# The value evolution

## Addressing larger implications of an intellectual capital and intangibles perspective

Verna Allee
*Integral Peformance Group, Walnut Creek, CA, USA*

***Keywords*** *Intellectual capital, Intangibles, Value, Social capital, Sustainability, Business models*

***Abstract*** *Intellectual capital (IC) and intangibles offer a possible pathway for reconciling our business and economic models in an environment of global interdependencies, environmental concern and larger social responsibility. However, the most common intellectual capital frameworks still operate within a traditional view of the enterprise that limits the type of business and economic analysis that might be. Realizing the larger impact of the IC and intangibles perspective requires expanding potential value domains to include: business relationships; human competence; internal structures; social citizenship; environmental health and corporate identity. An expanded view of value allows us to begin redefining value to understand knowledge and intangible benefits as currency in their own right and attend to more types of value exchange. At the macro-economic level this new thinking allows us to more fully appreciate intangible assets such as the social fabric of a country, healthy ecosystems, and previously unseen social and economic contributions.*

The focus on intellectual capital and intangible assets that has emerged in the last few years is opening up a series of questions and explorations that have profound implications for heads of companies, those seeking to understand new business models, shapers of national policies, accounting professionals and economists. People around the world are engaged in a massive struggle to reframe business and economics in an environment of global interdependency, environmental concerns and larger responsibility. Intellectual capital (IC) and intangibles offer a possible pathway for reconciling business and economic models with a growing understanding of the web of life and consideration of how economic activity impacts and is influenced by the potential health and wellbeing of society and the environment.

However, much of the current intellectual capital conversation is confined within frameworks and questions that are still very much a part of industrial age thinking. Some of this is necessary to build the bridges of understanding that help people shift into new perspectives. However, in the interest of building bridges we sometimes lose sight of what is really new and exciting. Michael Boisot (1995) reminds us that, whenever any radical alternative to the existing symbolic order emerges, one of the ways the existing social system will try to neutralize it is by making a special effort to incorporate it into existing schemes. When we frame the IC conversation solely in terms of ROI or monetary valuation of assets alone, we are not inviting people into new views but colluding with them to simply stretch old thinking just a little bit farther.

Journal of Intellectual Capital,
Vol. 1 No. 1, 2000, pp. 17-32.

Rather than opening up new possibilities, much of the conversation around intellectual capital and intangibles serves to reinforce existing thinking and mindsets rather than challenge them or offer viable alternatives.

Holding the tension of genuinely new thinking in the face of large sectors of the economy that are entrenched around old models is not for the faint of heart. It requires constant vigilance and courage to continually question the underlying assumptions, notice the potential pitfalls and limitations in our frameworks, and explore the deeper consequences of the concepts and tools we are developing. There are many ways the paradoxes and tensions of these new ideas play out in the way we work with intellectual capital and intangibles. Some of the most critical areas will be addressed here, but there are many more that will continue to challenge us.

## What is included and excluded in discussion of intangibles?

Think of the work around intangibles and IC as a global conversation, which indeed it is. What is telling about every conversation is what is included as acceptable topics of inquiry or discussion and what is excluded. The boundaries of the conversation frequently delineate the boundaries of the thinking that is going on and reveal underlying assumptions about what is relevant and important and what is not. The IC conversation is no exception.

In the conversation around intellectual capital we sometimes ignore the fact that we are not the only ones struggling to make the formerly unseen and unappreciated both more visible and more valued. Those who are focusing on intellectual capital seem strangely oblivious to the work that has been going on for years around corporate social responsibility and environmental sustainability. For example, seldom is the emergence of Triple Bottom Line accounting addressed as relevant to the IC conversation, even though social responsibility and environmental success clearly are important arenas of "intangibles" that have business and economic impact. In all fairness, this cuts both ways. You seldom hear those addressing social and environmental business success indicators describing the breakthrough work that has been going on around IC and intangibles.

This disconnect between the two fields is both troublesome and unnecessary. Upon a closer look at the IC categories most commonly addressed we find: people; processes and structure; and the customer; loosely defined in the following ways (Allee, 1998):

- Customer or external capital: alliances and relationships with customers, strategic partners, suppliers, investors and the communities. Includes brand recognition and goodwill.
- Human capital: individual capabilities, knowledge, skills, experience and problem-solving abilities that reside in people in an organization.
- Structural capital: systems and work processes that leverage competitiveness, including IT, communication technologies, images,

concepts and models of how the business operates, databases, documents, patents, copyrights and other "codified" knowledge.

