



**Rutgers Business School
Rutgers Accounting Research Center
Continuous Auditing & Reporting Lab**

Comprehensive Firm Valuation Symposium: Intangibles Come to Age

Ups and Downs in the Enthusiasm about Intangibles: The Way Forward

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**Rutgers Business School – Room 228
September 14, 2010**

AGENDA

- 1) Ups and downs in the interest in intangibles
- 2) An international overview
- 3) Some forward-looking considerations
- 4) Concluding remarks



1. UPS & DOWNS IN THE INTEREST IN INTANGIBLES

“The substantial foundation of the industrial corporation is its immaterial assets”

“There may be peculiar difficulties in the way of reducing this goodwill to the form of a fund, expressing it in terms of a standard unit”

Thorstein Veblen, 1904

THE “INTANGIBLES QUESTION”

There is a clear link between stock exchange hypes and downs and the issue of intangibles

In the US, intangibles became an issue during the New Economy bubble (second half of '90s to 2001) → new models, media attention, specialised reports

In the aftermath of Lehman crisis, virtually all the company market values went down the book value → Is this a signal that intangibles do not count anymore? Did they disappear? By the same token, what is the signalling capacity of value of the accounting numbers?

Information cascade effect

In this situation, either you believe that markets are perfect, or there is a high risk of what is known “information cascade effect” in behavioural finance → “the blind that leads the blind”

This favours the formation of bubbles and downs out of proportion

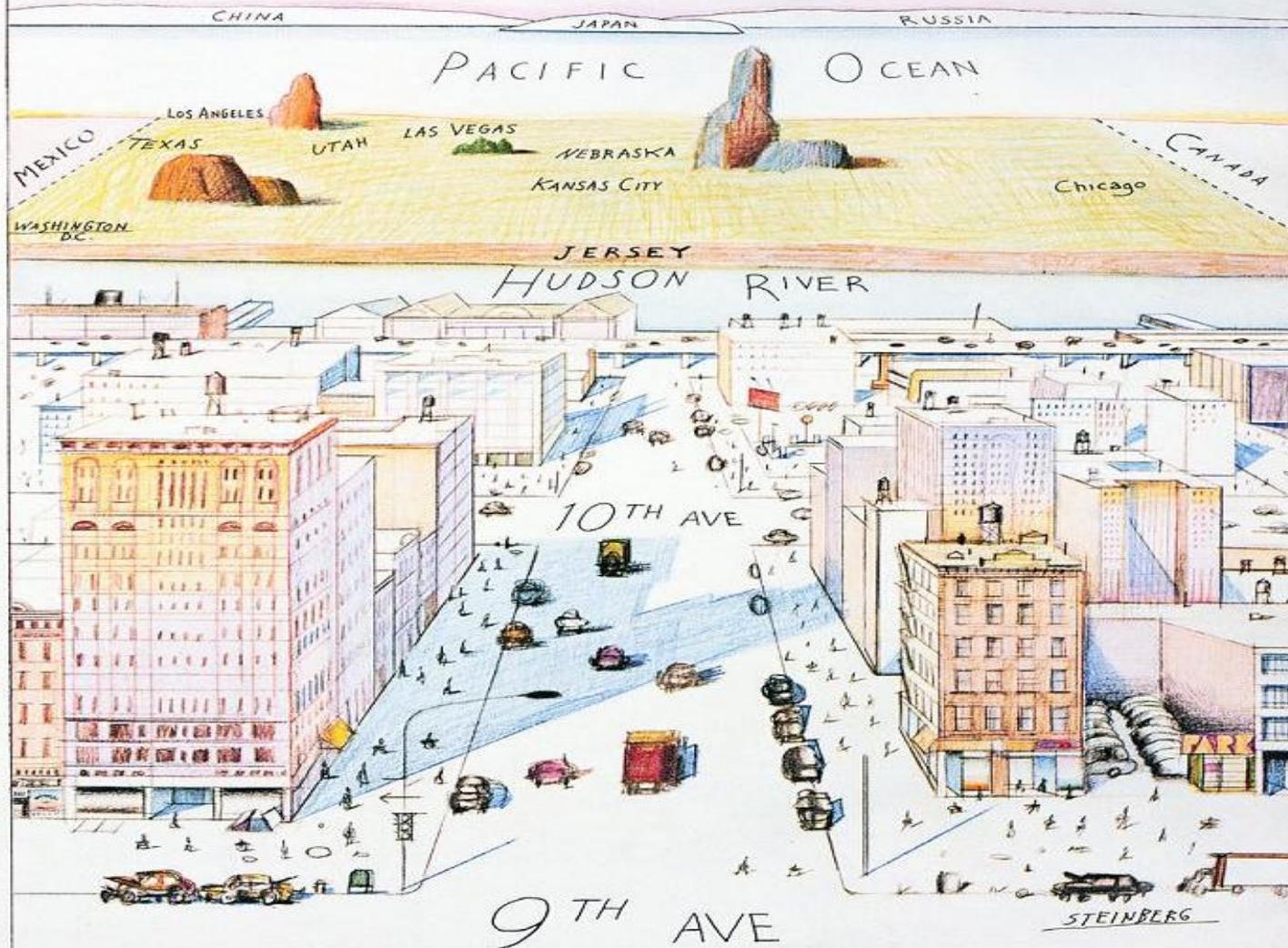


2. INTERNATIONAL OVERVIEW

Mar. 29, 1976

THE NEW YORKER

Price 75 cents



IASB work

IFRS are mandatory for consolidated accounts of all European listed companies and spread well beyond listed companies

IAS 38 on Intangible Assets makes the capitalisation of development costs mandatory under certain circumstances

The Guidance document on “Management Commentary” is going to be approved in a few weeks à not mandatory, though....

IASB's Management Commentary



- Management Commentary should especially provide forward-looking (future-oriented) information and make us understand how non-financial factors have influenced and will be able to influence financial performance
- Management Commentary includes therefore financial and non-financial information **à** inclusion of key-performance indicators (KPIs) for the industry to which the entity belongs

IASB's Management Commentary (2)

- Attention should be given to the commentaries on the nature of the business, management objectives and strategies, main resources-risks-relationships, results of operations and prospects, & critical performance measures and indicators
- In particular, the Exposure Draft on Management Commentary openly talks about the necessity to include in the MC information on intangibles that are excluded from financial statements (e.g., p. 20: human capital, processes)



European Union initiatives

- 2002-2003: Official Study for the European Commission (DG Enterprise) on “The Measurement of Intangible Assets and Associated Reporting Practices”

Partners:

- University of Ferrara (lead partner)
- New York University (Prof. Baruch Lev)
- Melbourne University (Prof. Margaret Abernethy)

http://ec.europa.eu/enterprise/services/business_related_services/policy_papers_brs/intangiblesstudy.pdf

European Union initiatives

(cont'd)

- 2005-06: European Commission's (DG Research) study on IC reporting to increase R&D in SMEs and help these companies to access bank credit (RICARDIS) à published in June 2006
“Reporting Intellectual Capital to Augment Research, Development and Innovation in SMEs (RICARDIS)”, Report to the European Commission by the "High Level Expert Group on RICARDIS“, Research Directorate General, Luxembourg, Office for Official Publications of the European Communities, June 2006, pp. 1-164 (cf. http://ec.europa.eu/invest-in-research/pdf/download_en/2006-2977_web1.pdf)

European Union initiatives

(cont'd)

- 2001-3: Research projects “PRISM” and “MERITUM” on Intangibles and their reporting
- 2005: Study by the DG Enterprise on the feasibility of a European repository of company data on intangibles
- 2006-7: Funding of the Research Project “Incas” devoted to IC Reporting in SMEs
- 2006-10: MUSING (Multi-Industry Semantics based Next Generation Business Intelligence)
- 2010: Study on the creation of a financial market for the securitisation of intellectual property

Some recent international developments in Intangibles

The Intellectual Assets-Based Management initiative by the Japanese Government (METI) and business community → cf. the “Intellectual Assets Week”

The interest by World Bank is consolidating (Regional/Cities IC) → annual conference in Paris

Research by OECD in this area is also continuing

Also WIPO is addressing the “IC Readiness” issue for SMEs



Some recent international developments in Intangibles

(cont'd)

1st International OECD Policy Conference in collaboration with the University of Ferrara & WIPO (Ferrara, 20-22 October 2005) à cf. www.ferraraonintangibles.net

2nd International OECD Policy Conference in collaboration with the METI of the Japanese Government (Tokyo, 7-8 December 2006)

1st Global Intellectual Capital Summit, Beijing, China, 22-23 August 2009

Some recent international developments in Intangibles (cont'd)

Increase in the interest of statistical agencies at national and international level à e.g. U.S. Federal Reserve, UK Statistical Office, Eurostat à “Growth Accounting” approach

The United Nations International Conference in New York, 23-24 June 2008 on “Information Gaps at Micro- and Macro-Level” has a session devoted to information on company IC

Other relevant initiatives

- “Wissensbilanz phenomenon” in Germany
- Austrian law mandated IC Reports for state universities
- The “PIP Project” in Nordic countries
- The “Observatoire sur l’immatériel” in France
- VALI Project in Italy for IC Reporting for SMEs
- The “Value Reporting” by PwC, and the “Integral Report” by KPMG

