

IC



Intellectual Capital for
Communities
In the Knowledge Economy



Global Dynamic Reporting Initiative

Ahmed Bounfour
Yosano Tadanori
Susanne Durst
Inge Wulf
Marcos Cavalcanti
Héla Masmoudi
Mauricio Rodrigues

1- Rationale

(1/2)

- Intangibles /Intellectual capital have been the subject to several developments over the last 15 years in the arena of reporting.
- But in spite of the important efforts provided both by academics and professionals, the registered progress is still very limited.
- In the meantime, high expectations in terms of information are expressed, especially from external stakeholders, due among others to the intrinsic nature of intangibles, as well as to the imperfections in markets (the market failure phenomenon).

1- Rationale (2/2)

- A new step is then needed, in the field of reporting of intangibles.
- The type of reporting needed should be more:
 - dynamic
 - forward looking
 - Smart /light
 - Well argued (based on academic research).

2- What is at Stake ?

- Providing Executives and stakeholders with smart and recognized intangible reporting.
- This is important to address the issue of market imperfections for intangibles.
- As well as for developing a forward-looking approach: the next generation of reporting ?

3- Partners /coordinator

Coordinator:

- University Paris-Sud, European Chair on Intellectual capital management

Partners

- Kobe University
- Federal University of Rio Janeiro
- Clausthal University
- University of Lichtenstein

Endorser

- The New Club of Paris

4- Covered enterprises (first list)

Europe

Air Liquide Danone Safran EADS Orange Société Générale
BNPParibas Nexans, L'Oréal, Solvay , SAP, Volkswagen EON Siemens
Metro BASF Deutsche Telekom OMV Strabag Nestlé Novartis

Hilti

Japan

Hitachi Fujitsu Honda Takeda pharmaceutical Kyocera Murata
Manufacturing, Richo Panasonic Toshiba Canon Shiseido Sony Asahi
Chemical Kaneka

Omron

Brazil

Petrobras, Vale, Suzano EBX CEMIG

5. Creating and defining the categories

Components of the intangibility	Themes/ Variables	Elements measures
<ul style="list-style-type: none"> - Human capital, structural and relational 	<p>Assets of innovation:</p> <ul style="list-style-type: none"> • R & D • Industrial Property - Information Systems - Organization systems - Relational capital: • Marks 	<ul style="list-style-type: none"> • Quantitative elements <ul style="list-style-type: none"> - Budget R & D, human capital development and Ret D - Number of patents and development - Brands • Qualitative elements <p>Extraction of verbatim reports: lexical analysis</p>
<ul style="list-style-type: none"> - Social and environmental dimension 	<ul style="list-style-type: none"> • Providing responsible products and services <ul style="list-style-type: none"> • Project Financing • Ethics • Fight against exclusion and solidarity 	<ul style="list-style-type: none"> • Quantitative elements <ul style="list-style-type: none"> - Budget, number of products offered and area managers, project financing and • Qualitative elements <p>Extraction of verbatim reports: lexical analysis</p>
<ul style="list-style-type: none"> - integrated reporting, websites and social networks 	<ul style="list-style-type: none"> • financial, physical, human, intellectual, natural and social 	<ul style="list-style-type: none"> • Quantitative elements <ul style="list-style-type: none"> - Budgets, human capital, patent number, etc.. • Qualitative elements <p>Extraction of verbatim reports: lexical analysis</p>

Murata's Company Profile

- Murata Manufacturing Co., Ltd. (Murata) was established in October 1944 as a company specializing in the design and manufacture of tubular ceramic capacitor whose material was composed of the titanium oxide.
- This dielectric material was used for temperature compensation in radios with background of the chaotic period after World War II, in which period radio was about the only form of entertainment and information source available.
- This type of temperature compensation is used for the super heterodyne radio, whose performance was far superior compared to those days' conventional super-regeneration system¹ (Figure 1).