Despite a new emphasis about the value of these intangible assets and the importance of managing them more deliberately, these three areas actually comprise a very traditional view of enterprise. Although the external relationship category is steadily advancing beyond customers to include suppliers, partners and other business stakeholders, it is usually still limited to those who have *direct financial transactions* with a company. The role an enterprise plays in the larger economic, social and environmental systems seems to be largely overlooked in discussions of intangibles and IC. Also ignored are the economic and business consequences of the corporate role in important areas of non-monetary value. Yet without such a larger perspective it is difficult to communicate what is really new or different here. As a result, there is a general perception among business people that IC efforts are about attempting to affix monetary valuations to those things we know are important for business success. This is a very limited view of the type of economic analysis that intangibles makes possible.

In order to realize this larger potential, several important shifts would need to take place. First of all, as long as our conversation remains within the traditional boundaries of the enterprise we will not tap the full potential of the intangibles viewpoint. We must begin to evolve our frameworks to an expanded view of potential value domains. Second, we must begin to redefine "value" at the enterprise level and wealth at the macro-economic level. Third, we must move from the control mindset of process thinking to the more organic worldview that comes with true systems thinking.

## Expanding the frame

Our understanding of intangibles has taken a dramatic step forward since the mid-1980s when Karl-Erik Sveiby introduced the concept of intangible assets to managers in Northern Europe and Scandinavia (Sveiby and Risling, 1986). Since Tom Stewart's *Fortune* article in 1994 and his popular book of 1997 (Stewart, 1997), a number of new accounting approaches have been proposed to explain, measure and manage these hidden assets. Among these are the intellectual capital methods of Karl-Erik Sveiby (1997) and Leif Edvinsson (Edvinsson and Malone, 1997), while in the USA we have seen the balanced scorecard approach of Norton and Kaplan (Kaplan and Norton, 1996). There are also a number of other experiments such as Kanavsky and Housel's system for calculating knowledge value added (Housel and Kanavsky, 1995), as well as considerable progress in calculating economic value added or EVA. Other important contributors to this emerging field of thought are Johan and Göran Roos (Roos *et al.*, 1998), Annie Brooking (Brooking, 1996), Pat Sullivan (Sullivan, 1998), as well as practitioners Gordon Petrash, formerly with Dow Chemical and now with PricewaterhouseCoopers and Hubert Saint-Onge of Clarica (formerly The Mutual Group). Another influential thinker is Baruch Lev

(1997) who is leading the Brookings Institution task force in intangibles headed by Steve Wallman, former Commissioner of the American SEC. Many accounting standards bodies in the USA and Canada are addressing intangibles (CMA, 2000). Elsewhere we see the OECD in Europe as well as countries such as Denmark, Sweden and Israel exploring ways to address intangibles at the macro-economic level.

All of these approaches have expanded our thinking about value creation and organizational performance metrics in very important ways. They have emerged in response to a felt need to see, measure and understand more of a company's (or country's) dynamics than can be experienced through financial measures alone. However, they are still largely focused on an old idea of enterprise and commerce with traditional boundaries about what is "inside" and what is "outside". This can readily be seen by seeing how people usually define the important domains of intangibles as noted above.

The usual IC categories and measures are rooted in traditional thinking about the enterprise as a relatively closed system except for very specific supplier inputs and outputs where there is direct revenue exchange with the customer. The intangible asset model as *practiced* begins to expand this view, but only in a limited way. Although Sveiby is quite clear that in his view external relationships include business partners and even community and society, in practice almost all the measures people actually use in this category are narrowly focused on the customer.

A truly dynamic, whole system view of the enterprise extends far beyond these traditional boundaries of the company. When we look outside the intellectual capital field we find a definite progression toward thinking about the enterprise from a more sociological and ecological perspective. For example, we are beginning to appreciate that companies actually comprise multiple overlapping "communities of practice". A community of practice, as defined by John Seely Brown, vice president of Xerox, comprises peers in the execution of real work. What holds them together is a common sense of purpose and a real need to know what each other knows. Top practice companies in knowledge management have evolved from a narrow view of knowledge as documents and artifacts to knowledge as a dynamic living social phenomenon. Companies such as British Petroleum, Johnson & Johnson, Buckman Laboratories, General Motors, Pillsbury, The World Bank, Hewlett-Packard, the large consulting groups, Xerox, and Chevron are all achieving outstanding business results by focusing on these internal communities. Much understanding and insight around knowledge communities is emerging from research by Peter Henschel and Susan Stucky of The Institute for Research on Learning and the work of Etienne Wenger (Wenger, 1998). Some internal knowledge managers are even starting to embrace knowledge networks in their job titles. However, even here we usually see a company-bound idea of community.