Principal Guidelines on IC Reporting

- International Federation of Accountants (IFAC) – Study no. 7 (1998)
- Danish Agency for Trade and Industry (DATI) Guidelines (2000; latest edition 2003)
- Nordika Project Guidelines (2001)
- Meritum Project Guidelines (2002)
- German Ministry of Labour (2004)
- Japanese Ministry of Economy (METI) (2005-08)
- Australian IC Guidelines (2002 e 2005)
- Putting IC into Practice Guidelines (PIP) by Nordic countries (2006)



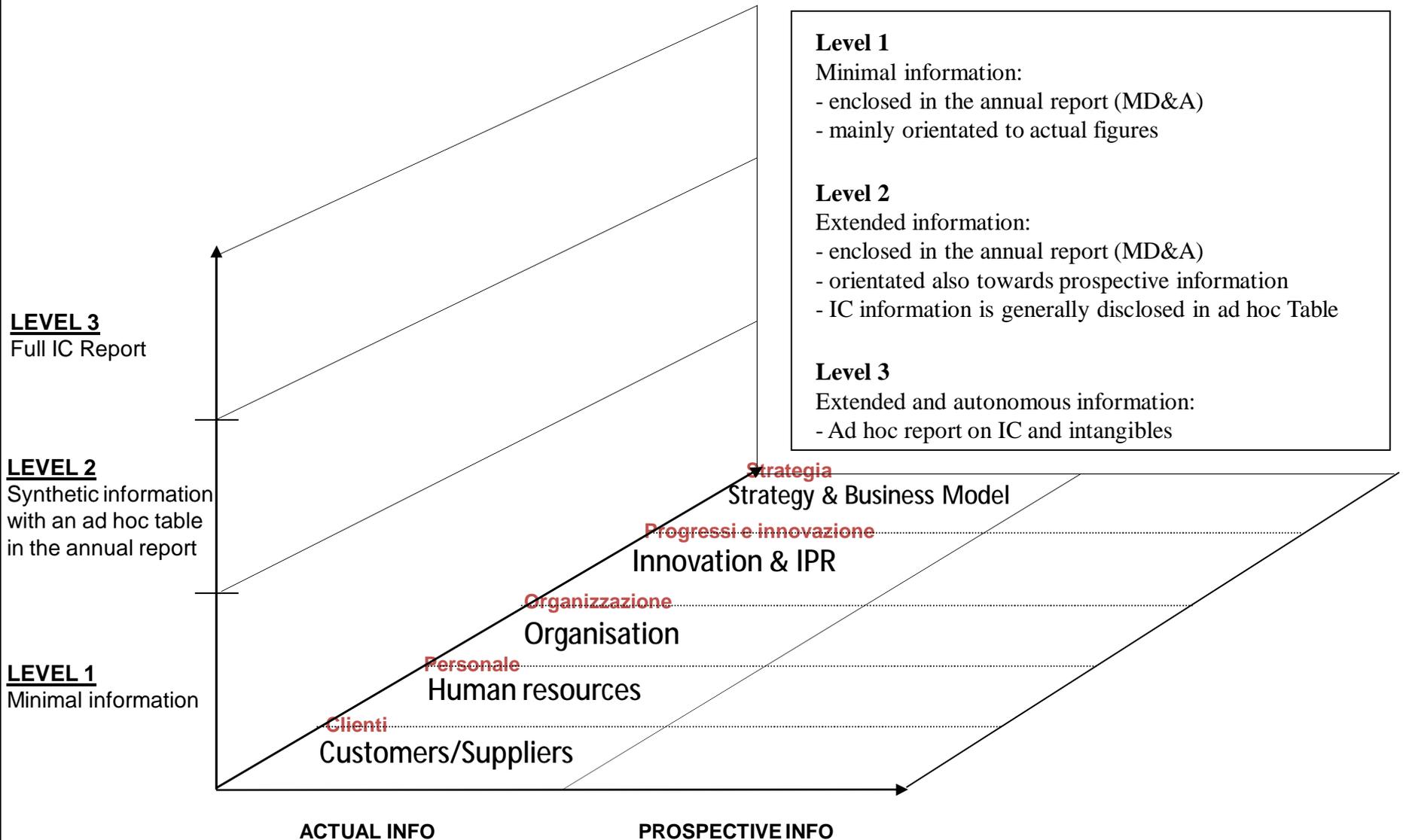
Academic Initiatives in Europe

The ELASM Workshop series on Intangibles and IC à this year at the 6th edition (Chairperson: Zambon)

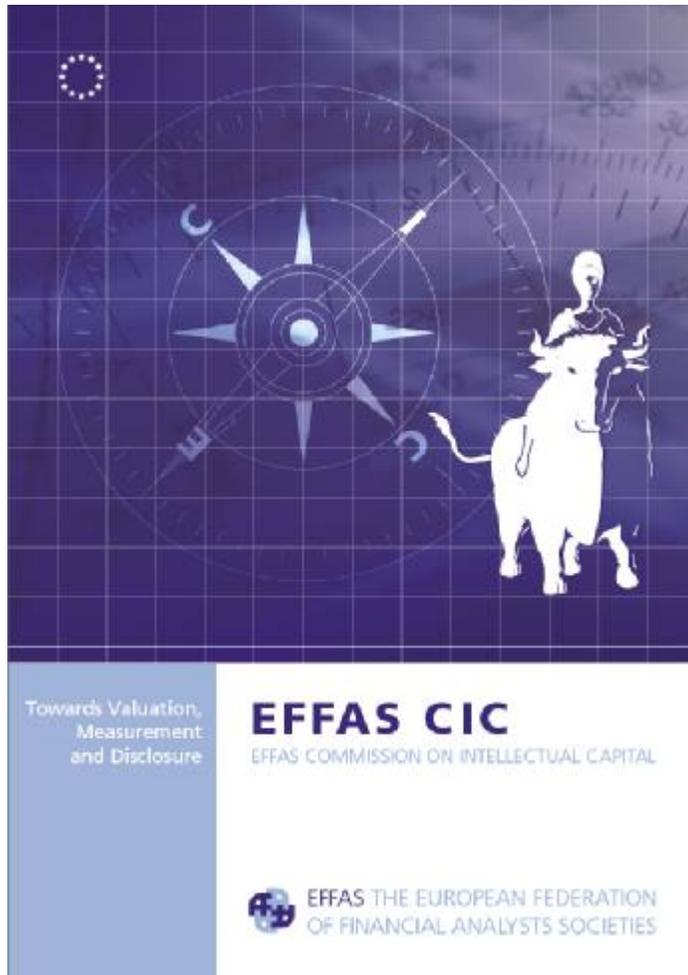
The European School on Intangibles and IC, 1st edition, Catania, 2010 (Coordinator: Zambon)

THE MODEL FOR INTANGIBLES DISCLOSURE

(Italian Association of Financial Analysts & Zambon, 2001)



EFFAS – Ten principles for effective communication of IC



**Why and how
the financial community
should tackle intangibles
– now**

EFFAS/CIC Principles

1. Clear link to future value creation
2. Transparency of methodology
3. Standardisation
4. Consistency over time
5. Balanced trade-off between disclosure & privacy
6. Alignment of interests between company & investors
7. Prevention of information overflow
8. Reliability and responsibility
9. Risk assessment
10. Effective disclosure placement and timing

The “World Intellectual Capital Initiative” (WICI)

The world's business reporting network - www.wici-global.com

The aim is to work towards a new and framework for business reporting worldwide, providing also key measures and information (KPIs) giving content to the future company business reporting

Founding and Current Members

- Japanese METI (Ministry of Economy, Trade & Industry)
- U.S. Enhanced Business Reporting Consortium (EBRC) [AICPA, PricewaterhouseCoopers, Grant Thornton, Microsoft]
- Waseda University Tokyo
- University of Ferrara
- European Financial Analysts (EFFAS)
- OECD
- Society for Knowledge Economics in Australia (SKE)
- European Commission (observer)
- Brazilian Development Bank (BNDES) (observer)

World Intellectual Capital Initiative (WICI)

1st Meeting – 1st October 2007 – OECD, Paris
Monaco Annex, 2 rue du Conseiller Collignon



Participants (from left to right): Prof. Yasuhiro HANADO, Waseda University (Tokyo/Japan), Desirée VAN WELSUM, OECD (Paris/France), Douglas LIPPOLDT, OECD (Paris/ France), Alexander WELZL, European Federation of Financial Analysts Societies EFFAS (Frankfurt a. M./Germany), Yoshiko SHIBASAKA, KPMG (Tokyo/Japan), Bob LAUX Microsoft Corporation (Redmond/USA), Amy PAWLICKI, American Institute of Certified Public Accountants AICPA (New York/USA), Gert-Jan KOOPMAN European Commission (Bruxelles/Belgium), Annabel BISMUTH, OECD (Paris/France), Prof. Stefano ZAMBON, University of Ferrara (Ferrara/Italy), Grant KIRKPATRICK, OECD (Paris/France), Michael KRZUS, Grant Thornton (Chicago/USA), Christina BOEDKER, Society for Knowledge Economics (Crows Nest/Australia); **Participants not on the picture:** Rainer GEIGER, OECD (Paris/France), Jean-Philippe DESMARTIN, ODDO Securities (Paris/France), Yoshiaki TOJO, OECD (Paris/France);

WICI Framework versione 1.0

(already tagged with XBRL - www.worldici.com)

