible work arrangement, up from 18% in 2010.
- Employees spent 423 weeks' worth of time sharing skills with Indigenous people (76 work years since 2001).
- \$6 billion lending and investment in CleanTech and environmental services by 2017 (renewable energy, two wind and one solar farm)
- Committed \$2 billion for lending and investment in social and affordable housing and services by 2017.





Prices and research

Prices

Announcements

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ASX BookBuild Announcements

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Company information

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Search results: Company announcements for WESTPAC BANKING CORPORATION (WBC) Released between 23/01/2014 and 23/01/2014

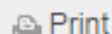
See below for:

- [Previous codes used by this company](#)

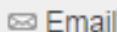
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Announcements released as WBC

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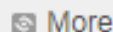
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As it happened: Qantas announces \$2.84 billion loss for 2013-14 financial year

Updated 28 Aug 2014, 1:31pm

Qantas has revealed a shocking full-year loss of \$2.84 billion, a result far worse than the most dire of predictions.

RELATED STORY: [Qantas shocks with \\$2.8bn loss; analysts call for management spill](#)

MAP: [Australia](#)



The result is worse than the \$800 million to \$1 billion loss analysts had anticipated and is the [biggest in the airline's history](#).

Qantas blamed writedowns, weak demand in Australia, subdued consumer and business confidence and higher fuel prices for the company's financial woes.

Chief executive Alan Joyce said the loss was "confronting" but that the airline "will go back into an underlying profit for the first half of the year".

The airline posted a \$341 million loss last year and earlier this year announced it was cutting 5,000 jobs

What is the future for **disclosure**?



Hello

Here are three diverse ways in which Westpac Group is helping to create sustainable futures for the people who bank with us, work with us or are part of our broader communities. We welcome any feedback you may have - please contact us at sustainability@westpac.com.au any time.



A fresh focus on our environmental footprint

To mark World Environment Day, today Westpac launched a new employee-focused program designed to boost the Group's momentum towards its 2017 direct environmental footprint targets. It's part of a wide-ranging suite of initiatives to continue to improve efficiency and manage waste more effectively across the bank.

[Read more](#)

Avoid the **hypocritical**?



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BATS: LSE GBp 3535.00 (-33.50)

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Our industry

Challenges and opportunities

How we work

From crop to consumer

Our products

Putting consumers first

Innovation

Tobacco and beyond

Reporting

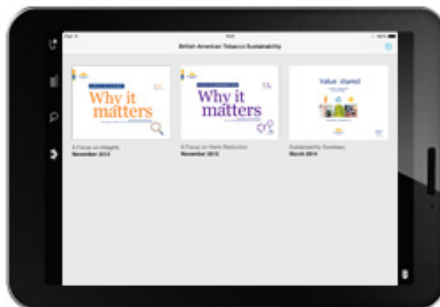
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Sustainability reporting

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"That's all Folks!"



1942