Companies are also located in and interact with *external* communities, both locally and globally where they act as corporate nodes in the larger social system. Peter Drucker goes so far as to describe society in any developed country as a *society of organizations*, meaning that most if not all tasks are done in organizations, whether public or private (Drucker, 1992). This implies an interdependency between organizations and society that is largely ignored in management and business models, particularly in the USA. Social concerns do play a somewhat stronger role in Europe. Even there, however, addressing social issues has only recently evolved to being considered as vital to corporate success and not as "interference" with the business agenda.

Enterprises and organizations are not only the fabric of larger society, they are in turn dependent on that larger social system for employees as well as direct customers and a larger consumer community. An example of this interdependency is a recent concern expressed by Silicon Valley companies that the poor quality of the school system is beginning to severely impact their businesses. Not only can they not get the qualified knowledge workers they need, people are leaving the valley because they do not want to raise their children there. Such dilemmas underscore that we cannot continue to view the larger social system as disconnected from everyday business concerns.

At an even higher macro level, we have traditionally viewed environmental concerns as basically unrelated to our business models, other than in regard to relationships with regulatory bodies. This is also an unrealistic blind spot in our business model. How can a pharmaceutical company not be concerned with biodiversity? How can any business thrive if the quality of life is so poor that most of the world's population is struggling for their daily food? We are beginning to be much more aware of the precarious perch we are creating for ourselves in the larger ecosystem and the trend toward "green" business practices will undoubtedly continue as companies find that "green" equates to more positive regard for their brand.

## Examples of an expanding view

There are strong indicators of this trend toward expanding the domains of value that are considered relevant to business. Already many companies are demonstrating that it is possible to be successful while embracing management practices that are grounded in social responsibility and sustainable environmental practices. People often hold up examples such as The Body Shop or Ben and Jerry's when addressing sustainable business. However, there is something much larger that is beginning to emerge in mainstream companies.

One of the most telling examples is the recent shift of focus for Shell. For the last two years the annual Shell Report for Royal Dutch/Shell Group has emphasized their efforts to support the "triple bottom line". Shell defines this as "integrating the economic, social and environmental aspects of everything we do and balancing short-term wants with long-term needs". It means finding "a way that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Shell, 1999a).

The company's 1999 report, entitled *People, Plant and Profits: An Act of Commitment*, introduces a sustainable development management framework that would be implemented at the group level and in key areas of the business in 1999 (Shell, 1999b). They are developing a set of key performance indicators and are using KPMG and PricewaterhouseCoopers to verify the data. Shell is committed to making the transition to reporting according to the three defined components of sustainable development, even though they anticipate several years of development in order to do this successfully.

Although it is still very early in their effort, some of the indicators that they are beginning to focus can be seen in Table I.

Another indication of the importance of these issues can be found in assessment tools such as the Deloitte & Touche Corporate Environmental Report Score Card (Deloitte & Touche, 1997). This benchmarking tool is based on international reporting standards published by the United Nations Environment Programme, with other input from Scandinavian corporations and the Canadian Institute of Chartered Accountants.

In the light of these emerging issues it only makes sense to bring both society and the earth into the intangible value picture. Without addressing these concerns, we are in danger of creating yet one more view of enterprise and economic activity that is disconnected from the web of life.

