Measuring and Managing Intangible Values in Today's Economy

Rüschlikon - Centre for Global Dialogue, 6 November 2002

Conference highlights and key statements

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Intangibles: An overview

Many people in the accounting and business communities believe that financial reporting no longer reflects economic realities accurately. This view is rooted in the belief that our accounting systems have failed to keep pace with radical shifts in the sources of value creation and that there is a need to correct this by capitalising intangible assets in financial statements.

So what is it about business that has changed, and why are the systems in place no longer adequate? Traditionally, an investor wishing to calculate the value of a company would have based his prediction of future growth potential on the value of that company's physical/financial assets. Today, however, a large portion – and in some sectors, the majority – of the value businesses create is non-physical. In IT, technology and pharmaceutical companies, for example, enormous sums are sunk into research and development (R&D) and there is often a significant time lag between the investment and the return on that investment. In many companies brands, patents, franchises, software, research programmes, ideas, employee talent or unique organisational structures generate more value than any machine tool. And yet Generally Accepted Accounting Principles require all investments in intangible assets to be *expensed,* lumping them together with such items as rent and interest payments and ignoring their enormous value-creating potential. This practice, it is argued, leads to serious distortions in reported earnings, jacks up the cost of capital and misleads investors. A gap has emerged between the realities of a knowledge-based economy where intellectual capital is in the ascendant and accounting systems designed for an era in which most corporate assets were of the "plant and equipment" variety.

The dispute focuses less on whether such intangible values exist – it is hard to argue with the very real profits they create – and more on how they should be measured. In what "currency" should such intangible values be expressed and how might their development be analysed in parallel with physical assets over time? New management tools are needed if investors are to receive a meaningful picture of a company´s current and future worth. Under present rules, there is no generally accepted method for estimating or reporting the cumulative consequences of long-term investments such as copyrights, trademarks, brands, staff and R&D. This has given rise to a so-called "information asymmetry". In other words, traditional financial reporting methods – such as audited financial statements and analysts' reports – only disclose a fraction of the information investors need to know, with the result that company valuations are based largely on guesswork and speculation. Whilst a certain "corporate peer pressure" may have convinced many companies to produce elegant environmental and social reports in recent years, there is still no GAAP standard to regulate such statements and it seems that any innovation in the field of intangible value measurement will be driven by business rather than accounting standards bodies.

Many have pointed to the growing discrepancy between companies´ stock market valuation and their book value, and to the astronomical goodwill payments associated with some recent mergers and acquisitions as proof that companies are unable to measure and communicate the value of their intangible assets. Investors know instinctively that intangibles are valuable. Why else would they pay out such enormous sums for goodwill? There is a growing sense that investors lack meaningful information about the *value creation potential* of intangible-intensive businesses. After all, what use is information on a technology company´s physical assets if 80% of that company´s perceived value is intangible? Those who support the capitalisation of intangible assets are keen to see reporting procedures that give fair treatment to indicators of *future value* as well as *historical cost*. The more cynical observers see this plea for understanding or "special treatment" as a thinly-veiled attempt by technology companies to justify absurdly optimistic stock market valuations.

The peer discussion at Rüschlikon on measuring and managing intangible values gathered experts from industry, finance and academia and gave participants the opportunity to air their thoughts, consider possible solutions and raise questions. The following is a round-up of some of the discussion points and key statements.

Virtual value and the alignment of interests

In the late 1990s, there was a collective belief that tangible fortunes could be made via the Internet in the complete absence of any physical assets. Even companies with a traditionally high proportion of tangible assets invested much more heavily in IT and intangibles and attempted to spin off what they perceived to be burdensome physical segments in the belief that real money was to be made on virtual business platforms. Business would no longer be limited by physical constraints. In the New Economy it would be possible to carry out business transactions any time, day or night, and many were convinced that the hyper-connectivity of the upcoming e-age would generate returns like never before.

"During the New Economy bubble everybody wanted to have a share in this ability to create extraordinary value beyond physical assets." **–** Nils Hagander, *a-connect*

In principle, all of these beliefs were reasonable enough. But with hindsight we realise that systems that rely predominantly, or in some cases, *entirely*, on intangible assets, may also be less stable. The exposure of such organisations to the ebb and flow of confidence may also be greater.