0 Corporate profile and business attributes

- 0-1 Industry overview
- 0-2 Duration and results per business unit
- 0-3 Business cycle per business unit
- 0-4 Competitive analysis



a. Business landscape

A-1 Business landscape

b. Strategy

- b-1 Corporate strategy summary
- b-2 Vision and mission
- b-3 Strengths
- b-4 Weaknesses
- b-7 Goals and objectives
- b-8 Corporate strategy
- b-9 Business unit strategies
- b-10 Business portfolio

c. Resources & processes

- c-1 Resources and processes summary
- c-2 Resource forms
- c-3 Key processes
- c-4 Value drivers

d Performance

- d-1 Performance summary
- d-2 GAAP-based
- d-3 GAAP-derived
- d-4 Industry-based
- d-5 Company-specific
- d-6 Capital market-based

A. Business landscape

- A-1 Business landscape summary
- A-2 Economic
- A-3 Industry analysis
- A-4 Technological trends
- A-5 Political
- A-6 Legal
- A-7 Environmental
- A-8 Social

C. Resources & processes

- C-1 Resources and processes summary

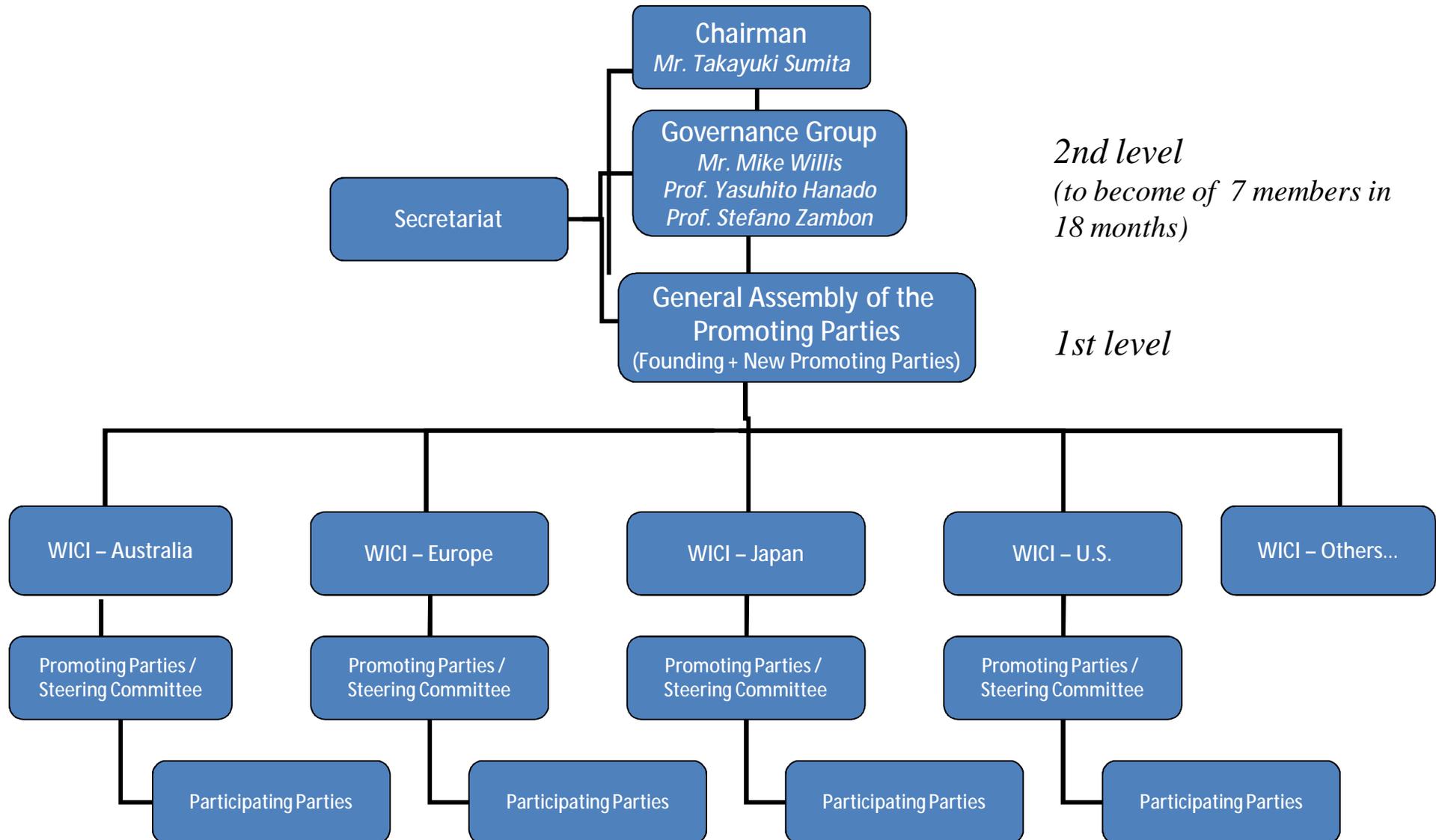
B. Strategy

- B-1 Corporate strategy summary
- B-2 Vision & mission
- B-5 Opportunities
- B-6 Threats
- B-7 Goals and objectives
- B-8 Corporate strategy
- B-9 Business unit strategies
- B-10 Business portfolio

D. Performance

- D-1 Financial prospects summary

WICI Governance Structure





WICI Deliverables

- Commentaries on relevant international documents (e.g. IASB's ED on Management Commentary)
- Development of a business reporting framework
- Development of KPIs per sector/industry:
 - Electronic devices (WICI Japan)
 - Pharmaceutical (WICI Japan)
 - Automotive (WICI Japan)
 - Telecommunications equipment & services (EFFAS CIC)
 - Software and IT services (EBRC + Gartner)
 - Mining and extractive companies (EBRC + Gartner)
- XBRL-ization of KPIs information

Case Study - BankInter

Intellectual Capital Report – Human Capital

Indicator	2006	2007	2008
Descriptive indicators			
No. of employees	3,981	4,530	4,483
Average age (years)	36.50	35.95	36.71
Experience			
Average length of service (years)	10.27	9.56	10.25
Average length of service (years) as % of 40 years (professional lifetime)	25.68	23.90	25.63
Diversity			
Breakdown by sex			
Male (%)	53.10	51.79	51.09
Female (%)	46.90	48.21	48.91
Graduates (%)	71.94	72.56	73.44
Employees with advanced English language skills (%)	39.56	35.41	35.76
Number of nationalities represented	23	28	25
Number of different qualifications	95	89	91
% of workforce holding the 3 most common degrees* at Bankinter	42.68	42.94	44.23
*3 most frequent degrees: Economics and Business Studies. Business Administration & Management. Law			
Ability and development			
Employees who received training (%)	100.00	100.00	95.48
Average number of training hours per employee as % of 350 (average post-grad. course load)	16	18	16
Average number of training hours per employee	56.91	62.17	56.17
Average number of training hours per employee trained	56.45	58.66	58.83
Investment in training as % of total payroll	3	3	2
Investment in training per employee (euros)	1,027	1,257	733
Investment in training per employee trained (euros)	1,019	1,186	768
Employees with access to Virtual Classroom from their workstation (%)	100	100	100
Training actions in Virtual Classroom as % of total different training actions	18.50	17.09	4.41
Number of different training initiatives	400	474	431
Average no. of courses per employee	8	9	9
Total no. of courses taught	1,121	1,384	1,294
Index of application of training in the job performed (%)	100.00	100.00	100.00

Case Study - BankInter

Intellectual Capital Report – Structural Capital

Indicator	2006	2007	2008
Management and strategic management			
% of hierarchical levels involved in preparing the Group's strategic plans	33	29	31
% of employees who know the Bank's objectives	100	100	100
Management information available to all employees (%)	96.45	96.61	97.00
Delaying and transparency			
Number of people participating in 360° evaluation	3,874	4,165	4,456
Average number of evaluators per employee evaluated (applications sent / total headcount evaluated)	11	11	12
Average number of persons evaluating each Management Committee member (applications sent / Management Committee members)	75.80	81.00	74.00
Flexibility (%)			
Internal job rotation	34.46	29.95	26.87
% of employees who have logged on remotely (%)	38.46	35.70	35.78
No. of remote log-ons	104,546	141,443	146,303
Time logged on remotely per user (min.)	10,757	11,963	10,009
Employees accessing the internet daily from the Bank's platform	61.97	69.65	62.25
Employee suggestions implemented (per thousand)	24.91	75.71	54.91
Technology & process quality			
% of employees with intranet access	100	100	100
No. of employees contributing to development and maintenance of intranet content	104	146	152
% of employees with access to email	100	100	100
MIPs at central host / employees	0.88	0.97	1.07
Daily email traffic (daily average in a 7-day week)	336,690	375,536	NA
Number of quality projects and initiatives carried out	141	96	0
Number of prize-winning quality projects and initiatives	10	10	0
% of branches with internet stations & telephones connected to the Telephone Banking platform	100	100	100