If we embrace this larger perspective then the emerging business model of value creation would include both social and environmental concerns and the other categories of human competence, internal structure and business relationships. With this shift the usual customer capital category becomes more focused on business relationships not only of customers, but also of suppliers and strategic alliances. Social citizenship would refer to the quality and value of relationships enjoyed with larger society as a contributing member of local, regional and global communities. Attending to environmental health would mean finding ways to calculate the true costs of resources consumed by an organization and determining equitable exchange or renewal of expendable

| Health, safety and environment | Social responsibility |
|---|---|
| Variety of emissions targets and goals | Diversity and equal opportunity (i.e. percent of women in senior executive positions) |
| Planted areas in forestry and toxic absorption rates | Spread of grievance procedures |
| Screening of suppliers for compliance with HSE standards | Working hours and wages by country distribution |
| Safety and accident measures | Compliance with business principles (including zero bribes policy) |
| | Business impact of security incidents |
| | Compliance with legal employment age and ban on child labor |
| | Communications and publications |

**Table I.**
Indicators from Shell Oil Annual Report 1999, *People, Plant and Profits*

resources through contributions to the health and sustainability of the environment.

This larger perspective, at first glance, would appear overwhelming to address in most companies. It would mean analyzing tangible and intangible value exchanges, including knowledge exchanges across all the domains of value. Yet, I am finding that people respond positively to this framework at a fundamental human level. It is not so much a question of whether or not these things are important – clearly they are. The real question is *how* will we address them. Can we bring coherence and integrity to our business models in the light of the higher values that we hold dear? Can we expand our intangible value models to integrate the good work that has gone on in view of social responsibility and sustainable enterprise fields for decades?

Let us first consider what domains a whole systems view of value might include as delineated in Figure 1 (Allee, 1999). Notice that I have identified the content of the various value domains without using the term "capital". As we progress in our thinking about intangibles we may find the word "capital" more and more due to the traditional ways we think about capital as something to be accumulated, controlled and stored. While intangibles are definitely assets that contribute to our business and economic success at both the company and country level, they are very different in their nature from capital assets:

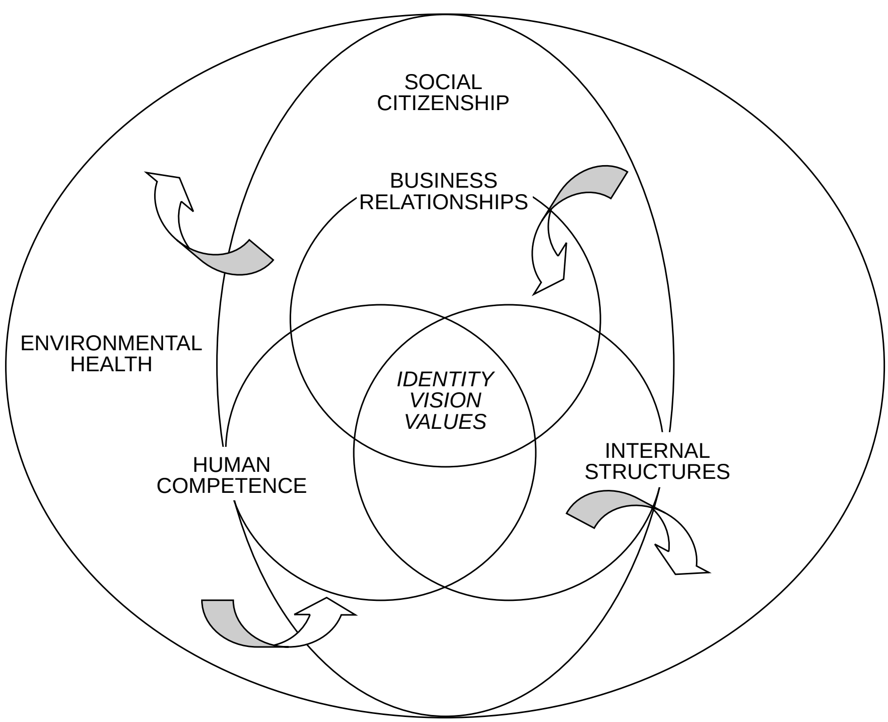


**Figure 1.**
An expanded view of enterprise value domains. (Arrows represent dynamic value exchanges that are multi-directional and extended across all domains)

