

Book Review

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The Routledge Companion to Intellectual Capital

James Guthrie, John Dumay, Federica Ricceri,
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by Paola Rossi*

The Routledge Companion to Intellectual Capital aims to offer a ‘wide-ranging overview of an important field that has seen a diverse range of research developments in recent years’ (preface). To achieve this objective, the book covers several topics related to intellectual capital (IC) in different sectors and geographical regions. Consequently, it offers a thorough understanding of theory and practice in the field and provides case studies as illustrations.

The book consists of thirty-one chapters. The first chapter contains a brief summary of each chapter and explains that the content of the book is organised in five parts, according to the five stages of IC research. The first stage of research is raising awareness; the second comprises the guidelines, standards and indices used for the management and measurement of IC, while the third stage investigates IC in practice from two main perspectives: critical and performative. The fourth stage is based on an ecosystem approach. These stages are identified through a review of the IC literature. However, the fifth stage is introduced by the authors for the first time in this book. Based on a critical analysis of the four previously identified stages of research, the fifth one broadens the idea of IC, exceeding the boundaries of traditional research in this field.

The chapters are written by pioneers of intellectual capital, top scholars and prolific authors, active IC practitioners and new researchers from universities in several countries.

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The first part (Chapters 2 and 3) discusses the fifth stage of IC research. Chapter 2 opens by studying the definition of IC in several contexts; it includes a detailed chronological examination of the four stages of IC research and presents an overview of the main works included in these stages from 1990 onwards. By analysing these previous stages, the authors identify the fifth stage. The fifth stage suggests that researchers remove the social and environmental boundaries inherent in stage four and answer a new overarching question: 'Is managing IC a worthwhile endeavour?' Meanwhile, it combines the different views on the value of IC held by diverse people in varying contexts. Chapter 3 continues this approach by focusing on accounting for people. The authors first describe the development of accounting for people to date, concentrating on a critical exploration of human capital accounting. Second, they detail three new important issues that researchers should investigate in the future: health and wellbeing as human capital, the social accounting interface and accounting by people.

The second part (Chapters 4-7) presents the major topics related to the fourth stage of research. Chapter 4 identifies seven steps to address IC and intangible asset navigation at a national level, highlighting the strengths of IC visibility, understanding and flow as well as the networking of brain capacity and the velocity of the transformation of intangible human capital into more sustainable drivers of structural capital. The authors also describe and discuss this model that covers the four main traditional components of national IC: human capital, relational capital, structural organisational capital, renewal and innovation capital. Similarly, Chapter 5 relates to the function and components of IC in regional economies and provides a good description of the framework used to identify, classify and measure territorial IC. Chapter 6 continues in this vein by discussing the usefulness of IC in the public sector, using content analyses of annual reports of a sample set of organisations. It concludes that the extant studies on this topic analyse only the IC disclosure. Chapter 7 extends the consideration of the public sector, concentrating on healthcare organisations. Exploring a literature review and several examples, the author identifies several gaps, e.g. the study of the interaction between IC, knowledge and innovation, and criticises the lack of methods for and approaches to using IC for management and strategy effectively.

The third part (Chapters 8-24) elaborates on fundamental issues relating to the third stage of IC research in great detail. First, this section describes the key issues behind IC in practice from a management perspective (Chapters 8-15). Second, various frameworks are discussed (Chapters 16-24). The authors delineate the application of IC in private, public and non-profit organisations. Furthermore, they analyse the link between innovation and IC, centring on narrative aspects.

Regarding the private sector, Chapters 8 and 9 examine the application of IC ideas in the financial sector, while Chapters 11 and 15 investigate IC management in a manufacturing company and SMEs (Small and Medium Enterprises). Chapter 8 develops a new theory based on empirical research and theoretical ideas about IC-based intangibles and social factors connected to traditional finance theory. Chapter 9 considers an Australian financial institution, underlining the unintended consequences of the interactions of IC elements. With an analysis of a business unit within a large European manufacturing company, Chapter 11 proposes the use of IC as a visualisation tool to make a strategic decision under conditions of uncertainty. As the authors point out, this chapter can be useful for managers and consultants because it explains how to use the measurement of intangibles to frame the construction of their meaning and objectives for action. In the context of SMEs, Chapter 15 investigates the benefits of IC practices, exploring the association between IC and sustained competitive advantage through a comparison of 'winner' and 'loser' companies.

With an emphasis on public institutions, Chapter 10 discusses IC at a university, examining the commercialisation of the knowledge process and its effect on market value.

Addressing the non-profit sector, Chapter 14 examines the impact of IC management in Australian disability enterprises, focusing on customer performance measurement practices. The results of the study show that these practices have a direct effect on individual customer relationships and result in indirect benefits to companies' sustainability.

Chapter 12 explores interactions between innovation practice and IC through a narrative approach. The authors conclude that different types of IC have diverse associations with various categories of innovation: radical, evolutionary and incremental. A novel study is presented in Chapter 13 that investigates how investors communicate with each other via online stock message boards. The authors conclude that messages from new media containing IC information disclose investor sentiment and justify their decisions about the companies.

