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## Foreword

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**Biographical notes:** Dr. Miltiadis Lytras is an Assistant Professor in the Computer Engineering and Informatics Department (CEID) of the University of Patras, Greece. His research focuses on semantic web, knowledge management and e-learning, with more than 80 publications in these areas. He has co-edited/co-edits 25 special issues in international journals (like *IEEE Transaction on Knowledge and Data Engineering*, *IEEE Internet Computing*, *IEEE Transactions on Education*, etc.) and has authored/edited 12 books. He is the Founder and an Officer of the Semantic Web and Information Systems Special Interest Group in the Association for Information Systems (<http://www.sigsemis.org>). He serves as the (Co-) Editor-in-Chief of 12 international journals, while he is also an Associate Editor or editorial board member in seven more.

Dr. Patricia Ordóñez de Pablos is a Professor in the Department of Business Administration and Accountability at the Faculty of Economics of the University of Oviedo, Spain. Her teaching and research interests focus on the areas of strategic management, knowledge management, intellectual capital measuring and reporting, organisational learning and human resources management. She is the Executive Editor of the *International Journal of Learning and Intellectual Capital*, the *International Journal of Strategic Change Management* and the *International Journal of Chinese Culture and Management*.

Dr. Se-Hwa Wu, the President of National Chengchi University (NCCU), obtained his PhD in Business Administration in 1984 from the Graduate School of Business Administration, NCCU. He was the Dean of the College of Commerce of NCCU from 1999–2005. Prior to this position, he founded and served in 1994 as the Director of the Graduate Institute of Technology and Innovation Management of NCCU. A talented researcher, he also serves as a Consultant for the Taiwanese government and a member of the board of governors of various management associations in Taiwan. In recent years, he has researched and published on the subjects of knowledge and strategic management and creativity and the national innovation system.

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The literature on intellectual capital emerged in the mid-1990s with the works of Edvinsson and Sveiby. In 1994, the first intellectual capital statement ever published in the world comes to light. Although numerous advances have taken place in the field of intellectual capital after the publication of this statement, there is still a long road ahead.

Intellectual capital constitutes the most valuable organisational resource of a company. It represents a group of intangible resources of strategic value that does not appear in the financial statements of the company, despite its contribution to the creation of organisational value. Intellectual capital is not only key for the creation of a competitive advantage, but also for its long-term maintenance.

Intellectual capital is defined as the sum of all knowledge-based factors (*i.e.*, resources, capabilities and competences) that are critical to the creation of organisational value and a long-term sustained competitive advantage. This incremental value is the result of a set of activities described within the knowledge management literature. The purpose of knowledge management is to build the intellectual capital of a firm. As such, the academic field benefits from a wide variety of perspectives, such as accounting, library science, information systems, project management and strategic management (Lytras and Ordóñez de Pablos, 2007).

The intellectual capital literature covers diverse typologies of intellectual capital that have been developed recently. Intellectual capital is formed by three subconstructs: human capital, relational capital and structural capital. Let us explore these concepts (Lytras and Ordóñez de Pablos, 2007; 2008; Ordóñez de Pablos *et al.*, 2008; Roos *et al.*, 1997).

Human capital reflects the set of knowledge, abilities, skills and experiences of the employees of a company (Becker, 1964). In other words, it encompasses the accumulated value of investments in an employee's training, competence and future. It also includes an even more intangible element: employee motivation.

Relational capital reflects the value of organisational relationships. In general, it has been accepted that these relationships were mainly focused on customers, suppliers, shareholders and administrations, among others, without including the employees and, therefore, adopting an external perspective. However, it is clear that the relationship of a company with its employees creates value and for this strategic reason, it is necessary to bear them in mind. To advance in the study of relational capital, it is convenient to differentiate between internal relational capital and external relational capital. Internal relational capital includes the value of the strategic relationships created between the

company and its employees. External relational capital represents the external perspective of relational capital and includes the social relations of the company with its key agents: customers, suppliers, shareholders and stakeholders, current and potential, regional and national administrations and the environment, among others.

Finally, structural capital represents organisational knowledge that has moved from individuals or from the relationships between individuals to be embedded in organisational structures, such as organisational culture, routines, policies or procedures. Generally, this subconstruct is divided into technological capital and organisational capital (Bontis *et al.*, 2000; Skandia, 1996). Technological capital represents industrial and technical knowledge, such as results from Research and Development (R&D) and process engineering. Organisational capital includes all the aspects that are related with the organisation of the company and its decision-making process, for example, organisational culture, organisational structure design, coordination mechanisms, organisational routines and planning and control systems, among others.

Most of the literature and empirical studies reported in scientific journals and books focus on intellectual capital measuring and reporting in European companies. However, we must not forget that Asian countries like Taiwan are conducting innovative research on intellectual capital measuring and reporting and intellectual capital and its impact on competitiveness, among other hot topics.

The special issue, titled 'Intellectual capital in Taiwan: state-of-the-art' (Guest Editors: Professor Ting-Wong Cheng and Professor Se-Hwa Wu), presents a collection of ten papers that analyses intellectual capital in Taiwanese companies. Undoubtly, this special issue will help the intellectual capital researchers and readers who are interested in getting clear insights into the state-of-the-art of intellectual capital in Taiwanese firms.