- *Business relationships*: alliances and business relationships with customers, strategic partners, suppliers, investors, regulatory bodies and government groups.
- *Internal structures*: systems and work processes that leverage competitiveness, including IT, communication technologies, systems and software, databases, documents, images, concepts and models of how the business operates, patents, copyrights and other codified knowledge.
- *Human competence*: individual capabilities, knowledge, skills, experience and problem-solving abilities that reside in people.
- *Social citizenship*: the quality and value of relationships enjoyed with larger society through the exercise of corporate citizenship as a member of local, regional and global communities. (Note that social citizenship in this context has long been referred to as social capital in social sciences literature. However, the term social capital is also starting to be picked up in the management field where it is used almost synonymously with definitions of corporate culture, identity or values, which I have included as a separate category below. It will be interesting to see how the usage of the term social capital plays out over the next couple of years.)
- *Environmental health*: the value of one's relationship with the earth and its resources as understood through calculation of the true costs of resources consumed by an enterprise or economy and determination of equitable exchange or contribution to the health and sustainability of the environment.
- *Corporate identity*: the value of one's vision, purpose, values, ethical stance and leadership as it contributes to brand equity and economic success in business and employee relationships. This category of value has been most fully appreciated by some of the early practitioners such as Hubert Saint-Onge. To work this arena of value more deliberately as well as from a measurement perspective, Hubert turned to the work of Brian Hall of Values Technology (Hall, 1995) to work with the values alignment and culture at the Mutual Group (now Clarica).

Based on the work of the influential practitioners noted above and work in other fields, I have pulled together a few samples of measures that would be relevant in each of these domains. This is not a definitive list and the actual emphasis in each of these value domains would be dependent upon corporate strategy. This is meant only as a broad brush stroke guideline as to what people might address (Table II).

## Redefining value

This expanded view of intellectual capital offers the possibility of actually redefining value and wealth both at the business level and at the macro-economic level. As long as we define value only in monetary terms we have not evolved

**Table II.** Possible measures for expanded domains of value

| Measures | External relationships | Human competence | Internal structure | Social citizenship (external) | Corporate identity | Environmental health |
|---|---|---|---|---|---|---|
| Growth asset development | Percent of satisfaction<br>Percent of revenue from targeted industries or countries<br>Percent of image enhancing customers<br>Growth alliances | Percent with higher education<br>Years' experience<br>Percent of "growth" projects<br>Succession ratio | Ratio employee access to technology and data<br>Speed of employee customer/supplier orientation<br>Contributions to knowledge base | Growth customer base<br>Quality/number emp applicants<br>Number of innovation channels | Succession planning<br>Leadership training<br>Values alignment | Percent of waste products<br>Regulatory compliance<br>Percent renewal of used resources<br>Local quality of life where operating |
| Efficiency of value conversion | Ratio contacts to contracts<br>Points of sale<br>Sales per customer<br>Percent of customer orders | Value added per expert employee<br>Ratio non-revenue generating people<br>ROI from improvement ideas | Ratio revenue to admin support<br>Contracts per employee<br>Process cycle times<br>Product/service development costs | Increase positive brand recognition<br>Ratio job offers to acceptance<br>Market penetration | Speed of decision making<br>Successful hires<br>Brand recognition<br>Number of job applicants | Desirability as place to work/live<br>Increase "green" brand recognition<br>Increase resource availability |
| Utilization | Frequency of customer contact<br>Percent of repeat customers | Knowledge reuse<br>Diffusion of best practices<br>Competency utilization (profiling)<br>Employee satisfaction | Utilization rate of:<br>Admin support<br>Hardware<br>Software licenses<br>Databases<br>Physical assets | Ratio local hires<br>Percent of community involvement<br>Match sales to demographics | Levels of conformance to values<br>Retention of valued employees | Resource efficiencies<br>Percent of zero waste projects<br>Number of breadth or depth environmental practices |

*(Continued)*

Table II.

| Measures | External relationships | Human competence | Internal structure | Social citizenship (external) | Corporate identity | Environmental health |
|---|---|---|---|---|---|---|
| Stability | Frequency of customer contact<br>Turnover/loyalty<br>Distribution of sales | Percent by age group<br>Turnover<br>Percent of novice to expert<br>Percent of contingent workers<br>Employee satisfaction | Codification of knowledge/processes<br>Growth intellectual property<br>Admin staff turnover | Diffusion of ethics and values<br>Consistency of involvement | Consistency of behaviors<br>Consistency of value alignment over time<br>Level of employee awareness | Quality of environment both local and global<br>Conformance to values and standards |
| Renewal | Customer demographic change<br>Ratio large to small | Percent of diversity/women<br>Time in training<br>Percent of budget learning together | Percent compatible systems<br>Speed of change<br>Percent of structure enhancing projects | Percent of image enhancing projects | Frequency of revisiting values by leadership<br>Employee involvement | Growth of non-renewable needed resources |

beyond the hard asset and capital formation thinking of the industrial age. Beneath the question of intellectual capital is a much larger question of "How is value really created?" If we take this question as far as it can go, we begin to see the underlying social fabric of networks of relationships, a robust and vital human society engaging in exchanges of all variety and the foundational web of life and healthy ecosystems that we all depend upon. These underlying factors are the roots of success, wealth and sustainable economies.

