

Editorial for the ECIC Special Issue of the Electronic Journal of Knowledge Management:

IC is Alive and Well Yet Still Seeking Relevance

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Intellectual Capital is alive and well across Europe and of course the rest of the world. I feel I obliged to make this opening remark to this special edition (SE) of the EJKM because of my recent experiences, not only at the ECIC 2012 conference, but also my subsequent travel experiences to the other parts of Europe, Asia and Australia I have visited already this year. So far this year I have presented papers on IC at four conferences, five research seminars at different Universities, a practitioner presentation for the Hong Kong Knowledge Management Society and a workshop for an international bank's KM interest group. Each of these presentations has been well attended and I have had the opportunity to meet and answer questions about IC from students to practitioners and eminent professors. On top of this I am currently visiting at the Hong Kong Polytechnic University where I have met the likes of Stephen Selby who managed the what I would consider to the largest IC project involving SMEs in Asia¹ if not the world along with Prof. Rongbin Lee and his IC research team which is part of the Knowledge Management Research Centre at Hong Kong Polytechnic². IC is truly alive and well.

The international interest in IC is also reflected in the origins and nationalities of the authors and settings of the papers included in this SE. Included here is an eclectic mix of papers from the Caribbean (Carrington and Tayles, 2012), Switzerland (Eggs, 2012), Germany and China (Fritzsche, 2012), Italy and USA (Massaro *et al.*, 2012), Romania (Suciu *et al.*, 2012) and Poland with international overtones (Wiśniewski, 2012) and not to forget an editor who is based in Australia. This is important because IC is not just a local phenomenon because it touches individual organisations right through to nations themselves (see Lin and Edvinsson, 2009). So while the papers have an international flavour they also reflect the growing trend to investigate IC from a practice perspective (Guthrie *et al.*, 2012) with five of the six papers in the SE being based on single or multiple case studies. Investigating IC from this perspective is important because IC has been criticised for being stuck at a metaphorical crossroads of relevance (Chatzkel, 2004) and what is needed are actual examples showing both academics and practitioners how IC can be utilised and how it makes a difference.

From these five papers two papers focus on the development of "trust" as part of IC (Eggs, 2012; Suciu *et al.*, 2012) a theme which has been central to several previous IC papers (Moeller, 2009; Dumay and Lu, 2010; Reyshav and Sharkie, 2010). In the Eggs (2012) paper a case study about how to build trust in an online Community of Practice (CoP) is presented using an IC lens. The paper finds that while technology is an important enabler of IC and CoP attention must be paid to how the technology is deployed and that "needs must drive the technology" rather than technology driving solutions. I think this is important for IC practitioners not only from the technological perspective but from the IC practice perspective because all too often IC practices are seen as "solutions in search of a cause" (Andriessen, 2004, p. 230) rather than being used to resolve problems in organisations using a different lens. The paper is also important because it deals with building trust in an online environment whereby people need to trust the technology as well as the people they interact with through the likes of social media which is these days becoming a ubiquitous form of communication and collaboration.

In the second "trust" paper, Suciu *et al.* (2012) offer a theoretical framework linking "trust, culture, reputation and intellectual capital". Utilising research performed in the Romanian tertiary education sector using qualitative and quantitative data. As a result of their study they find that "there is an observable cycle in the formation of intellectual capital, where trust, cooperation, reputation, innovation and creativity are the triggers and fuel at the same time". This is very much in line with my

¹ See http://www.ipd.gov.hk/eng/ICM/intellectual_capital_statements.htm

² See <http://kmirc.ise.polyu.edu.hk/>

own thinking of how IC is created because of the additive nature of IC and intangible resources (Andriessen, 2006, p. 103) and that socially constructed concepts, such as IC, have duality of structure (see Giddens, 1984), meaning their inputs become their outputs which in then become the new inputs. This allows for people to “become involved, rather than just the accountants, managers and stakeholders who understand the meaning of ... IC” (Dumay, 2008, p. 12). As Suci *et al.* (2012) elaborate it then becomes the “job of the company management staff to establish achievable objectives ... and to make sure they follow through” because IC just doesn’t happen on its own, it needs to be enabled by people.

Moving from the theme of “trust” to the involvement of “people” is the paper by Fritzsche (2012) who presents a case study based on research at German and Chinese car manufacturers to investigate how people make decisions involving IC between what Fritzsche (2012) identifies as the modes “of potentiality and actuality”. This is an important distinction between how people actually theorise about IC and put IC into practice because often we think about the potential of IC (what are IC’s benefits) and may not later be able to determine what IC has actually done for our organisation. However, Fritzsche (2012) identifies that it is important to make decisions about IC from both perspectives. If we consider the how IC is linked to strategy then it makes sense to involve considerations about the potentiality of IC while later we should then measure the actual impact of IC. The benefit for us as practitioners is that we have a wide variety of IC accounting tools (frameworks) at our disposal (see Sveiby, 2010; and Dumay and Roslender, forthcoming) which “allows an adaptation to the requirements of the given situation” (Fritzsche, 2012). I also believe this is important because as I have discovered in my own research it allows managers to choose the IC tools best suited to resolving managerial problems (Dumay, 2008) and deal with ambiguity (Dumay and Cuganesan, 2011). There isn’t just one right IC tool (framework) for every situation (see Dumay, 2009, for a critique).