Nils Hagander, representing *a-connect,* shared some of his thoughts on sources of intangible value in the various economic sectors and questioned some of the answers strategy consulting companies had sold to clients during the New Economy bubble of the late 1990s. Whilst acknowledging the shortcomings of the metric, he started by defining intangible value per employee (IVE) as market capitalisation less book value of equity, divided by the number of employees. Taking this measure, he then surveyed the principal industry segments – retail, utilities and service companies – from the perspective of intellectual property, brand and talent. He also presented a chart illustrating the comparative volatility in intangible value for eighteen top Swiss companies, pointing out that some companies, notably Serono, Novartis and Swiss Re, had managed to maintain a consistently high level of intangible value creation between 1999 and 2002; some, like Kudelski, which had been head of the pack in 1999, had fallen behind miserably since that time; and others, such as Sulzer and Swiss Life, which had performed badly in 1999, were still doing badly – if not actually *destroying* value – today.

"Two years ago every elephant wanted to become a bird." **–** Nils Hagander, *a-connect*

Having outlined the relative capacity of companies to create and maintain intangible value, Hagander assigned companies to four categories: *Elephants* (utilities, heavy industry...); *Foxes* (financial services, retail...); *Lizards* (pharmaceuticals, high-tech equipment...), and *Birds* (high-tech software, services...). This gave a helpful pictorial explanation of the ease or difficulty with which a company could "unbundle" its physical assets. This "ease" was defined by the number of interactions a company had with other entities. He remarked that although the enthusiasm of many to turn themselves into knowledge businesses had been overwhelming in the late 90s, the success rate of such transformations had been limited, at best. Enron and ABB were both mentioned as examples of companies that had tried and failed to transform themselves from "elephants" into "birds".

"The smartest companies are the lizards: these are the ones who manage to transform, not by getting rid of their physical assets but by working them differently." – Nils Hagander, *a-connect*

In discussing the staggering fluctuations in intangible value seen in some knowledge companies, Hagander drew attention to one particularly salient point which was touched upon several times in the course of the day: when an investor is investing in a company, 90% of whose value consists of intangible assets, he needs to ask himself whether this intangible value resides exclusively in the minds (talent) of its employees or whether it has been converted into some form of institutional asset (patent, copyright etc). If the former is true, all the investor has is the belief that the employees have the ability to create future profits. If those individuals lose confidence in their vision or managers lose confidence in their own ability to inspire one, this human capital may decide to invest itself elsewhere. In publicly traded companies this gives rise to serious inter-generational governance issues surrounding ownership. Those that create the value inevitably start paying greater attention to themselves and to the value that is attributable to them than to shareholders, causing a misalignment of interests. He referred to this as a "system breakdown". Hagander suggested that in companies where the value resides exclusively or primarily in individuals such governance issues might be resolved by reverting to the traditional partnership model. Under such a management system, the company is owned by those that create the value, and the "alignment of interests" issue does not even arise.

"I believe that the partnership model is the superior model for consultancies because consultancies are only the knowledge and energy of the individual partners...We could expand this model to other intangible-intensive industries." – Nils Hagander, *a-connect*

Reputation is real

Reputation may be a fuzzy concept but you know when you have lost it. It is a curious fact that the true value of many intangibles only becomes clear once those values have been destroyed. Take reputation, customer satisfaction, morale or company "culture". Such values are built up incrementally over many years. They are reservoirs of trust that are nurtured either through direct human interaction or through advertising that tries relentlessly to persuade you that you are "part of the family". A single event – be it contamination, product recall or communications failure – can unravel all of this carefully engineered trust in an instant.

"Whatever metric you use to measure the value of the intangible, reputation is right up at the top of the list." – Stewart Hamilton, *IMD*

Stewart Hamilton from the Institute for Management Development, Lausanne, used a series of high-profile corporate failures to illustrate his point that the arduous process of building a reputation and a brand may be of limited use if insufficient attention is paid to the company's core activities. He referred to notable examples of reputational damage such as the Union Carbide India Limited gas leak, the Brent Spar decommissioning and Perrier mineral water contamination sagas, as well as the Enron and Worldcom auditing scandals. The common themes running through all of these failures were inadequate board oversight, lack of management supervision, weak control systems and poor auditing and regulation, both internally and externally. In the case of Enron, fiduciary failure, high-risk accounting, significant undisclosed off-the-books activity and excessive compensation were just some of the shortcomings presented. Ironically, the auditors, Arthur Anderson, whose very raison d'être is to preserve the integrity and reputation of quoted companies, not only contributed to Enron's collapse but also caused the implosion of its own reputation as a highly-respected professional services firm.

