

IN BRIEF

compiled by Kate Clifton

Knowledge advisory centre

How to communicate the value of knowledge by Oliver Schwabe and Paola De Piccoli



LAST MONTH we looked at the value of KM. This month we turn to how to communicate this value to stakeholders in an effective manner. The most powerful tool for this is the Intellectual Capital Report (ICR).

The ICR should not be misunderstood as always being the type of encompassing and glossy document you will have surely seen numerous times. The ICR can also take other forms – for example, relating to business cases, investment proposals or grant applications that are focused on an investment in intangibles.

The heart of any ICR will always be the key intangible indicators the enterprise is exploring in order to discover and communicate hidden value. It is these indicators and the manner in which they are explored that form the ‘engine’ of KM and also the key value proposition in regards to the tangible value that is deduced from KM.

The ICR follows the well known intellectual-capital theory that has become an established standard. An ICR hence creates value:

- In respect to the internal structure (structural capital) of the enterprise, by ensuring the critical intangible assets of the enterprise are leveraged efficiently;
- In respect to individual competence (human capital) of the enterprise, by providing assurance to key professionals that they are valued and respected;
- In respect to the external structure (relationship capital) of the enterprise,

by providing risk assurance through transparency in how the enterprise manages its fundamental relationships with the environment.

Since the ICR not only looks at growth and renewal, but also sustainability and efficiency, it provides a solid platform for leading indicators to be leveraged effectively for sustainable enterprise performance.

It is not only commercial enterprises that are warming to the idea of proactively communicating the value of their intangibles. Many not-for-profit organisations, facing funding cuts and rising governance demands, are also beginning to recognise the ICR as a powerful way to communicate the value they generate to their stakeholders. In this sense, recent work with organisations in Italy, Germany, Singapore, the UK and Australia is pointing to new competencies that organisations need if they are to develop a collaboration-focused climate.

We must also remember that any proof of value, such as the ICR in its varied forms, has little real worth without some validation. It must be ensured that participants have not overestimated their own capability, over-represented intangible value or highlighted figures that are only partially true. To this end, if the ICR is to be used as an instrument to reduce the incongruence between financial reports and the performance of the enterprise, it is critical that it is assessed and certified by a qualified and independent third-party auditor – in a manner similar to that of financial statements – as a true and fair view of the value of the knowledge of the enterprise.

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