Case Study - BankInter

Intellectual Capital Report – Relational Capital

Indicator	2006	2007	2008
Customer Relations			
No. of non-specialised and foreign branches	332	360	372
Number of Virtual Branches	527	552	407
Number of Bankinter Agents	1,003	996	920
Number of SME Management Centres	124	161	145
Number of Business Management Centres	50	51	51
Number of Private Banking Centres	41	47	51
Employees per Branch or Management Centre	7.28	7.32	7.24
Staff directly involved in the business (%)	74.13	74.83	75.46
New active customers (%)	14.46	12.57	10.80
Annual growth in Average Total Assets (%)	17.51	11.24	7.24
New active customers per employee	24	21	19
Quality and customer satisfaction			
% of financial incidents resolved in 48 hours	81.81	70.6	50.02
Number of complaints to Ombudsman per active customer	7.55	7.56	8.99
No. of complaints processed by Bank of Spain per active customer	1.78	1.50	1.55
Multi-channel banking development			
Transactions through channels other than Branch Network as % of total Bank transactions	68.67	68.84	67.86
New customers attracted through channels other than Branch Network as % of total new customers	47.19	39.10	42.45

Case Study – Infosys (India)

Human Capital Valuation

- Infosys has used the Lev and Schwartz model to calculate the value of Human Resources
- The valuation is based on the present value of future earnings of employees on the following assumptions:
 - Employee compensation includes all direct and indirect benefits earned both in India and Overseas
 - The incremental earnings based on group/age have been considered
 - The future earnings have been discounted at the cost of capital of 12.18%

Case Study - Infosys

Human Capital Calculation

	2009	2008
	In Rs Crore 1 Crore = 10 Million	
Employees (no.)		
Software professionals	97,349	85,013
Support	7,501	6,174
Total	1,04,850	91,187
Value of human resources		
Software professionals	95,600	92,331
Support	6,533	6,490
Total	102,133	98,821
Total income	21,693	16,692
Total employee cost	11,405	8,878
Value-added	19,073	14,820
Net profits excluding exceptional items	5,988	4,659
Ratios		
Value of human resources per employee	0.97	1.08
Total income / human resources value (ratio)	0.21	0.17
Employee cost / human resources value (%)	11.2	9.0
Value-added / human resources value (ratio)	0.19	0.15
Return on human resources value (%)	5.9	4.7

Case Study - Infosys

Balance Sheet including Intangibles & Human Capital

In Rs Crore
1 Crore = 10 Million

	2009	2008
SOURCES OF FUNDS		
Shareholders' funds		
Share capital	286	286
Reserves and surplus		
Capital reserves – intangible assets	1,34,478	1,30,684
Other reserves	17,968	13,509
	1,52,446	1,44,193
Minority interest	–	–
	1,52,732	1,44,479
APPLICATIONS OF FUNDS		
Fixed assets		
At cost	7,093	5,439
Less : Accumulated depreciation	2,416	1,986
Net block	4,677	3,453
Add : Capital work-in-progress	677	1,324
	5,354	4,777
Intangible assets		
Brand value	32,345	31,863
Human resources	1,02,133	98,821
	1,34,478	1,30,684
Investments	–	72
Deferred tax assets	126	119
Current assets, loans and advances		
Sundry debtors	3,672	3,297
Cash and bank balances	9,695	6,950
Loans and advances	3,279	2,771
	16,646	13,018
Less : Current liabilities and provisions		
Current liabilities	2,004	1,722
Provisions	1,868	2,469
Net current assets	12,774	8,827
	1,52,732	1,44,479

Notes : The figures above are based on consolidated Indian GAAP financial statements.

This Balance Sheet is provided for the purpose of information only. We accept no responsibility for any direct, indirect or consequential losses or damages suffered by any person relying on the same.

Case Study - Infosys

Brand Valuation

- Infosys has used the brand-earning-multiple method of Birkin mentioned in the book edited by John Murphy
- The methodology used is as follows:
 - Determine brand profits by eliminating the non-brand profits from the total profits
 - Restate the historical profit at present value
 - Provide the remuneration of capital to be used for purposes other than promotion of the brand
 - Adjust for taxes
 - Determine the brand strength or brand earning multiple

Case Study - Infosys

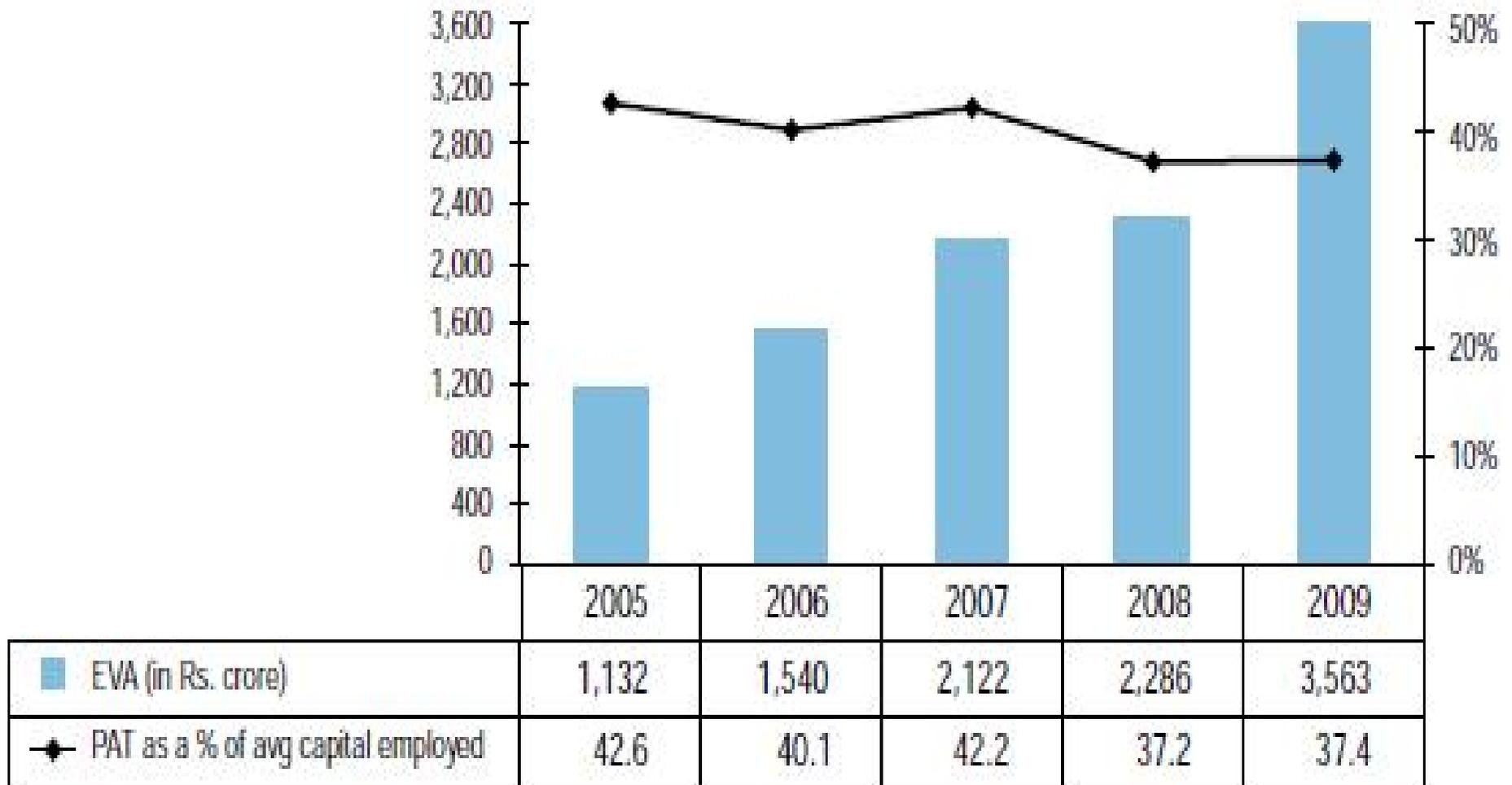
Brand Valuation

In Rs Crore
1 Crore = 10 Million

	2009	2008	2007
Profit before interest and tax	6,907	5,344	4,245
Less : Non-brand income	426	634	335
Adjusted profit before tax	6,481	4,710	3,910
Inflation factor	1.000	1.092	1.192
Present value of brand profits	6,481	5,142	4,660
Weightage factor	3	2	1
Weighted average profits	5,731	—	—
Remuneration of capital	801	—	—
Brand-related profits	4,930	—	—
Tax	1,676	—	—
Brand earnings	3,254	—	—
Brand multiple	9.94	—	—
Brand value	32,345	—	—