"In the case of Enron and Worldcom serious questions need to be raised about board members´ independence of mind." – Stewart Hamilton, *IMD*

Hamilton suggested that, in the wake of Enron, most professional services firms are looking primarily at preserving their *reputations* and only secondarily at their income streams. There is a strong sense of "There, but for the grace of God, go I" in the accounting world. This gives some indication of just how real the fear of losing one´s status as a "good corporate citizen" has become. He also expressed the conviction that the remaining "Big Four" accounting firms were going to experience significant retrenchment in the scope and scale of the services they would be allowed to offer in the future. The downside of this would be higher auditing fees, the upside, we assume, a better quality audit.

On the question of whether accounting rules were likely to accommodate intangibles in the near future, Hamilton predicted that, on the contrary, although there was currently some provision for including such items on the balance sheets, US GAAP was likely to move *away* from this practice due to the fall-out from some of the recent events where the rules had been badly misused. People have become "highly suspicious", as companies have been making valuations under US GAAP in the absence of any transparent market price. This has provided opportunities for manipulation. Hamilton concluded by warning of the dangers of allowing "megalomaniac CEOs" to march ahead with plans in the absence of rigorous board controls. He referred principally to Enron, ABB, Vivendi and Swiss Life in this connection, adding that CEOs of this type are often better at destroying value than creating it.

"The reality is that if you don´t protect the principal assets, then you will destroy whatever value you create however, you create it." – Stewart Hamilton, *IMD*

The perceived risk landscape

Risk or perceived risk is what causes people to sell shares. And, very often, uncertainty begets uncertainty, investors lose their heads and world-class companies go down. So, the way stakeholders perceive their own vulnerability or security may seem intangible, but the consequences are all too material.

It was against this backdrop that Thomas Trauth, from Credit Suisse First Boston, presented the drastic changes we have seen in the risk landscape since the September 11 attack in 2001. He described how heavy insurance losses and the stock market slump have decreased global risk capital and how governments and the insurance industry are having to face up to providing cover for virtually inestimable terrorist risks. The loss of confidence had, he claimed, impacted credit risk, increased default rates and banks were suffering from the deterioration of their loan portfolios. He also referred to the huge loss of faith in the accounting and auditing profession, emphasising the need for disclosure issues to be taken more seriously in the future.

"Sound risk management is certainly going to be one of the most important intangible assets in the years to come. If you can really communicate that risk management to your investor base, you will have a significant advantage going forward." **–** Thomas Trauth, *Credit Suisse First Boston*

In the discussion that followed Trauth's presentation, Nils Hagander drew participants' attention to the very incomplete picture financial markets give of a company's *actual* risk exposure, noting that they react very differently to "act of God" risks than to "systemic risks". The reason for this is that, in the case of systemic risks, the market makes an assumption about the ability of the company's management to keep operations under control in the future. Where the risk is an "act of God", there may well be financial fall-out, but such a loss will rarely threaten the company's existence. In his concluding remarks, Trauth emphasised the crucial role risk management is going to play with regard to building and maintaining confidence not only in insurance but particularly in the banking sector where managing conflicts of interest and reputation are top priorities.

Black boxes and the value of future business

"The bigger the company, the blacker the box..." – Stephan Hostetter, *Obermatt Partners*

Today´s reporting mechanisms are such that the intangible activities and investments of many publicly traded enterprises remain invisible to the investor. They are a "black box". This applies particularly to R&D-intensive outfits, such as biotech companies, many computer and software developers, early-stage telecom, and to chemical and pharmaceutical enterprises, in which planning and product development horizons are notoriously long and initial investments in training very high. Because investors lack information concerning internal value-creation measures, they have no idea how their "box" will perform.