Figure 1 Murata's first, original dielectric material which was used for temperature compensation in radios



Temperature compensating
capacitor

Source: available at
<http://www.murata.com/corporate/history/index.html#step1>

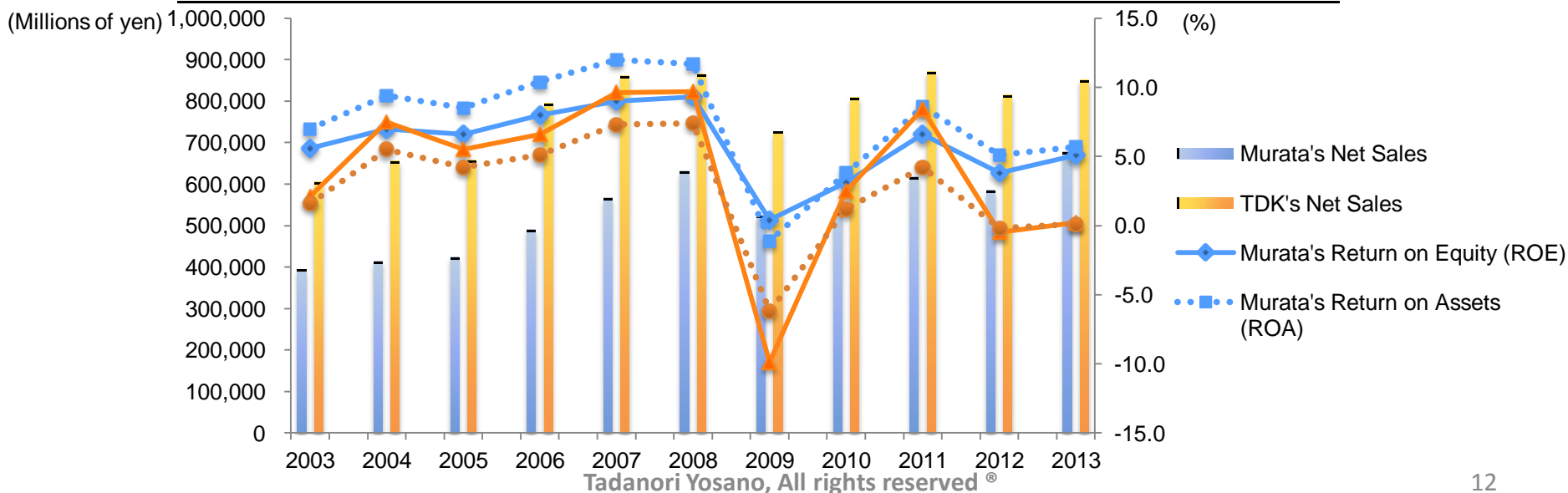
- Murata, R&D and manufacturing technologies oriented company, is currently a leader in the design, manufacture and sale of ceramic-based passive electronic components and solutions, communication modules and power supply modules.
- With annual net sales of ¥681 billion (\$6.8 billion USD dollars) as of March 2013, Murata is committed to the development of advanced electronic materials and leading edge, multi-functional, high-density modules².

- Murata's market share of capacitors and communication modules are top ranked all over the world³.
- Table 1 shows Murata's recent Net sales, ROA (Return on assets), and ROE (Return on equity), compared to their main competitor TDK, from fiscal year 2003 to 2013 (Table 1).
- Table 2 also shows Murata's sales, order, and backlog by their product categories as of March 2013.

Table 1 Murata's recent Net sales, ROA, and ROE, compared to their main competitor TDK



	Fiscal year ended March 31 for respective year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Murata's Return on Equity (ROE)	5.6	7.0	6.6	8.0	9.0	9.3	0.4	3.1	6.6	3.8	5.1 (%)
Murata's Return on Assets (ROA)	7.0	9.4	8.5	10.4	12.0	11.7	-1.1	3.8	8.6	5.1	5.7 (%)
Murata's Net Sales	394,955	414,247	424,468	490,784	566,805	631,655	523,946	530,819	617,954	584,662	678,400 (Millions of yen)
TDK's Return on Equity (ROE)	2.1	7.5	5.5	6.6	9.6	9.7	-9.9	2.5	8.4	-0.5	0.2 (%)
TDK's Return on Assets (ROA)	1.6	5.5	4.2	5.1	7.3	7.4	-6.2	1.2	4.2	-0.2	0.1 (%)
TDK's Net Sales	604,865	655,792	657,853	795,180	862,025	866,285	727,400	808,858	871,943	814,497	851,575 (Millions of yen)



BRANDS

**RESEARCH
AND INNOVATION**

**SUSTAINABLE
DEVELOPMENT
AND ETHICS**

OUR COMPANY

COMPANY OVERVIEW

ETHICS

DIVERSITIES ARE OUR
PRIORITY

WORLD WIDE

27 global brands*

*These brands' annual sales are superior to € 50 million

COMPANY OVERVIEW



Discover the Group's mission, the main facts and figures and its organization

[Read more](#)