In discussing the second issue of IC research, the authors develop and describe voluntary and mandatory frameworks to manage, measure and disclose IC. In Chapter 16, the authors depict an integrated intellectual capital management system, incorporating management control and performance management research. Implementing this framework in several contexts, they demonstrate the interdependence among the four classes of IC elements: management ideal, content, supporting processes and evaluation. Chapter 20 continues by describing a strategy created in the global aerospace defence industry to link IC with social and environmental issues.

Chapter 17 explores the adoption of business model mapping as a framework for measuring IC elements, using a single, in-depth case study of an Italian company. The authors conclude that this framework can clarify which IC components contribute to the company's value-creation process.

Chapter 18 introduces the reader to the IC disclosure, investigating costs, benefits, restrictions, trade-offs, risks and opportunities. The author concludes that the unequal association between costs, benefits and restrictions and IC disclosure justifies the complexity of IC disclosure decisions. Chapter 19 illustrates the management and reporting instrument of the *Wissensbilanz* in Germany, discussing its strengths and weaknesses. The final three chapters of part three (Chapters 22-24) concentrate on the application of integrated reporting. Chapter 22 shows that the top thirty Swedish companies provide greater IC disclosure in their 2015 corporate annual reports than they did in 1996, the year in which these companies adopted a formal IC framework. Moreover, the authors demonstrate that the adoption of integrated reporting increases the level of IC. However, the implementation of this report is only in the beginning stages in the United States and Sweden (Chapters 23-24). Indeed, several levers and barriers to the successful implementation of IC reporting are investigated in Chapter 21. The findings of a longitudinal field study of companies demonstrate that the ambiguity of objectives/indicators and the existence of grand theories inhibit the application of IC reporting through their effect on levers and barriers. In addition, corporate social responsibility reporting can lead to the failure of an IC project, while the role of the project leaders and sponsors, such as external partners, is crucial in determining the fate of IC reporting.

Thereafter, the fourth part (Chapters 25-29) examines the second stage of IC research, i.e. guidelines. The author of Chapter 25 analyses ten key works published over the past twenty years, with a focus on the IC navigator and conjoint value hierarchy. Chapter 26 continues by describing business models; the authors argue that the business model literature is often based on tangible transactions and relationships. However, the value drivers of an organisation are found in its IC. The authors illustrate this concept through five examples of business models in which the value drivers are IC properties at different levels of the organisation. In Chapter 27, the authors describe the development and dilemmas of reporting and disclosing IC over the past two decades. They conclude that there is a mismatch between business reporting orientation and the investment community due to the lack of alignment of management commentary and business models. The authors reasonably point out that regulatory forces should create guidance on how to structure management commentary to achieve this alignment. The final

two chapters of this section investigate the impact of IC on firms' performance from two different perspectives. The authors of Chapter 28 portray a multidimensional framework with seven different categories of IC in a sample of Finnish firms with at least one hundred employees. They also investigate the associations between IC profiles and financial performance. Continuing the discussion of this issue, the authors of Chapter 29 point out that few studies have analysed the relationship between IC and firms' performance in emerging economies. Using a sample of Chinese and Russian companies, the authors examine the performance impact of the human, structural and relational components of IC. Based on the mixed results of these analyses, this chapter provides additional important insights into this field of research. For example, the authors argue that research works should not be investigated jointly, because the characteristics of individual countries can influence the outcomes if the emerging economies are grouped together. Instead, the likelihood of fundamental institutional differences among emerging economies means they should be examined individually, with a view to identifying their idiosyncratic characteristics.

Finally, the last part (Chapters 30 and 31) contributes to understanding the first stage. Chapter 30 describes the integrated reporting (IR) framework and its development, with the authors emphasising the interaction between IC and IR and the creation of value with reference to six forms of capital: financial, manufactured, intellectual, human, social (or relationship) and natural. In Chapter 31, the author addresses the importance and relevance of IC indicators, reflecting on their possible aims and uses. The reader learns from this final chapter that measurement is a way to increase interest in IC and to reflect on how IC affects practice.

Overall, this book provides a comprehensive literature review of IC issues with its illustration of the five stages of IC research that have dominated the discourse for the past twenty years. Reading this book, researchers can develop new ideas and thoughts, particularly regarding the fourth and fifth stages of research. With its many references, this would also be a good resource for students with an interest in the theory and practice of IC.

By analysing the international frameworks and guidelines detailed in the third part of the book, the authors open the door to a comparison between mandatory, such as the *Wissensbilanz* in Germany, and voluntary frameworks and their application by companies. From a policy point of view, this analysis could lead to the revision of existing regulatory frameworks. In light of this potential for revision, it is important to underline that, in 2014, the European Parliament issued Directive 2014/95 on non-financial and diversity information (NFI Directive) with the aim of harmonising the non-financial reporting (NFR) practices of all European Member States. This

book could help researchers generate novel research questions, specifically concerning the effects of the implementation of the NFI Directive on IC research in several industries and institutional settings.

Practical concerns are also emphasised in the book, with seventeen chapters devoted to the third stage of research: IC in practice. Managers can glean much from the chapters that examine the management and measurement of IC in financial services, universities, non-profit organisations, manufacturing companies and SMEs. The authors proffer alternative frameworks to use in different contexts and sectors. Furthermore, the international approach of this book allows the reader to take a global view in understanding and analysing current issues in IC.