Case Study - Infosys

Economic Value Added



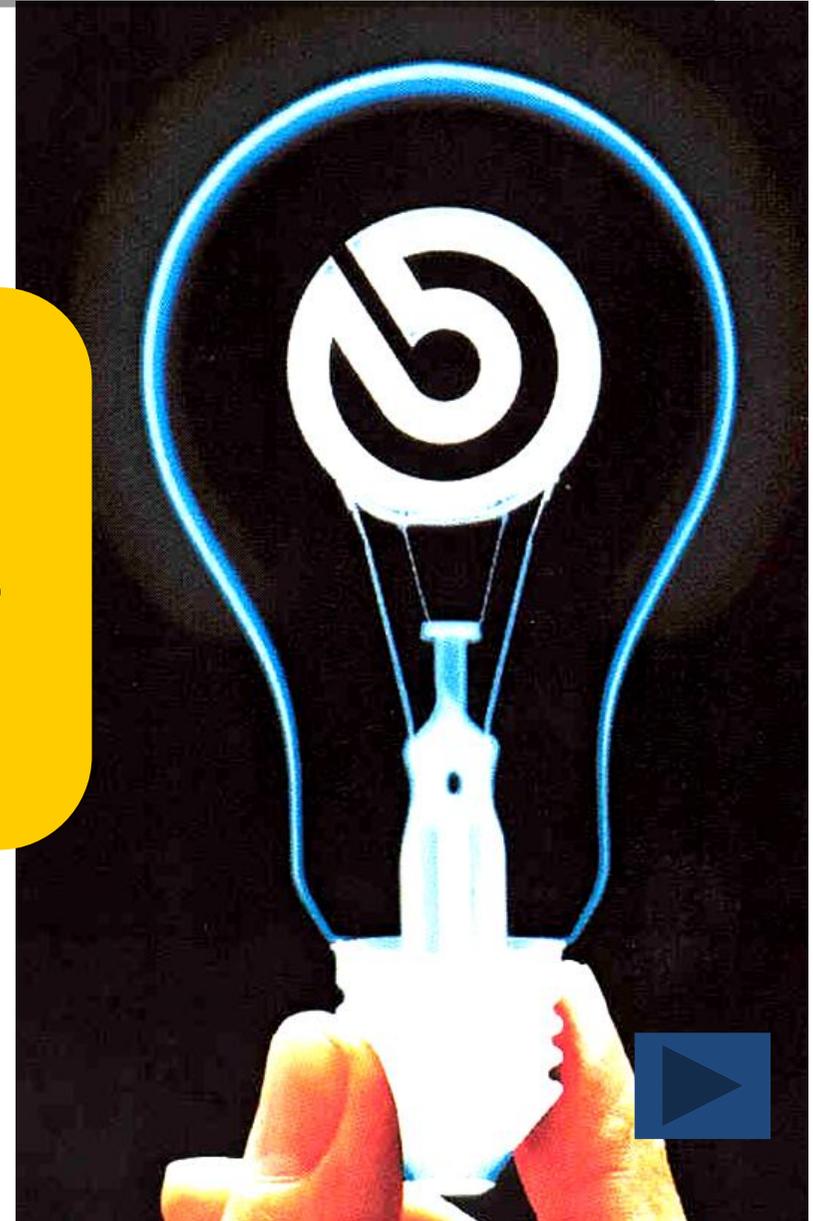


History – Brembo SpA

- Brembo is a group based in Curno (Bergamo) north of Milan
- It has been awarded by Forbes as among the first 20 companies with a lower billing than 1 billion \$
- Brembo production system consists of 16 plants
- Beyond 5,300 employees
- Operates in 22 countries, including Spain, UK, Sweden, Poland, Brazil, Mexico, US, Japan, China
- President and Owner: Mr. Bombassei & family
- Brembo is listed on the Milan Stock Exchange

a simple business idea

**Produce the most
performing brakes
in the world**



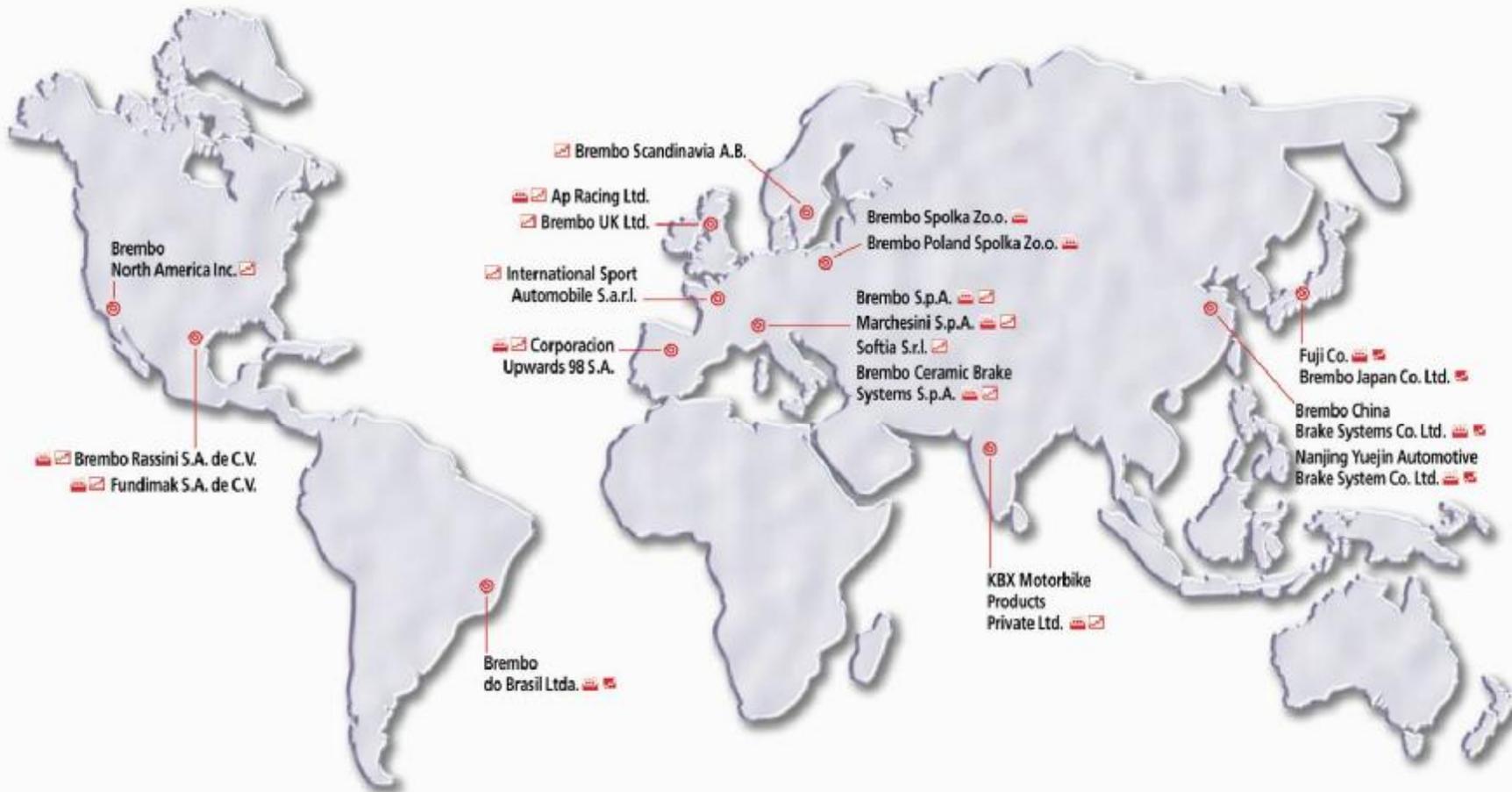
performance with **STYLE**



Gold Compass Award 2004

"If not a brake, it would be a precious sculpture in a museum of modern art."