"Nobody outside the black box can see the potential that resides within it." – Jürgen Daum, *SAP*

In his presentation on "Today's corporate reporting challenges" Jürgen Daum, from SAP, was particularly adamant about the need for "changing business economics" to be recognised in additional reporting measures. He started by looking backwards. Under the traditional industrial operations model, the purpose of financial reporting had been to record the two main value-creating activities taking place inside the corporate box: manufacturing and sales based on physical assets. Here the reporting time frames were short (month/quarter), the relationship between input and output was rudimentary and resources could be acquired and deployed on a short-term basis. In this environment, the primary reporting and control instruments – the balance sheet and the income statement – were appropriate for analysing the company's capabilities and resources, and the value extraction process (profit), respectively. In a networked economy, operations, at least in R&D-intensive industries, are very different. Many companies operate within an "ecosystem of partners" which is highly dynamic; many alliances may be non-contractual but may nevertheless add an enormous amount of intangible value to the company; product development is much longer and more resource-intensive; the relationship between customers and suppliers in a company like SAP is more sophisticated; the adoption of the customer relationship management (CRM) approach results in more time and money being invested in understanding the underlying value of customers and in developing long-term relationships. All this, he contended, means that many of the long-term value creation activities businesses engage in are not being reflected accurately, if at all, in financial reporting.

"In our type of business...you have to invest a lot more effort in creating the capabilities and potential to do business in the future. This is not reflected in the financial statements." – Jürgen Daum, *SAP*

Because so much of the research and employee development is carried out in-house, and, therefore, under present rules, expensed, we are witnessing a systematic undervaluation of intangible-intensive companies. In Daum's view, far greater attention needs to be paid to the "total value creation recipe". In companies like SAP, the problem that all reporting has to grapple with – that of dynamic complexity – is accentuated. There are many value creation horizons within the system that lie far beyond the tidy bounds of the accounting year. An employee in a traditional manufacturing environment might have become productive in a matter of days; at SAP, an employee might only *start* to become productive after two years. Stewart Hamilton voiced his conviction that the practice of acquiring companies to make up for internal value deficits would change in the future, adding that the notion of paying a fair price (ie one which includes an ample portion of "goodwill") to acquire intangible value, which could just as well be generated internally, was "pure lunacy".

"The market is going to value less highly companies that seek to get future value from acquisitions. They will pay more attention to companies like SAP that can show that they have the ability to innovate internally." – Stewart Hamilton, *IMD*

Daum suggested several possible ways of remedying this disconnect between financial reporting and actual economic realities. Key among them were:

- paying greater attention to organisational/structural capital as the real value driver in service or intangible-intensive companies
- creating some form of addition to the normal statements on financial performance as an indicator for investors of a company's potential for creating value in the future
- focusing on what Baruch Lev has termed "comprehensive value" [1]
- reporting on the dynamics of long-term value creation as well as short-term performance
- considering the "intellectual capital statements" measure pioneered by Skandia and the Danish government
- considering the Global Reporting Initiative and the "triple bottom line" reporting measures of economic, environmental and social performance
- shifting towards a stakeholder-oriented reporting and communication process based on trust and continuous dialogue as opposed to relying exclusively on financial measures, the real value of which may be limited in certain intangible-intensive businesses.

Daum made clear that, in the future, companies will be required to provide more detailed reporting and not just on their financial performance or economic value added (EVA). They will have to report, for example, on how successful they are at turning investments in R&D

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[1] Baruch Lev, *Intangibles: Management, Measurement, and Reporting*.

into future market share and how good they are at creating human capital. They will also need to provide more information about the dynamics of the system in which they operate, ie they will need to explain to stakeholders *why* they are sacrificing short-term profit in the interests of creating future potential. Daum made a strong case in favour of non-financial statements containing information on the *process* of intellectual capital creation, as well as innovation, and the potential value of such activities. If such measures were not introduced, he claimed, conventional financial reporting would continue to give a distorted picture of a company like SAP's future prospects.