ETHICS



The founding values of our company - respect, integrity, excellence - are part of our day-to-day work

[Read more](#)

DIVERSITIES ARE OUR
PRIORITY



Commitment to diversity is at the heart of our business and is a formula for success

[Read more](#)

Most themes informed

- Innovation (product and durable)
- Brand
- Ethics (Ethics and charter document of Ethics L'Oréal)
- Business R & D (research centers)
- Innovation to reduce carbon footprint
- Relations with stakeholders (Consulting and Training)
- Health and Safety
- Diversity
- Social dialogue
- Emphasis on Human Capital

Innovation and ecological approach

Themes little information

Dynamics of employment and workforce (age, sex, no indicator on the variation in the number and redundancy)

Remuneration

Restructuring (information on the organization of production, and outsourcing)

Work, organization and content

6- Case studies - The *Capitals* according to ICS, SR and IR

Intellectual Capital Statement	Sustainability Report	Integrated Report
<ul style="list-style-type: none">• Human Capital• Relational Capital• Structural Capital	<ul style="list-style-type: none">• Social KPI• Ecological KPI• Economic KPI	<ul style="list-style-type: none">• Human Capital• Social and Relationship Capital• Natural Capital• Manufactured Capital• Financial Capital

6- Case studies „Intellectual Capital Report“ within Management Commentary (1): Kali + Salz

Separate chapter about “Important Non-Financial Matters” and “R&D”

Strategy for dealing with sustainability matters (1 page)

R&D (4 pages):

- Goals and main focuses of R&D Activities
- Use of external R&E Know-How (e.g. cooperations)
- Research personnel and research costs and development-related capital expenditure,
- Research and development projects and results including brand portfolio and patents

Human Capital (5 pages):

- personnel policy and management
- Employees (expenses, age structure)
- training figures,
- personnel development and
- work safety

Source: K+S: Financial Report 2012, pp. 72ff.

6. Case studies „Intellectual Capital Report“ within Management Commentary (2): Volkswagen

Separate chapter about “Value-enhancing Factors – Responsibility and sustainability along the entire value chain” (34 pages)

- Corporate Social Responsibility und Sustainability (3 pages)
- Research and development (5 pages)
- Procurement (4 pages)
- Production (4 pages)
- Sales and Marketing (3 pages)
- Employees (7 pages)
- Information Technology (0,5 page)
- Environmental Management in the group (7,5 pages)

Source: Volkswagen: Annual Report 2012, pp. 192ff.

6- Case study „Sustainability Report“: BMW

BMW Group complies among others with the ten principles of the UN Global Compact and GRI Index

Structure:

- Sustainable Management (19 pages)
- Product Responsibility (21 pages)
- Group-wide Environmental Protection (18 pages)
- Supply Chain Management (8 pages)
- Employees (24 pages)
- Corporate Citizenship (before: Society) (15 Pages)

Assurance Report (2 pages), GRI Index (3 pages) and UN Global Compact (2 pages)

Source: BMW: Sustainable Value Report 2012

(http://www.bmwgroup.com/bmwgroup_prod/e/0_0_www_bmwgroup_com/verantwortung/svr_2012/index.html)