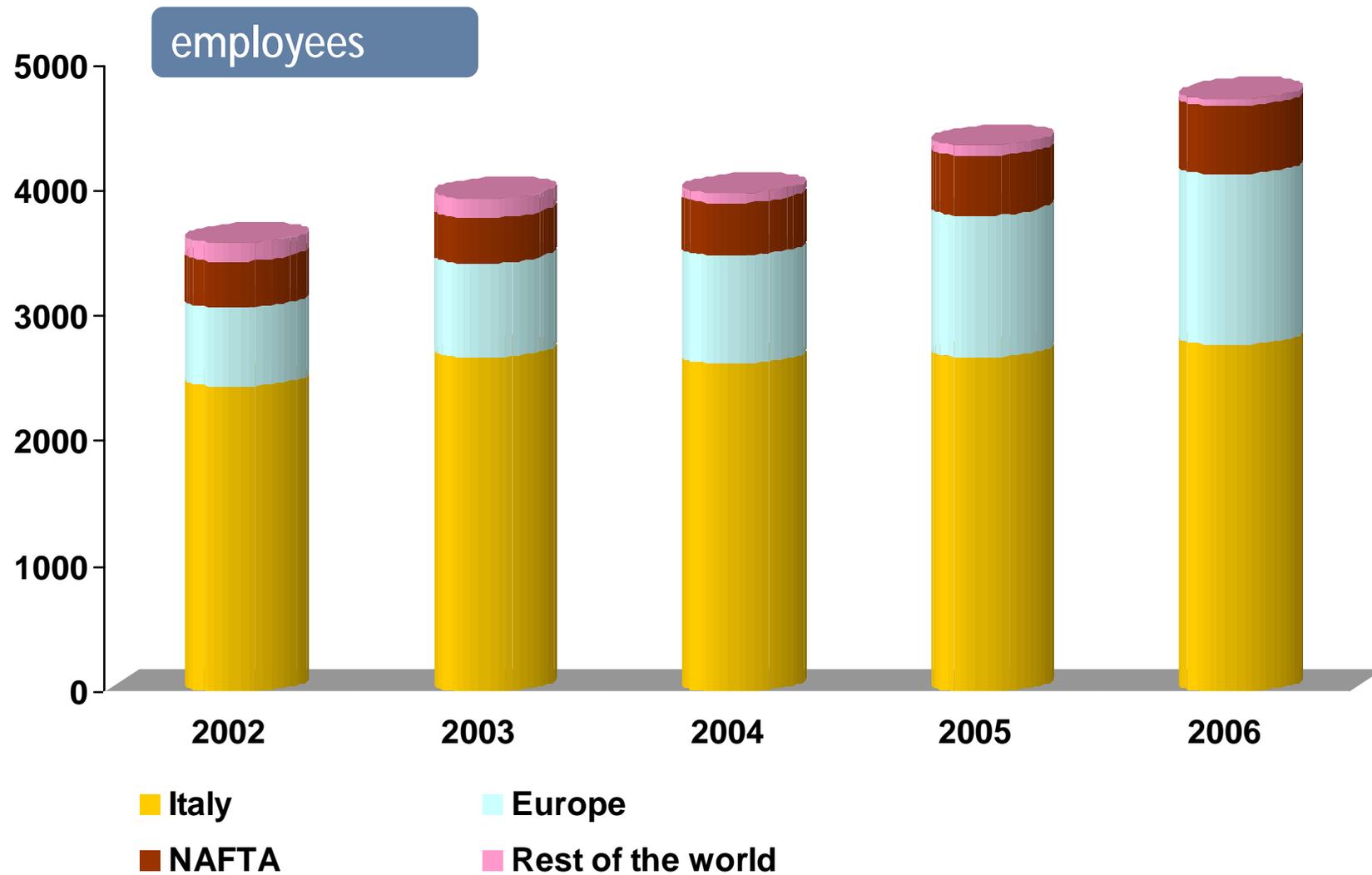
A “pocket”-size multinational



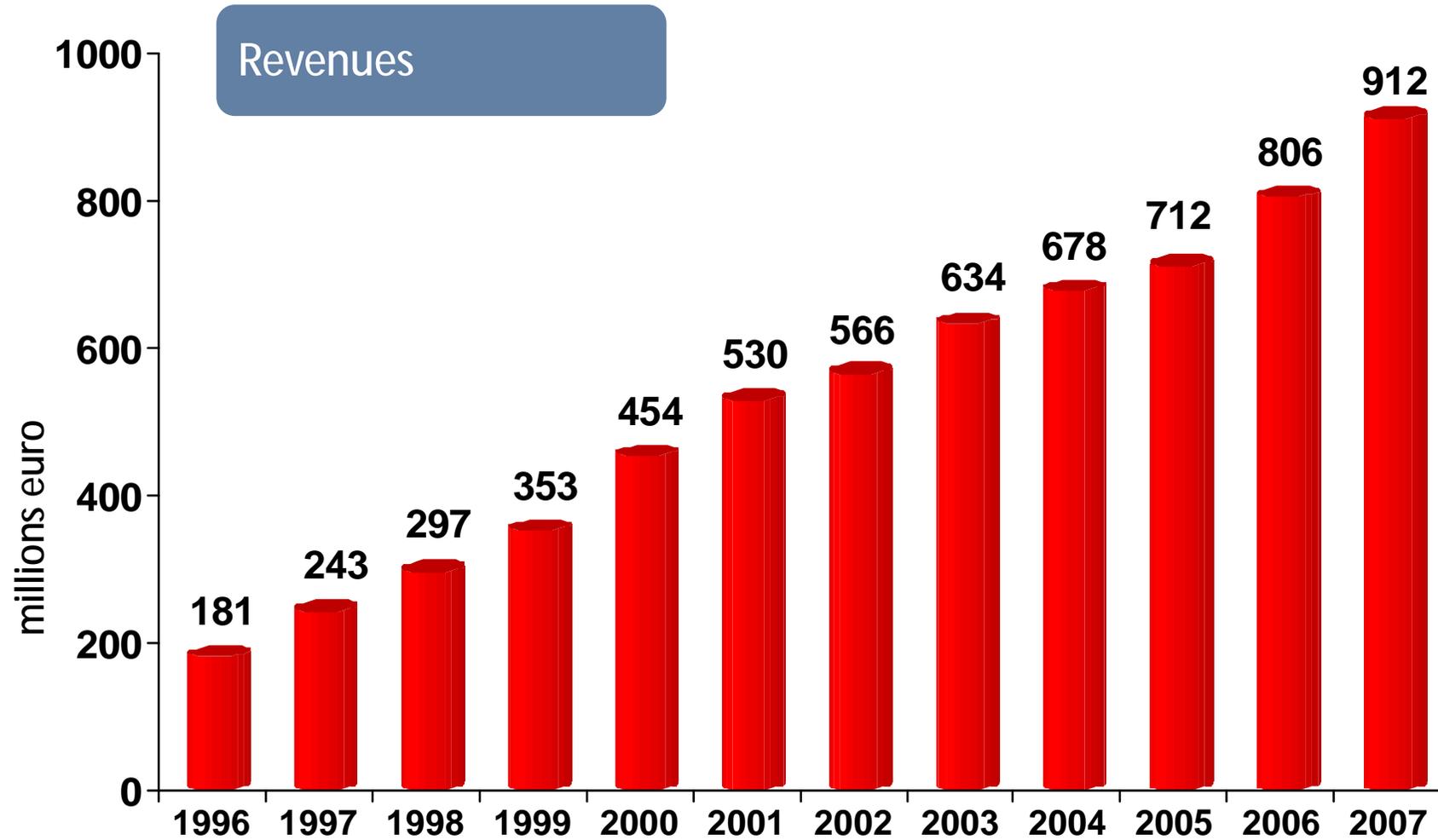
More than 5,300 employees working for the Group in 21 countries with 34 total plants and commercial sites

Sede commerciale / Technical & Sales Dept.
 Sito produttivo / Plants

Multicultural ...

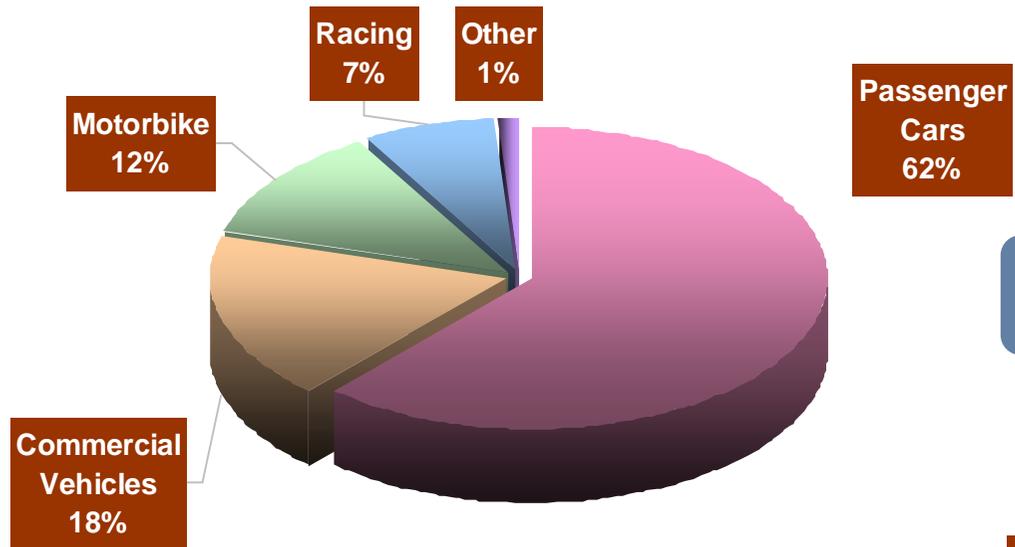


growing organically...

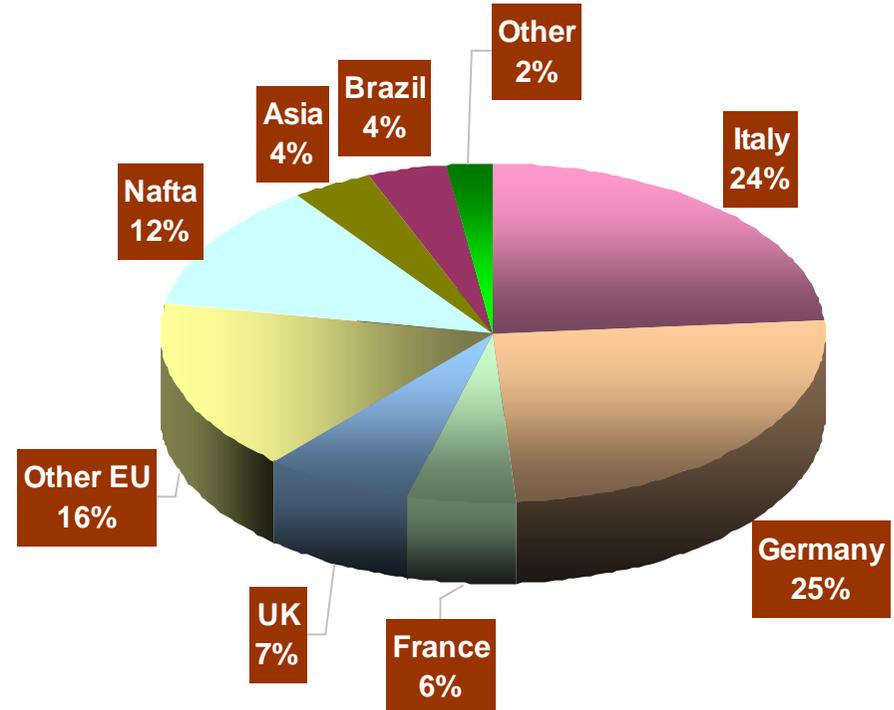


with balanced revenues distribution...

