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## Editorial

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**Keywords:** IC-rating; IC-statement; InCapedia; InCaS; intangible assets; intangibles; systems dynamics, Wissensbilanz, XBRL.

**Biographical notes:** Leif Edvinsson is one of the world's leading experts on Intellectual Capital (IC). As former vice president and the world's first corporate director of IC (at Skandia Financial Services, Sweden) he has been a key contributor to the theory of IC and oversaw the creation of the world's first public corporate IC Annual Report in 1994. During this period he also created one of the world's first laboratories for IC development, called Skandia Future Center. He received awards from both the APQC, USA and Business Intelligence, UK as well as Brain of the Year from Brain Trust in UK, for his pioneering work. He has served in many European Commission pioneering projects on IC such as PRISM, RICARDIS, InCaS. Now the world's first Professor, Adj. on IC at Lund University as well as The Hong Kong Polytechnic University. Honorary Chairman of KM Forum at Henley Management College, UK.

Henrik Martin is CEO of Intellectual Capital Sweden AB (ICAB), and holds a Masters in Electrical Engineering from Massachusetts Institute of Technology. His background includes a management consulting career at McKinsey&Co, and as a Managing Director for Adera (one of Europe's largest internet consultancies) in the Nordic Countries. He joined ICAB as CEO in order to internationalise the company, and has, amongst other things, been instrumental in setting up and implementing the partnering strategy across more than 25 countries on four continents. The successful implementation of this partner strategy has propelled ICAB to the leading position amongst IC service providers. He is a trusted advisor on IC-related topics to many senior executives and managers and board members around the world. He is also a much appreciated speaker on the topic of IC and its implications for the corporations of the 21st century.

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Why measure something intangible? Very much of the value-creating in the world today is linked with intangibles. Perhaps it has always been the case that value creation starts

with an idea, an intangible step and an intangible investment, which gradually becomes more and more explicit and tangible.

Today, we see value appreciation more and more in goodwill, design, trademarks, brands, entertainment, culture, networking and relationships. The systematised Intellectual Capital (IC) approaches are also expanding more and more from private corporations to public service institutions, as well as from micro level to macro level, such as IC of regions, cities and nations.

An impressive evolution has happened to IC reporting, since my very first prototyping in the early 1990s, on how to report on the hidden value and IC measurement in the global financial service corporation Skandia. Many methods have since been developed, many of which are described in the European Commission report RICARDIS ([www.ec.europa.eu/invest-in-research/policy/capital\\_report\\_en.htm](http://www.ec.europa.eu/invest-in-research/policy/capital_report_en.htm)).

A number of regulatory initiatives, among others for guidelines, have also been introduced, for example, in Denmark, Germany, and Japan. In Austria, there is now a law, in operation since May 2006, requiring all universities to report on their IC. The professional accounting association in Europe is said to be working on some kind of standard. Another important European Commission project, called InCaS (Intellectual Capital Statement), has launched a website, as well as an InCapedia, a Wikipedia-based learning site for IC. InCaS is based on the very successful experiences on prototyping in Germany.

These new IC reporting dimensions are based on systems dynamics, showing the key drivers and their interactions to create value. It is being prototyped in Germany with initiative and support from BundesMinisterium fur Wirtschaft unt Arbeit. Those experiences are now being expanded in the InCaS project to Poland, Spain, Slovenia, France and the UK, as well as further prototyping in Japan with support from METI.

The reporting perspectives have been refined, from reporting of the stock of IC to more and more relative reporting, and IC indexing as a kind of benchmarking. One of the oldest is the IC rating which is now in use in some 25 countries (see [www.icrating.com](http://www.icrating.com)).

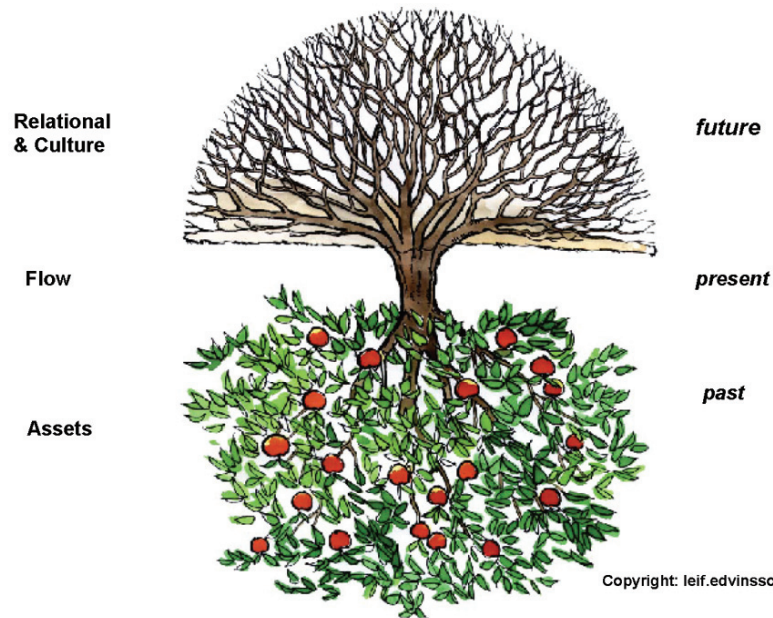
This evolution also illustrates the need for a continuous refinement of taxonomy, to make clearer distinctions between IC, IA (Intangible Assets), and IP (Intellectual Property). The property dimension is the legally protected intangible asset. The IC is the flow or process of future value creation by intangibles.

The logic still remains. It is the roots for the fruits that are essential to assess. This assessment is then more than a kind of measurement; it is an assurance, or re-assuring of being on the right track, with the right direction, and with the right speed and flow and can be illustrated by the famous upside-down tree image (Figure 1).

However, it also highlights that IC reporting is about the continuous refinement of the map of indicators as well as words for the systematised intangible value-creation process. To this can be added the emerging development of IT tools for IC reporting, such as special software, now available for free download (see [www.akwissensbilanz.org](http://www.akwissensbilanz.org)). Furthermore, the tool XBRL is also being looked into for IA reporting. To this can be added tools for the relational capital dimensions, such as SNA (Social Network Analysis). Modern IC reporting is no longer about stocks and numbers, but more about process dynamics and IC multipliers.

The power of IC is in the dynamics, based on the future perspectives of earnings and value-creating capabilities. The insights seem to be hiding in the relational capital and networking of connecting brains for collective intelligence.

Figure 1



For this special issue of the journal, we received an overwhelming response from researchers. After completion of the review process, a total of nine manuscripts are finally accommodated. Both the history and some emerging methods are described by acknowledged experts. The contributions vary from such aspects as the history of IC measurements and a review of some existing methods, to positioning IC accounting, operational accounting, information needs of stakeholders, IPO applications and evidence from Taiwan, and Spanish Territory applications.

Hopefully, these papers will greatly benefit researchers and practitioners in pursuing quality research in the future and help to resolve the emerging issues.