6- Case studies „Integrated Report“: SAP

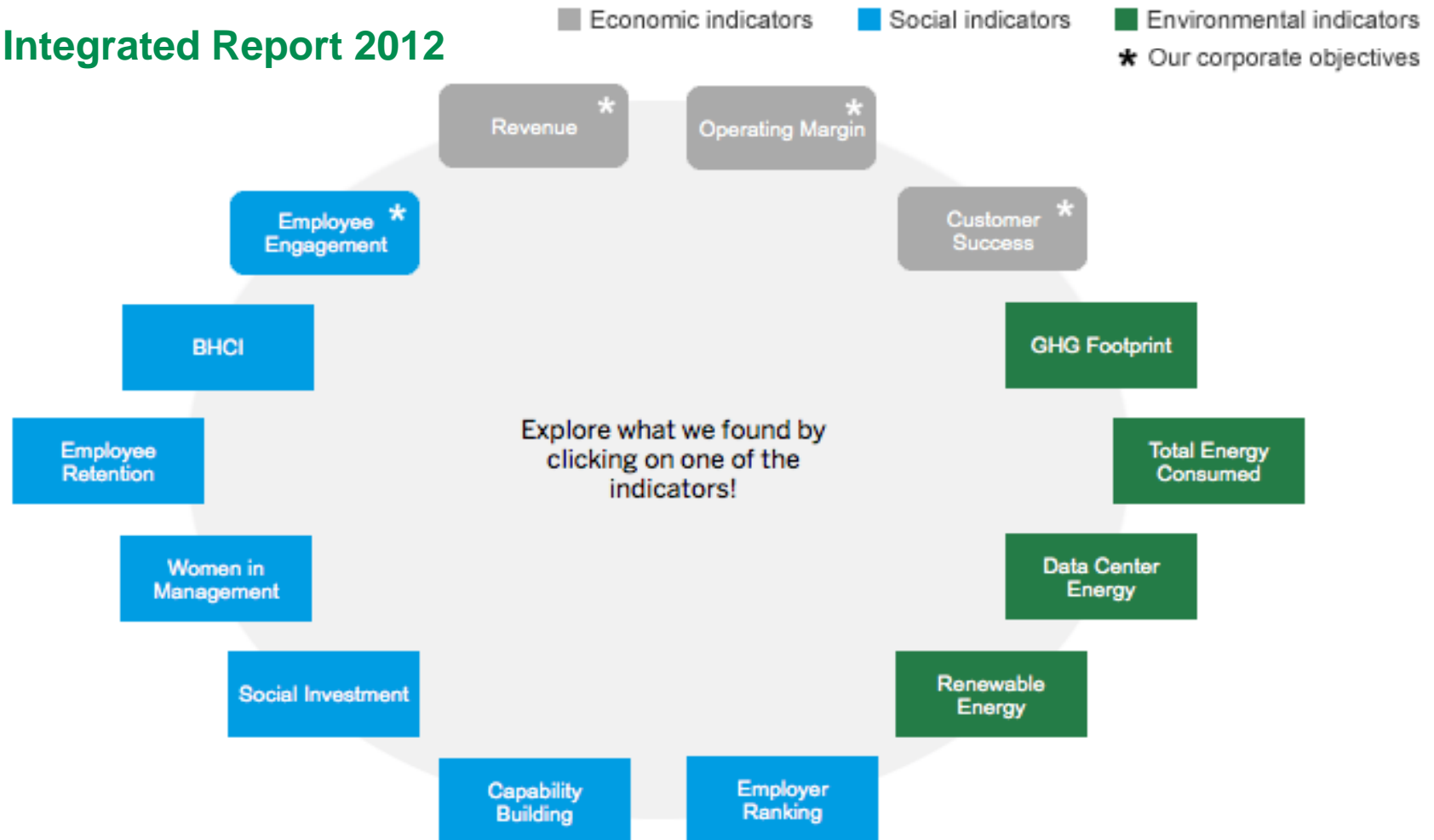
SAP Integrated Report 2012

- The IR contains a comprehensive and integrated presentation of the performance 2012 based on financial and non-financial measures.
- The Annual Report 2012 comprising information required by accounting and disclosure standards is published separately.
- The management report is complying to German Commercial Code as well as to IFRS Practice Statement Management Commentary.
- The social and environmental information included in the IR is prepared in accordance with the guidelines of the Global Reporting Initiative (GRI)

Source: www.sapintegratedreport.com

6. Case studies „Integrated Report“: SAP

SAP Integrated Report 2012



Source: www.sapintegratedreport.com

BHCI: Business Health Culture Index
GHG: Greenhouse Gas Footprint

7- Clustering of Capitals?

ICS

Summary of analysed companies

IR

*Structural
Capital*

- Financial ratios
- Supply chain, Products and R&D
- Sustainability: Emission and waste as well as Energy
- Employees as well as Health and Safety
- Production & Marketing
- Corporate Social Responsibility

*Human
Capital*

*Relational
Capital*

*Financial
Capital*

*Manufactured
Capital*

Natural Capital

*Human
Capital*

*Social and
Relational
Capital*

8- Next steps

By the end of July

- each participating member has produced an exemplary case study

These cases outcomes form the basis for the final framework to be used in the forthcoming activities

By the end of the year

- existence of at least 10 case studies (aim: each member contributes four case studies)

9- Dissemination

Aim is to disseminate the project s findings among practitioners and academics

– Outcomes :

- Publication of a book
- Production of academic papers
- Production of a guideline for listed companies and stakeholders
- Production of a position paper to be disseminated at EU level, World bank etc.

– Promotion of project

- Through the partners media etc. e.g. website, newsletters
- NCP media
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Thank you very much for your
attention!

We welcome ideas, comments etc.
regarding the project and its
development