The fact is IC is a tool that is utilised by many of us in our research and practice and I suspect that nearly every person who is reading this paper for the first time has some understanding of what IC is if not a reasonably in depth knowledge. Often I believe that when we attend conferences such as ECIC we are preaching to the converted. As a colleague recently wrote in an email that “I find [IC] not being practiced by managers far as much as it’s being preached by us academics...” Thus examining how IC is involved inside particular industries and how we might be able to get the message across to managers who may not have heard of IC is to my mind useful and important. This is the approach taken in the paper by Carrington and Tayles (2012) who present two case studies exploring “the relevance and awareness of IC in two hotel chains in the Caribbean”. The major outcome of their study showed that there was no formal recognition of IC however there were many relevant management practices at the hotels which suggested that IC was present. This is along the same argument of Ordóñez de Pablos (2003, p. 62) who outlined that while today we (us IC academics) call it IC and think it is a new phenomenon for managing in the “knowledge economy” in fact we have been managing IC for some time because management topics such as “human resources, organizational development, change management, information technology, brand and reputation management, performance measurement and valuation” have collided to form IC as a conceptual framework.

The Carrington and Tayles (2012) paper is important because it shows that we don’t necessarily need managers to understand what the terms intellectual, human, relational and structural capital are in order to implement practices aimed at improving these areas in the pursuit of better management and value creation. This is important when we as “preachers” of IC roll out IC to the unconverted masses. Because if we start speaking in these terms under the assumption everyone knows what we are talking about we are likely to meet dumbfounded stares and resistance to our message. Carrington and Tayles (2012) then go on to recommend not increased reporting of IC as is commonly recommended and concluded in many IC studies but rather increased IC education “so as to enlighten them [managers] on the theoretical framework of IC and its attributes” because “managers were engaging in practices related to IC without any knowledge of its relevance and importance in developing a firm’s competitive position.” This is a position I recently discussed with Goran Roos who outlined why thinking about IC was engrained in the psyche of Scandinavian managers because IC was taught in University courses as an integral part of managing organisational strategy. However many other parts of the world, such as the Caribbean, seem not to have caught up with this mode of thinking and had an IC enlightenment. Thus, instead of preaching to unconverted practitioners, maybe we should concentrate more on converting the educators.

The last of the case study papers is by Massaro *et al.* (2012) who outline how the role of knowledge development through Appreciative Inquiry (see Cooperrider *et al.*, 2005) can be integrated into Management Control Systems (MCS) for managing creative processes and innovation in organisations. They base their new framework on the levers of control model made popular by Simons (1995) in response to the changing dynamics of business in the 1990s. Their model linking MCS to the development of the creativity steps required for innovation is itself innovative and easily understood. This is important for two reasons. First, the model provides managers with a logical way in which to promote the behaviour of an organisation's human capital towards creativity by recognising that different levers of control are required to promote different types of creative processes. Second, it recognises that the creativity process has different stages and managers need to be able to change their approaches from more formal and structured processes during the early phases of creativity to more open processes which are aligned with implementing ideas.

The last paper for the special edition is as much a social commentary on the prior "frantic pace of innovation in the financial services industry" and how this has been "socially disruptive" (Wiśniewski, 2012). What I like about his paper is that it argues how innovations in the financial services industry were rampant and did not have sufficient checks and balances to ensure that the "financialisation" of society did not cause negative social effects. Today the world is still reeling from the impact of these failed innovations and many countries at the time I am writing this paper such as Italy, Spain and Greece are yet to realise the full ramifications. Thus a paper which openly talks about the impact of failed innovation is appropriate for this SE just as was Karl-Erik Sveiby's keynote speech at ECIC 2012 called *Challenging the Innovation Paradigm* where he also questioned the so called "unquestionable" benefits of innovation whereby a pro-innovation bias always claims that innovation is a good thing (see also Sveiby *et al.*, 2012). Reading the Wiśniewski (2012) paper confirms that this is not the case and that rampant unchecked financial innovations which fail can have deep and lasting impact on society just as failed innovations can have a detrimental effect on organisations.

In line with my previous comments on the espoused benefits of IC as lauded by the "preachers" we should also be cognisant of taking a more critical stance (see Guthrie *et al.*, 2012) and begin to question the benefits of IC by building on what is good and by recognising that there may also exist "intellectual liabilities" alongside our "intellectual assets". Maybe a more appropriate term should be "intellectual equity" whereby we take a balanced view of the social, utility and economic value created by managing IC rather than just blindly preach only its benefits. Doing so could help overcome some of the relevance lost by our current implementation of IC practices so that one day IC will become a useful and integrated part of the way that organisations and thus society is developed and improved.

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