2007 – Revenues by application

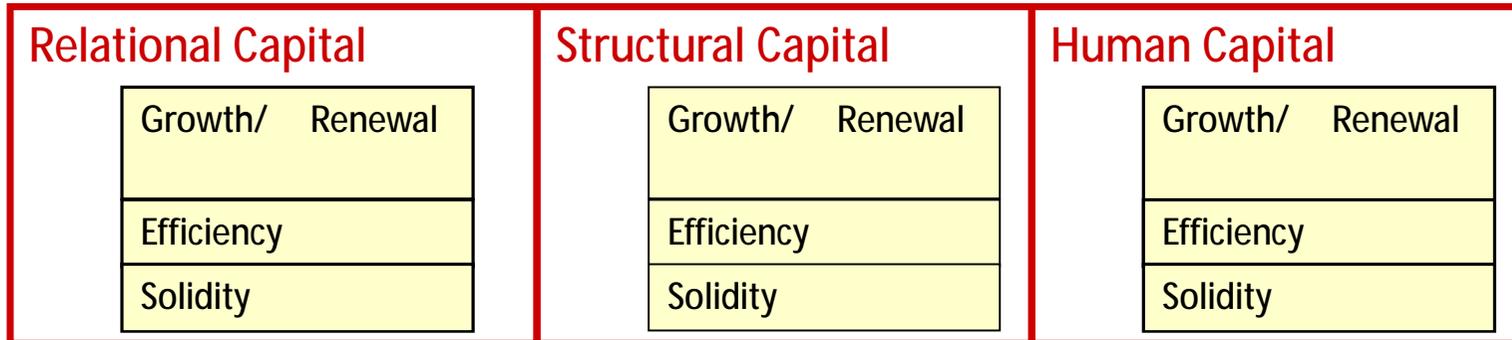


2007 – Revenues by area

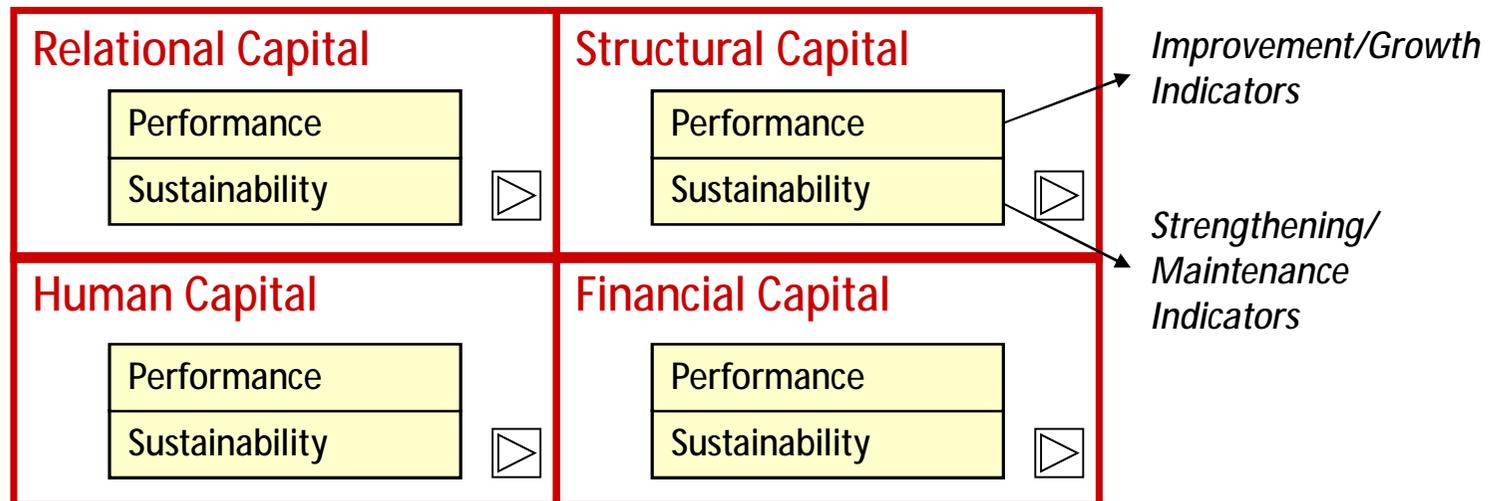


STRUCTURE EVOLUTION OF VALUE REPORTING

FROM



TO



Synthesis

Relational Capital

Performance

- **Revenues acquisition Index (existing customers)**
- **Revenues acquisition Index (new customers)**
- **% revenues from products developed in the last 5 years**
- **Market share**
- **Customer satisfaction Index**

Sustainability

- **Corporate image (external)**
- **Revenues concentration index**
- **Most relevant Customer penetration index**
- **% revenues invested in Marketing & Ext. Communication**

Human Capital



Performance

- % position coverage with internal growth
- Index of multi-competence
- Average level of leadership management
- Level of trust
- Management average age
- People Education/School Index

Sustainability

- % revenues invested in training
- People satisfaction index
- Multi-valence index
- % female representation within management
- Turnover (management)
- Turnover (employees)
- Turnover (blue collars)
- Average seniority (management)
- Average seniority (employees)

Structural Capital



Performance

- N° patents (licensed/active)
- Projects (Gate 7ok) / Technical Workforce
- Global Productivity
- Global TRS
- Grievances severity index
- PPM customers at km 0
- Internal scrap
- % non-conformance costs/revenues

Sustainability

- % revenues invested in R& D
- Change proposals//active projects
- Customer satisfaction (technical area)
- % conformity (internal audits)
- Corporate Image (internal)
- Value Alignment
- % revenues invested in internal communication



3. SOME FORWARD-LOOKING CONSIDERATIONS

INTANGIBLES: A CASE OF ACCOUNTING SCHIZOPHRENIA?

In accounting and reporting domain not many topics have received as much interest internationally over quite some years as intangibles have

Such an interest has been shared by many communities: accounting professionals, academics, financial analysts, appraisers, banks, policy makers, international institutions

Despite such a long term interest, little progress has been made in the theory and practice realms

Intangibles are an internationally shared issue, but without an agreed answer thus far

Why?

WHY ARE INTANGIBLES NOT YET ADEQUATELY CONSIDERED IN TODAY'S BUSINESS REPORTING?

There are various types of difficulties linked to the measurement and reporting of intangibles:

- Cross-cutting nature of the intangibles in organisations → intangibles have a systemic nature
- High uncertainty surrounding many intangibles → their value and contribution are easy to “evaporate”, and presence of a time lag before intangibles transforms into financial value
- Property right issues → to whom the intangibles belong? Who control them?
- Departure from the transaction-based foundations of accounting → intangibles drive value even when they are not sold or purchased → value potential (cf. fair value)

WHY ARE INTANGIBLES NOT YET ADEQUATELY CONSIDERED IN TODAY'S BUSINESS REPORTING?

(cont'd)

- Lack of a market price for many intangibles (especially for non-separable intangibles)
- Company-specific nature of intangibles → intangibles when created by or included in an organisation become “different” with a specific contribution to value creation → value in use vs. value in exchange
- Who are the users of intangibles information? Do they know how to use it? Do they ask for it?
- Litigation issues

THE WAY FORWARD: SOME IDEAS

- Better accounting measurement
 - Improvements in GAAPs (R&D; capitalisations)
- Better disclosures
 - KPIs / non-financial information
 - risk measures
 - management narrative (business model/strategy)
 - information on quality of management
 - convergence of internal and external reporting
 - XBRL leverage
- Insert relevant Sustainability measures
 - Towards a convergence of company reports?

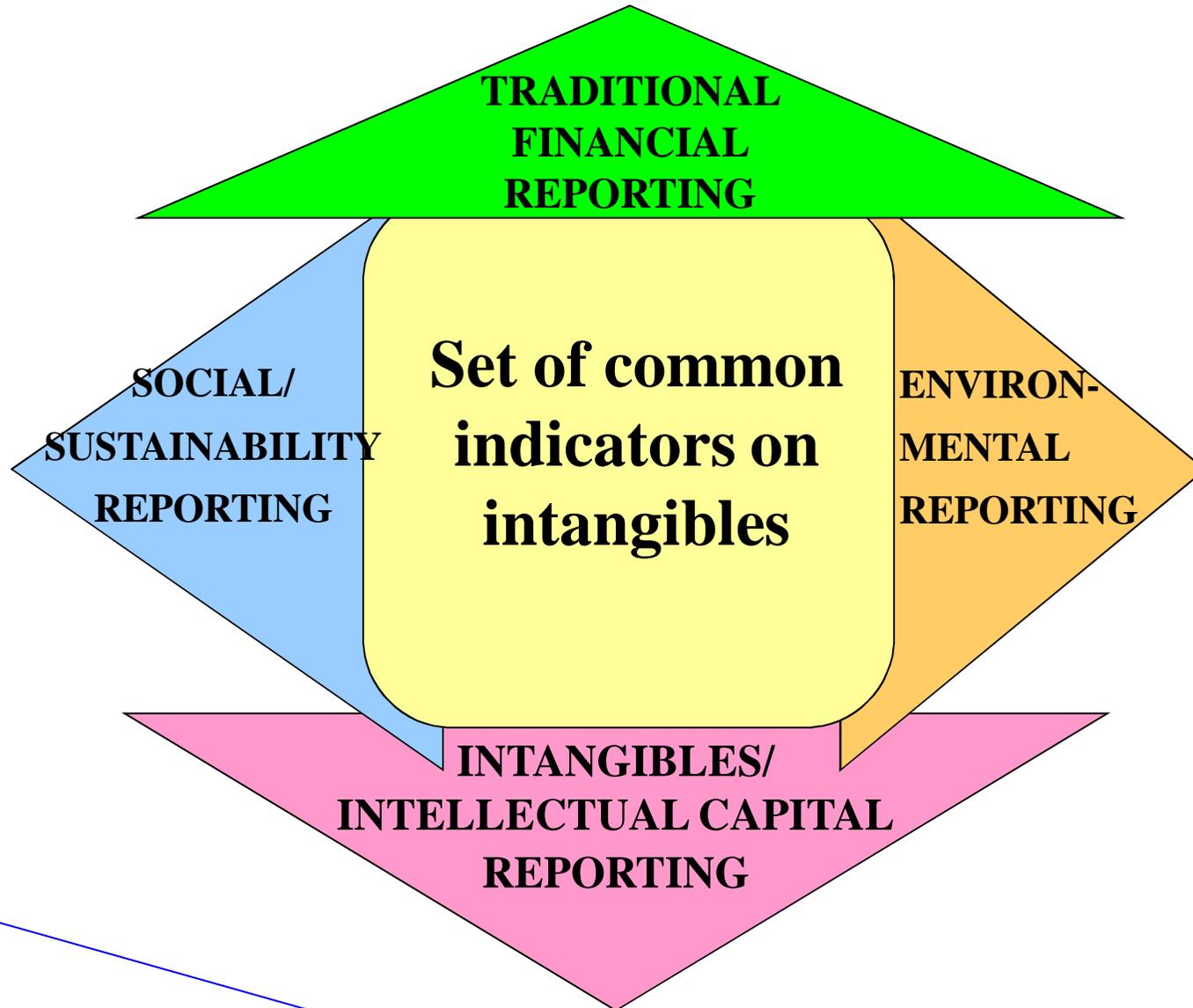
Intellectual Capital and Corporate Social Responsibility (CSR)