When I first studied economics years ago the assumptions made no sense to me. How could a robust economic model be based only on the limited activities of humans as they engage in monetary transactions? It seemed to me then, as it does now, that you cannot define economic success in ways that are disconnected from the whole of human activities, including those of indigenous people or those engaged in subsistence agriculture – all of whom are assumed to add no economic value or "worth" to society. Nor does it make sense to me to think of the real value of the earth and its resources only in terms of board feet of lumber, agricultural acreage or mineral extraction. Surely a healthy ecosystem is of far greater "value" than that which can be calculated in terms of monetary exchange.

We who are concerned with value creation at the level of business and enterprise need to be much more aware of efforts to redefine value, not only in the world of business but also at the macro-economic level. Growing numbers of people are increasingly uncomfortable with the logical disconnects between our business and economic models and what we feel is most important or what most truly defines wealth and success. This frustration plays out in corporations as investments in people such as training or job enrichment are shortchanged by decisions based on quarterly financial profits where such activities are not viewed as investments but as expenses. At the macro-economic level, people such as economist Hazel Hendersen (Hendersen, 1996) have made powerful arguments that national accounts must begin to factor-in the real economic contributions of the unpaid labor of women, calculate the true environmental costs of business, and include indicators of quality of life, society and the environment.

This discounting of the truly unseen wealth of entire countries and economies was driven home to me on a recent visit to India, a country that is considered "poor" by modern economic accounting methods. What struck me as I traveled from city to city was not the number of people that fell through the cracks in that society (as they do in any society) but the hundreds of millions of people that did not. As I talked with people it became apparent that their first "economic" concern was for their web of family and social relationships. Repeatedly I was asked about my family as people assessed how well I am "supported" in my life. It also became clear that many people I talked with view the USA as a "poor" country in terms of family and social fabric. As my perspective started to shift to see the world through this lens, I began to see the tremendous wealth of India in its deeply interwoven social fabric that has genuine economic impact and contributes greatly to the quality of human life.

Yet, in no national accounting standards is social fabric directly explored as a form of wealth.

Genuinely new ways of thinking about value also do not surface in the way we discuss intangible assets in terms of corporations. When every indicator of success regarding intangibles is driven to a financial measure we close the door to other ways of thinking about wealth and value. Over almost two decades of supporting performance improvement initiatives in organizations I have repeatedly seen people trying to jump through the very narrow hoop of financial impact or ROI in order to justify doing the right thing. The intangibles perspective offers real hope of surfacing intangible domains of value as wealth and assets in their own right without having to go to such logical contortions. Unfortunately, many people are trying to work the intangibles themes using the same old business logic and are missing the larger value opportunities in the process. Our definitions of both wealth and value default automatically to financial measures, assuring that we remain locked in the same ways of thinking first defined in the capital intensive industrial age.

Redefining value in accordance with the intangibles perspective allows us to think of value more broadly as *a tangible or intangible good or service, knowledge, or benefit that is desirable or useful to its recipients so that they are willing to return a fair price or exchange*. Each of these three types of value also acts as currency in its own right. In other words we may exchange knowledge directly for knowledge. We might also exchange knowledge for tangible goods, services or money. We could also exchange knowledge for an intangible value or asset such as customer loyalty, a strategy Sun Microsystems employed by giving away its Java programming language in order to build a loyal web of users for Java technology. In the new economy value and currency both begin to take on many different forms and guises.

## From small value to big value: evolving to true systems thinking

I think of ROI and our financial measures as the "little value" that can be gained from understanding intangibles. Such measures feed the important but limited financial view of the enterprise, but do little to help people see the larger value system in operation. Financial measures are lagging indicators and their limited scope is comparable to a process view of organizational systems. If you are concentrating on a process you cannot see the whole system. By the same token, if you are concentrating on ROI and financial measures alone then you cannot see the whole system of value creation. This does not mean they are not important; clearly they are and will continue to be. There is also much to be gained from using ROI and financial measures as a way to build a case for paying closer attention to intangibles. However, they are not the ultimate goal, the bigger payoff that can be realized. There are other ways to tell the story of value.