"My question is: did we create any potential value in the last quarter or not? Because if we did, we can't see it!" – Jürgen Daum, *SAP*

Presenting a very different type of business, Philippe Hoch sketched out Swiss Re's approach to valuing future business through managing the "franchise value". He started by defining some processes: shareholders put up risk capital to support business activities (*economic net worth*), but value the company at more than its economic net worth (*franchise value*). Why? Because they expect future economic value management (EVM) profit to be positive, ie they expect management to create even more economic value. The franchise value therefore reflects the market's assessment of the insurer's ability to generate EVM profit through new business. Hoch emphasised the importance of active management of the franchise value and drew attention to the fact that only if actual EVM profits exceed expected EVM profits is shareholder value created, adding something that almost certainly rang true with those present:

"It´s easier to manage the franchise than to determine where the value drivers are coming from." – Philippe Hoch, *Swiss Re*

Active management of the franchise value, as practised by Swiss Re, is based on: *Innovation* (acquisition of new clients, development of new products, creation of strategic options); *Implementation* (operational implementation of options and potential created, performance improvement); *Communication* of these innovation and implementation measures, internally and externally.

Expanding the value paradigm

Peter Bretscher, Ingenieurbüro für Wirtschaftsentwicklung, cast the audience's mind back 200 years, reminding them that this is not the first time people have grappled with measuring invisible phenomena. In the past, scientists have struggled with models to explain "intangible objects" such as energy, gravity, temperature or electromagnetism. He explained how, initially, models are qualitative and are only later developed into "enriched", quantitative formulas. Scientists have had to embrace new mindsets to understand realities that did not always fit preconceived schemes – machines did not work as planned, buildings collapsed etc. Relativity theory was mentioned as an example of a paradigm shift, which had led to the discovery of entirely new dimensions.

According to Bretscher, business faces similar measurement issues. Traditional theories, recipes and formulas are no longer appropriate for planning and managing intelligent enterprises operating in a complex environment. Indeed, he was of the opinion that exclusively monetary measurement indicators can even be damaging to the wealth of an enterprise. He proposed a conceptual shift away from linear measurement and purely monetary units, drawing attention to the need for a distinction between value and price.

Whether an item is worth a given price depends on the buyer's perception of that item's value. In other words, value consists of an *explicit* monetary price and an *implicit,* subjective dimension. The value mapping system he presented therefore consisted of a 2D metric system using an implicit subjective y-axis and an explicit monetary x-axis. In this enlarged paradigm, a "value" is a 2D attribute of an object, which is individually defined. It is used to show 2D attributes (here values) as vectors, which may be added and subtracted. He went on to describe the four basic views that emerge from this approach, which are: the "relative vector", the "absolute vector", the "shareholders' valuation" and the "value quadrants" (please refer to Peter Bretscher's web site listed at the end of this document for additional information).

People business and the capital lens

Trying to measure employee ingenuity or trust in dollars and cents is a bit like trying to measure colour in horse-power or metric tonnes. Felix Barber, from Boston Consulting Group, took a line on intangible values that was disarmingly simple and eminently sensible. His presentation centred on the fundamental suspicion that relationships between employees and customers are really anything but intangible and he shook Swiss Re CFO John Fitzpatrick's hand to prove it...

He began by sketching out some industry assumptions:

- an increasing share of a company's value is created by "intangibles" (employees and customers)
- a company's capital is the source of its value, so, if "intangibles" create value, we should try to capitalise them in the balance sheet
- we should therefore consider and value "human capital" and "customer capital"

Barber's presentation was all about the difference between capital and people. Attempts are frequently made to lump them together, leading to some awkward accounting problems. There is no doubt that people and customers *create* monetary value, but does this make them *synonymous* with capital*?*

"If we want to understand the value of employees and customers, not a bad place to start is to ask exactly the same questions about employees and customers as we have traditionally done about capital." **–** Felix Barber, *Boston Consulting Group*

Instead of allowing ourselves to go along with an odd identification of people with capital or pretending that because people are not capital they must be intangible, we would do better to recognise that not all businesses are the same and that there are many things besides capital that create value for companies. There are *people-intensive* businesses, such as advertising, where employee costs are approximately 3.5 times the total capital costs, and there are *capital-intensive* businesses, such as utilities, where people cost only about half the sum of the capital costs. It therefore makes only limited sense to ask capital questions about an intangibles-intensive company. Clearly, if an investor has just invested in a chemical plant, it makes sense for that investor to ask himself what his return on capital will be and to compare that to his cost of capital. If, on the other hand, an investor invests in a consulting firm, once the goodwill has been stripped out, there is virtually no capital in the business. So, why the fixation with questions of capital when there is none?