In the paper 'The effect of the disclosure of intellectual capital and accounting performance on market valuation: evidence from Taiwan's semiconductor industry', Wang and Chang develop a causal model depicting the relationship among the disclosure of intellectual capital, accounting performance and market valuation, with evidence from Taiwan's semiconductor industry. The result shows that the accounting performance, the mandatory disclosure of intellectual capital performance and the voluntary disclosure of intellectual capital have direct effects on market valuation. These factors also indirectly affect market valuation through their cause-effect interrelationship. Among the indirect relations, the mandatory disclosure of intellectual capital performance is the most fundamental factor which positively affects accounting performance and the voluntary disclosure of intellectual capital and then further affects market valuation. The result provides practice implications for financial reporting and the management of intellectual capital. In essence, the voluntary disclosure of major intellectual capital and the proper management of leading intellectual capital is valuable to market valuation in Taiwan's semiconductor industry.

In the second paper, 'Does the board reward the top manager's social capital? Evidence from Taiwan' by Young, the question of whether the board values a top manager's social capital. Using a large sample of pooled data of firms listed on the Taiwan Stock Exchange (TSE) in 2001 and 2002, the authors analyse the association between a top manager's social capital, defined as the external directorship ties held by the top manager, and his or her compensation after controlling for other potential factors that may affect the level of the manager's compensation. The empirical results show that the top manager's social capital is an important determinant of his/her pay level.

The third paper, 'The determinants of professional incompetence: an analysis of medical errors from the intellectual capital perspective' by Chen and Kuo, proposes that among all the types of medical errors reported by surgeons, the types that occurred most often were misdiagnosis and delayed diagnosis. Higher professional training is more likely to reduce the incidence of adverse surgical errors. Organisational capital, including establishing a formalised procedure of a reporting system, feedback mechanisms and the reduction of interruptions during surgery, can all reduce the number of reported surgical errors. The surgeons who frequently change their practicing organisations are less likely to accumulate hospital-specific experiences, which are needed for effective surgical teamwork and are consequently more likely to have surgical errors.

Lin and Lin, in the paper 'National intellectual capital: exploring Taiwan's standing', develop a study that proposes a set of national intellectual capital indices that can be used to rank the countries in the chosen data set, thereby clarifying Taiwan's intellectual capital standing. The key features of this study that add value to the existing literature include the fact that it is a longitudinal study spanning the period from 1994 to 2004 and covering a total of 40 countries.

Lou *et al.*, in the paper 'A case study of customer capital management in Taiwan's financial industry', analyse the case of three successful Taiwanese companies in the financial industry. They find that the development of customer capital requires knowledge management and the development of client's trust in the firms. In addition, with the proper utilisation of the company's internal and external networks and the enhancement of its human capital and IT capital, a company can increase its customer capital. Finally, companies can effectively manage and grow their customer capital through the strengthening of basic marketing abilities and sound brand management.

In the paper 'Intellectual capital reporting: the TICRC as an example' by Kuo and Wu illustrate how the reporting of intellectual capital is formatted by an intellectual capital research institute in Taiwan. The case study provides a basis for developing and managing organisational strategy and introduces a framework for constructing intellectual capital reporting by the Balanced Scorecard (BSC), as well as traces the development of intellectual capital for identifying changes in intellectual capital reports over time.

Wu *et al.*, in their paper 'A cross-industry comparison of intellectual capital in Taiwan', state that Taiwanese companies need to manage their strategic resources and knowledge through systematic thinking and implementation. Through a two-stage survey, the authors identify eight intellectual capital factors as a measuring model in exploring the intellectual capital profiles of ten Taiwanese manufacturing industries.

In the paper 'Developing human capital indicators: a three-way approach' by Han *et al.* develop human capital indicators in the management practices of Taiwanese enterprises. The research design encompassed three stages. First, 56 human capital indicators were drawn from the literature and a questionnaire was implemented regarding the applicability of these indicators. Second, a ground approach asked EMBA executives to provide five key human capital indicators that are valuable and important to his or her company. Third, the empirical human capital indicators adopted in relevant top-tier journal papers were compared to the results of the previous two stages.

Finally, the last paper, 'Understanding the value of process capital: a multiple case study on CRM processes' by Shang and Huang, examines the possible ways of measuring process capital and proposes the proper ways of reflecting the value of process capital. Using a system model, three methods of measuring organisational processes were identified:

- 1 measuring the investment in processes
- 2 measuring the results of processes
- 3 measuring the management capability of the processes.

We would also like to thank Li-Lien Pan (Taiwan Intellectual Capital Research Centre) for her great help in organising this special issue on intellectual capital on Taiwan.

Finally, before closing this foreword to the special issue, we would like to invite all our colleagues who are interested in intellectual capital measuring and reporting and knowledge management to attend two important events in 2008. The 1st Athens World Summit on the Knowledge Society will be held in Athens, Greece, on 26–28 September 2008. There will be special tracks for these topics, as well as Best Paper Awards (<http://knowledge-summit.org>). Additionally, the Macao Summit 2008 (Macao, September 2008) will have special tracks on intellectual capital and knowledge management ([www.macaosummit2008.com](http://www.macaosummit2008.com)). See you in Athens and Macao soon!

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