Look closely at the models and processes that people put forward around working intangibles and intellectual capital. How many focus only on monetary value and how many actually do expand the definition of value to include more types of currencies and exchanges? How many of these are actually based on mechanistic models and "value chain" thinking that are merely an extension of the industrial age production line? Which of these are addressing dynamic exchanges, or the deep linkages between corporate identity and the systems that evolve to support that identity and purpose?

The big value return for the intangible focus is in beginning to view value not as a mechanistic process but as a whole multi-faceted, more organic system. This means shifting our view from the value chain to the more dynamic world of the value network. It means developing analytical tools and lenses that help us attend to previously unseen and unappreciated activities and interdependencies in complex systems. There is now literally an explosion of interest in trying to understand the world of value networks, economic clusters, value webs and knowledge networks, although new tools and approaches are still very much in development. We can anticipate that such analysis will be critical to our understanding of intangibles and intellectual capital much in the way that quality tools and process analysis are foundational for managing high quality business processes.

## The company or country of one

In a more organic, living systems view of the world of value we begin to appreciate that each person, each company and each country are unique. Every enterprise or organization is involved in dynamic value exchange with the world around it. When we think in terms of unique value exchanges and contributions terms such as "for profit" and "not for profit" we begin to crumble under the weight of our old limited views of value. Every person, every organization, every country and every society are engaged in creating, exchanging, contributing or gaining some type of value in every act they undertake. Creating and exchanging value is as necessary to our individual and collective survival as oxygen exchange for our physical body. As a whole system value creation and exchange it is much more complex and mysterious than the intellectual capital perspective often appreciates.

This does not mean it is impossible for us to understand value creation, but we will understand it far differently than we have in the past. The intangibles perspective is a very hopeful one. It offers the possibility that we can appreciate real diversity at last. In the marketing arena Don Peppers and Martha Rogers (Peppers and Rogers, 1999) have introduced the concept of the customer of one. They urge us to appreciate that everyone is unique, with a distinctly individual set of needs, desires, tastes and preferences. Diversity is a good thing. Systems become healthier when they become more diverse. Studies have shown that conformity actually stifles economic growth and signals the decline of empires and society.

Our financial accounting systems do not illuminate diversity but drive toward conformity. Intangibles offer us the chance to profile, analyze, understand and appreciate the difference of one company from another. This is very powerful. However, it is also frustrating to many people. Some within the

IC movement are seeking ways to normalize IC measures across companies, across industries and across countries. This is not only an enormous undertaking, it may well be that – carried too far – it is counterproductive. There may well be a few measures that lend themselves to this effort and offer much needed insight into the economic levers that might be useful to policy makers. However, measures of IC and intangibles are so linked to corporate or national identity and strategy that I suspect it will be very rare for companies even within the same industry to use the same indexes or measures. It will be even more difficult to surface the true hidden wealth within a society or country in ways that translate in other country indicators. In our dynamic environment we find identity, purpose and strategy continuously evolving, along with the measures that support them.

Why not begin thinking in terms of the company and country of one? The real power of intangibles lies not in the commonalties they reveal, but in the differences they illuminate. The power of IC and intangibles analysis is in understanding a company's unique capability and strategy, something today's financial measures really do not offer. This is a great strength in the intangibles approach, not a weakness, and needs to be understood as such. In my work with companies around these questions the real power of this perspective emerges in conversation as leaders begin to more deeply and fully address their purpose, values and uniqueness. They begin to see the intangibles perspective as a way to more fully understand how their strategy "experiments" are working and how they may more purposefully see and appreciate the dynamics of value creation that will sustain them in the new economy.

## Conclusion

IC and intangibles offer a possible pathway for reconciling our business and economic models in an environment of global interdependencies, environmental concern and social responsibility. However, the most common intellectual capital frameworks still operate within a traditional view of the enterprise that limits the type of business and economic analysis that might be possible with an expanded view of value. Realizing the larger impact of the IC and intangibles perspective requires expanding potential value domains to include:

- business relationships;
- human competence;
- internal structures;
- social citizenship;
- environmental health; and
- corporate identity.

An expanded view of value allows us to begin redefining value at the enterprise level and reconfiguring our ideas of wealth at the macro-economic level.