"If we are looking at a people business, what we really want to ask is: 'How much value have these people created, and how much are they costing?' " **–** Felix Barber, *Boston Consulting Group*

Many companies have some people-oriented measures in place but pay little attention to them. The reason for this, according to Barber, is that the traditional "sales per employee" measurement is notoriously unreliable. He suggested implementing a *value added per employee* measure, less a capital charge per employee, and comparing this figure with the employee cost per employee. In the absence of a more effective measure, managers tend to apply the same metric to capital-driven companies as they do to people-driven ones. Barber's "Workonomics" system is designed to prove that there is little value to be derived from figures that attempt to examine people-intensive industries through a capital lens. Instead of asking "what is my return on capital?", why not ask, "how productive are my employees?" If the balance sheet is asking "how much capital have we got and of what kind?", one might just as well ask, "what's happening to our workforce? Are we suffering high attrition?" etc. By systematically substituting capital questions with people questions, Barber's method acknowledges that it is perfectly feasible to do shareholder value management from the employee perspective and measure people's performance in people terms.

"The lens that we use to look at companies in reporting terms is tremendously capital-oriented although there is no question that both people and customers create value."
– Felix Barber, *Boston Consulting Group*

Closing observations

Many of the questions that were raised during the day, particularly during the workshop sessions, remained unanswered. Some participants expressed their suspicion that, in fact, though imperfect, letting the market do the valuation may, indeed, be the most feasible solution. Others suggested providing supplemental intangible asset reports containing references to patents and other intellectual property, employee skills, processes, brands etc. which do not appear on the balance sheet. Reactions to the idea of "intellectual capital statements" and to third-party verification of such documents were not all positive. Some participants saw a risk of tokenism. Would supplemental reports be anything more than corporate marketing pitches?

Discussions revealed a strong sense that a universal solution to measuring and managing intangibles was not only unrealistic, but undesirable, given that the needs of different industries vary enormously. Measures that might be applied successfully to a people-intensive business might be wholly inappropriate or of only limited use in a capital-intensive one. There was a suggestion that the "universe of intangibles" – whether brand, patent, reputation or unique organisational structure – needed to be boiled down to something more manageable; industry-specific requirements and a common vocabulary needed to be defined. It became clear that it would only be realistic to think about applying metrics and maps to whole industries once their success had been proven within a particular company. Felix Barber described the process of devising measures as a kind of "corporate genome project" in which it would only be possible to understand a wider whole by focusing on and identifying the needs of individual pieces (companies). In this sense, the conference was an important endorsement of the value of small steps.

Food for thought

Disclosure: "Disclosing too much information on intangibles might also *destroy* value..." – Jürgen Daum, *SAP*

Reputation: "There is a huge loss of confidence in the ability of accounting standards to show the truth, in the ability of boards to govern their companies, in the ability of analysts to come to the right conclusions and in the ability of managers not to lie." – Nils Hagander, *a-connect*

Strategy: "The inability to communicate your intangible values to analysts is very often nothing less than the absence of a strategy." – Thomas Hess, *Swiss Re*

New value paradigm: "Just like physicists 200 years ago, we need to develop a new system for measuring intangible *energy*. We can´t do it using dollars and euros." – Peter Bretscher, *Ingenieurbüro für Wirtschaftsentwicklung*

Vocabulary: "We have too many moving parts. We still lack a common vocabulary." – Nils Hagander, *a-connect*

Dispersing risk: "It´s a mad race. The economic system *is* able to slice and dice and achieve diversification but that just causes human beings to be able to take on more risk because the system is safer today." – John Fitzpatrick, *Swiss Re*

Communication: "We approach this issue as if we were in a lab environment...Most of the examples of corporate failures are communications failures." – Thomas Sevcik, *Arthesia AG*

Belief: "At the end of the day, investors invest in your business because they *believe* it is capable of generating tangible profits in the future. It can only do this if it has the ability – the intangible skills – to maintain long-term, sustainable relationships with customers." – Markus Nöthinger, P*riceWaterhouseCoopers*

Visibility: "Both the company and the investor have an interest in making this potential as visible and as tangible as possible." – Matthias Mölleney, *Centerpulse AG*