Social and Environmental Issues can be seen as part of the management of Intellectual Capital (image/reputation/risk management)

Therefore, social and environmental capital can be considered as particular intangibles to be managed by companies for achieving long-term sustainability and preserving income generation capacity **à BUSINESS SUSTAINABILITY**

The Integrated Reporting System

(Zambon, 2003)



THE WAY FORWARD: SOME IDEAS (cont'd)

- Better reporting/conceptual framework
 - implementation of SFAC no. 1
- Better and tested information systems
- Better models for financial analysis
 - how to combine financial and non-financial information in valuation models
- Better education at university and professional level
- Better coordination at an international level amid the various initiatives in the field
- Better awareness of the topic **à** this opens up also to a political dimension of the issue

Back to Basics: SFAC no. 1 (amended 2008)

“Objectives of Financial Reporting by Business Enterprises”

9. Financial reporting is not an end in itself but is intended to provide information that is useful in making business and economic decisions.

37. Financial reporting should provide information to help present and potential investors and creditors and other users in assessing the amounts, timing, and uncertainty of prospective cash receipts from dividends or interest and the proceeds from the sale, redemption, or maturity of securities or loans.

The prospects for those cash receipts are affected by an enterprise's ability to generate enough cash to meet its obligations ... and may also be affected by perceptions of investors and creditors generally about that ability, which affect market prices of the enterprise's securities.

Back to Basics: SFAC no. 1 (amended 2008)

“Objectives of Financial Reporting by Business Enterprises”

40. Financial reporting should provide information about the **economic resources of an enterprise**, the claims to those resources (obligations of the enterprise to transfer resources to other entities and owners’ equity), and **the effects of transactions, events, and circumstances that change its resources and claims to those resources**

41. ... That information helps investors, creditors, and others **identify the enterprise’s financial strengths and weaknesses** and assess its liquidity and solvency.

Some Research Brushing Fires



- § Intangibles and risk
- § Intangibles and Executive compensations
- § From dynamic capabilities to long-term intangibles
- § Intangibles and the management of innovation
- § Controlling Intangibles/IC
- § IC and Sustainability (towards one unified reporting)
- § IC information and Financial analysis
- § Intangibles and Management Commentary

A Few Other Criticalities

- § Intangibles and the today's financial crisis
- § Intangibles between business, sustainability, environment, and society (KPIs)
- § Intangibles between micro, meso and macro levels, and economic policy making
- § Intangibles measurement & man't in the public sector and not-for-profit organisations
- § Mobilising interest on intangibles: towards regional/national associations on/for IC (e.g. WICI Europe, WICI Japan)



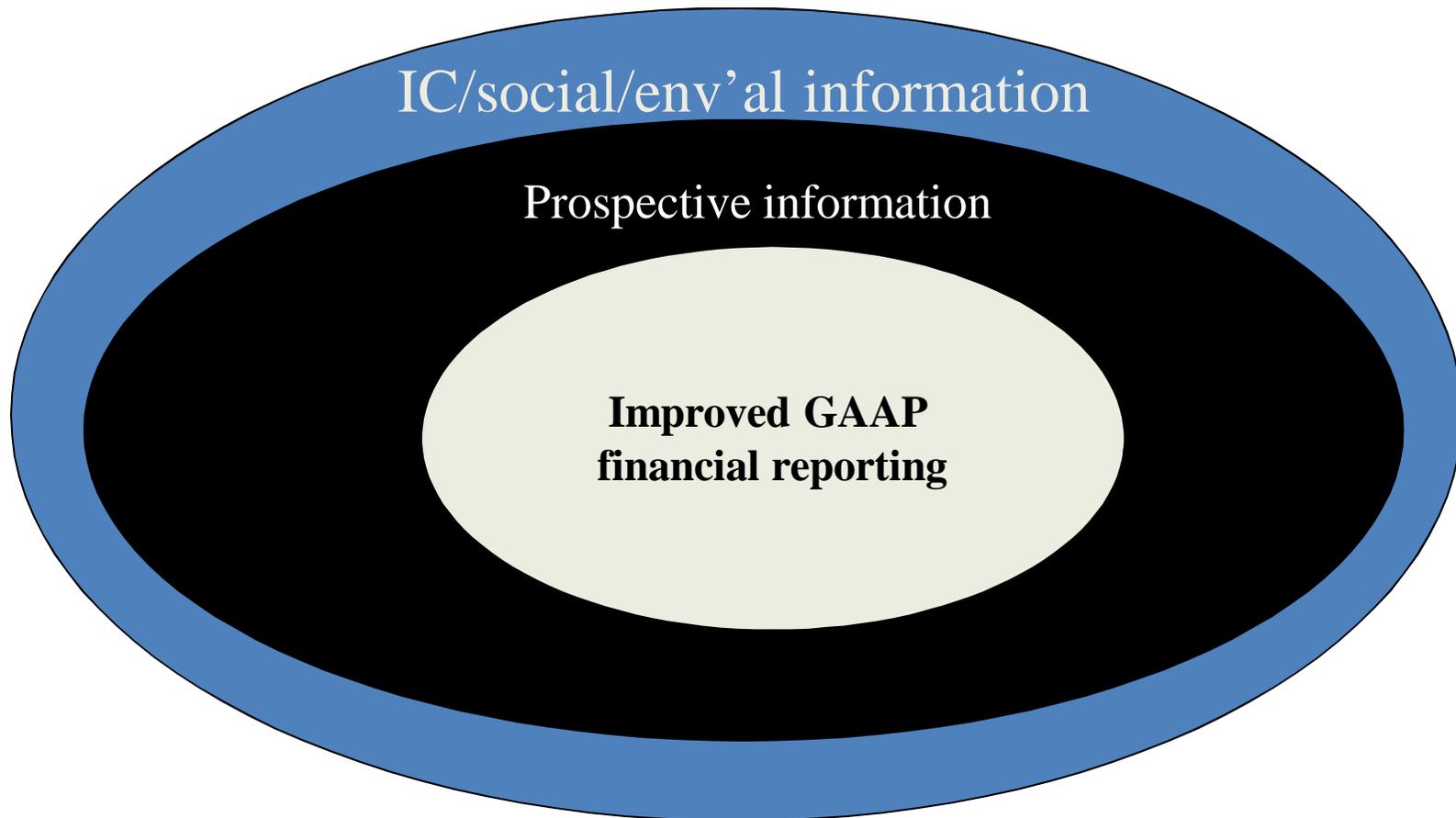
4. CONCLUDING REMARKS

Concluding remarks

- The new economic environment poses new challenges (the “conceptual company”, Lev)
- Clear “conceptual” need to develop and promote an innovative, integrated, reliable, and verifiable company reporting system/framework shared at an international level
- From measurement to information → the new reporting model will probably have many non-financial information & quantities accompanied by a management narrative on business model/strategy
- Towards a scenario of a unitary/single report with multiple levels of information (“traditional”/non-financial/expanded, etc.), assured, and re-composable via XBRL and info. systems → cf. level 3 of fair value FAS 157

A Metaphor of a New Financial Reporting System: “The Company Information Eye”

Multiple levels of information à Concentric circles



Final consideration

We face a major PARADOX:

- The more the system is based on intangible assets, the stronger it is (because intangibles are major determinants of growth and value creation).
- However, at the same time:
the more the system is based on intangibles, the more vulnerable it becomes.

The challenge we all face is to learn how to manage, organise, report and inform on these “invisible” resources



GRAZIE!

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