Redefining value allows us to understand knowledge and intangible benefits as currencies in their own right, so we can be more deliberate about all types of value exchange. At the macro-economic level this new thinking allows us to more fully appreciate intangible assets such as the social fabric of a country and the real value of healthy ecosystems, as well as beginning to appreciate indigenous people and subsistence agriculture as being of genuine economic importance.

This larger, more organic view of value requires that we evolve our approaches into true systems thinking. Our analytical approaches must use new tools and frameworks that help us better understand interdependencies, dynamic exchanges, feedback and complexities in our constantly changing business environment. Systems thinking in regard to value will allow us to appreciate differences and diversities, rather than being constrained by the conformity of financial measures alone. The power of intangibles analysis suggests that we can more fully understand a company or country in all its uniqueness.

IC and intangibles offer these possibilities but only if we continually move forward to emphasize the strengths and differences that these perspectives offer. We must be vigilant in our thinking and continually challenge our own assumptions, be alert for the shortcomings and limitations in our models and be willing to experiment with very different ways of looking at the world.

We must also have the courage to ask if we are bringing forward the kind of ideas that will lead to greater health and wholeness for the planet and her peoples, or whether we are inadvertently colluding with an existing economic order whose fundamental logic is at odds with sustainable business practices. Being on the edge of a new world view brings enormous responsibility to those who are introducing new thinking. We are creating the future in the work we are doing. Is it the future we want?

**References**

Allee, V. (1998), "Creating value in the knowledge economy", *HR Monthly* (Australia), April, pp. 12-17.

Allee, V. (1999), "The art and practice of being a revolutionary", *Journal of Knowledge Management*, June.

Boisot, M. (1995), *Information Space: A Framework of Learning in Organizations, Institutions and Culture*, Routledge, London, p. 129.

Brooking, A. (1996), *Intellectual Capital*, International Thompson Business Press, London.

CMA (2000), see the emerging issues paper, "Measuring knowledge assets", scheduled for release in March 2000 by The Society of Management Accountants of Canada.

Deloitte and Touche Tohmatsu (1997), *Corporate Environmental Report Score Card*, Deloitte & Touche.

Drucker, P. (1992), "The new society of organizations", *Harvard Business Review*, Vol. 70 No. 5, September-October.

Edvinsson, L. and Malone, M.S. (1997), *Intellectual Capital: Realizing Your Company's True Value by Finding its Hidden Brainpower*, Harper Business, New York, NY.

Hall, B.P. (1995), *Values Shift: A Guide to Personal and Organizational Transformation*, Twin Lights Publishers, Rockport, MA.

Hendersen, H. (1996), *Building a Win-Win World: Life beyond Global Economic Warfare*, Berrett-Koehler, San Francisco, CA.

Housel, T. and Kanavsky, V. (1995), "A new methodology for business process auditing", *Planning Review*, Vol. 23 No. 3, May/June.

Kaplan, R. and Norton, D. (1996), *The Balanced Scorecard: Translating Strategy into Action*, Harvard Business School Press, Boston, MA.

Lev, B. (1997), "The old rules no longer apply", *Forbes*, April 7.

Peppers, D. and Rogers, M. (1999), *Enterprise One to One: Tools for Competing in the Interactive Age*, Doubleday, New York, NY.

Roos, R., Roos, G., Edvinsson, L. and Dragonetti, N. (1998), *Intellectual Capital*, New York University Press, New York, NY.

Shell (1999a), *The Shell Report 1999*, Royal Dutch/Shell Group of Companies, London.

Shell (1999b), *People, Plant and Profits: An Act of Commitment*, Shell Group of Companies, London.

Stewart, T. (1997), *Intellectual Capital, The New Wealth of Organizations*, Doubleday, New York, NY.

Sullivan, P.H. (1998), *Profiting from Intellectual Capital: Extracting Value from Innovation*, John Wiley & Sons, New York, NY.

Sveiby, K.-E. (1997), *The New Organizational Wealth: Managing & Measuring Knowledge-Based Assets*, Berrett-Koehler, San Francisco, CA.

Sveiby, K.-E. and Risling, A. (1986), *Kunskapsforetaget* (*the Know-How Company*), Liber, Malmö.

Wenger, E. (1998), *Communities of Practice: Learning, Meaning and Identity*, Cambridge University Press, Cambridge.