Generic models: "The world is too complex today for one solution to fit all, but we shouldn't try to develop accounting into something that fits individual needs. This is the wrong approach." – Thomas Hess, *Swiss Re*

Intellectual capital statements: "There is a very real scepticism in the accounting community about the ability to have independent third-party verification of most of these statements which are effectively marketing statements." – Stewart Hamilton*, IMD*

Regulation: "Absolutely nothing is going to come out of FASB in the direction of intangibles and additional statements in the foreseeable future." – Stewart Hamilton*, IMD*

Tangible incentives: "If you want managers to start managing their long-term intangible values, you'd better get them on the right incentive scheme." – Stephan Hostetter, *Obermatt Partners*

Reputational damage: "I think we need to restore confidence in what we already have, we need to make incremental improvements, we need to learn to communicate better and we certainly have to avoid massaging numbers to meet market expectations. Above all, we´ve got to continue managing our companies as best we possibly can." – Stewart Hamilton, *IMD*

Useful web sites

Australia, Invisible value: the case for measuring and reporting intellectual capital:
http://www.isr.gov.au/content/controlfiles/display_details.cfm?ObjectID=129C3DD4-919D-4603-BA9748801A8E978B#InvisibleCapital

USA, Federal Reserve Bank of Philadelphia,
What is the us gross investment in intangibles?
http://www.phil.frb.org/files/wps/2001/wp01-15.pdf

USA, Global Knowledge Economics Council,
Proposed American National Standard
http://www.kmstandards.org/gkecAnsiMetrics010102.pdf

Uni Graz, Aktuelle Entwicklung von Bewertungsmodellen
http://www.controllerverein.de/veroeff/referenten_unterl/symp_graz/schneider.pdf

Leif Edvinsson, The IC Multiplier
http://www.intellectualcapital.se/ic%20multiplier%20essay.doc

European Observatory on Intangible Assets
http://www.ll-a.fr/intangibles/

Peter Bretscher (www.bengin.com)

Balanced Scoremap, Einführung, deutsch, ppt
http://de.geocities.com/benginch/nova/balanced_scoremap015_d.ppt

Balanced Scoremap, Intro, English, pdf
http://de.geocities.com/benginch/nova/balanced_scoremap015_e.pdf

Balanced Scoremap (absolute), Intro, English, ppt
http://de.geocities.com/benginch/nova/balanced_scoremap016_e.ppt

Balanced Scoremap (absolute), Intro, Deutsch, ppt
http://de.geocities.com/benginch/nova/balanced_scoremap016_d_beta.ppt

FASB Business Reporting Research Project: Improving Business Reporting, Jan 2001
http://www.fasb.org/brrp/BRRP2.pdf

SEC-Inspired Task Force: Strengthening Finanical Markets, May 2001
http://www.fei.org/download/SEC-Taskforce-Final-6-6-2k1.pdf

Baruch Lev: Intangibles – Management, Measurement, and Reporting, June 2001
http://www.baruch-lev.com
http://www.juergendaum.com/news/10_30_2001.htm

Danish Agency for Trade and Industry: A Guideline for Intellectual Capital Statements, Nov 2000
http://www.efs.dk/download/pdf/videnUK.pdf

Global Reporting Initiative: Sustainability Reporting Guidelines 2002, Sept 2002
http://www.globalreporting.org/GRIGuidelines/2002/gri_2002_guidelines.pdf

Jürgen H. Daum (www.juergendaum.com)

Intangible Assets and Value Creation, Dec 2002 (English), May 2002 (German)
http://www.juergendaum.com/mybook.htm

Corporate reporting:
http://www.juergendaum.com/news/09_22_2002.htm
http://www.juergendaum.com/news/05_12_2001.htm

Rüschlikon, Centre for Global Dialogue: Presentations from Peer Discussion Intangible Values
http://www.ruschlikon.net/INTERNET/rschwebp.nsf/fmBookmarkFrameset?ReadForm&BM=vwOurTopicsByTopic?OpenView&Cat=Sustainability

What happens to the world makes a big difference to a company like Swiss Re. Socially, politically, economically, and environmentally, everything has an impact on the global risk market. That's why Swiss Re created the Rüschlikon – Centre for Global Dialogue, as a place for enquiring minds to look ahead to the future.

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