

NEW PROPOSAL ON REPORTING INTANGIBLE RESOURCES ON THE ORGANIZATIONAL LEVEL

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Abstract: *In recent years, it has become increasingly evident that existing information systems at the level of organizations do not allow for a performing management because they fail to capture a wide range of intangible resources, which represent one of the most important variables for the success and progress of any organization. As a result of the fact that the annual financial reporting cannot give a real basis for making accurate estimates of future cash flows that can be made by organizations, or of their associated risk, this article states the need to report intangible resources at the organizational level. The concept, content and advantages of an Intangible Resources Report (IRR) are presented, and in the final part of the article it is presented an example of IRR, detailed in a specific case for an intangible resource. This Intangible Resources Report has the advantage of providing a generous and documented framework for managing and disclosing intangible resource information for any type of organization. Through its implementation, it is possible to compare strengths and weaknesses in intangible resources for different organizations, becoming a good benchmark tool, thus facilitating the exchange of experience and learning in different areas of intangible resource management at the level organizations.*

Keywords: intangible resources report

1. Introduction: the Need to Report Intangible Resources at Organisational Level

Almost all the scientific papers published until now had highlighted important issues resulting from too little data on intangible resources (or lack of this information) and which may be the origin of material and financial loss for decision-makers or organizations on the basis of financial information that companies report periodically.

Therefore, there is the need for a similar framework for the measurement, reporting and monitoring of intangible resources at the international level. A way to create this is to formulate some common guidelines for the management and reporting of

intangible resources. Even if changes in accounting standards are likely to be necessary in the future, for the time being, the effort to measure and report intangible resources should become an approach initiated by each company on a voluntary initiative.

There are more and more arguments that support the necessity for some guidelines for managing and disclosing intangible resources are growing. First of all, guidelines can help companies develop IT systems that report intangible resources and result thus in improved efficiency and performance of management. In addition, their use would lead to greater transparency with regard to intangible resources existing at the level of organisations, so investors

can better assess the possible returns and risks linked to the investment opportunities. This article is structured as follows: in the second section there are presented the concept, content and benefits of an Intangible Resource Report (IRR), the third section presents the substantiation, description and measurement of intangible resources from the IRR proposed, while the fourth section presents the submission of Intangible Resources Report. The article ends with the presentation of the conclusions.

2. Intangible Resource Report – Concept, Content and Benefits

More and more importance is now given to means of reporting intangible resources, through which an organisation also emphasizes its intangible, "unseen" part. The most well-known initiatives to address the reporting of intangible resources and intellectual capital are: The Intellectual Capital Assessment Statement issued by the Danish Ministry of Science, Technology and Innovation [1] and the Intellectual Capital Report drawn up within the multinational research program, MERITUM [2]. It is also worth mentioning the EVLIA [3] project, which has generated a useful tool for the assessment of relevant intangible assets that are competitive for SMEs.

An intangible resource report is a management tool useful for identifying, reporting, evaluating and developing intangible resources at the organisational level. It has to show how intangible resources are related to the corporate objectives, mission and strategy of an organisation, with the help of indicators used to measure these elements.

As a way to overcome the unbalanced information provided by traditional accounting documents, organisations should start publishing a supplement to the annual report - the so-called Intellectual Capital Declaration or, more generally the Intangible Resources Report (IRR) the concept we agreed on, in the sense of this

work).

Among the advantages of making a report on intangible resources, we mention [4]:

- it makes a diagnosis regarding the strengths and weaknesses of intangible resources;
- it helps in decision support by prioritizing the alternatives for improvement with the greatest impact;
- it represents the basis for innovation by helping the implementation of different actions taken for the organisational optimisation and development;
- it helps in internal communication by sustaining the transparency in the organization;
- it contributes in monitoring process by mitigating risks and controlling the success of actions;
- it has a great contribution in reporting because it makes more easy the communication of corporate value.

A report on intangible resources would allow organisations to obtain benefits, internal but also external. From the internal point of view, organisations can use the intangible resources to realise their innovative potential. Externally, such a report is of great help when the organization intends to ease its access to financing sources or when it wants to communicate the business model to its partners.

3. Substantiation, Description and Measurement of Intangible Resources from the IRR Proposed

The intangible resource report proposed in this research will allow identification, description and assessment of intangible resources relevant to the organisation's competitiveness, which are analysed and structured on three planes (presented in stages in Figure1), according to the following purposes:

1. Mirroring the present situation about the intangible resources at the organisation level (RESOURCES – what is there?);
2. Identifying the activities and processes undertaken at the organisation level,

- investments made to optimise the use of intangible resources (ACTIVITIES);
- Analysing the results and objectives achieved by using those intangible resources. The expected impact (business impact) shall be practically

highlighted. Indicators providing data and possible measures of future benefits / future advantages (RESULTS) shall also need to be presented here.



Figure 1. Criteria for structuring intangible resources in IRR

Source: Author's design

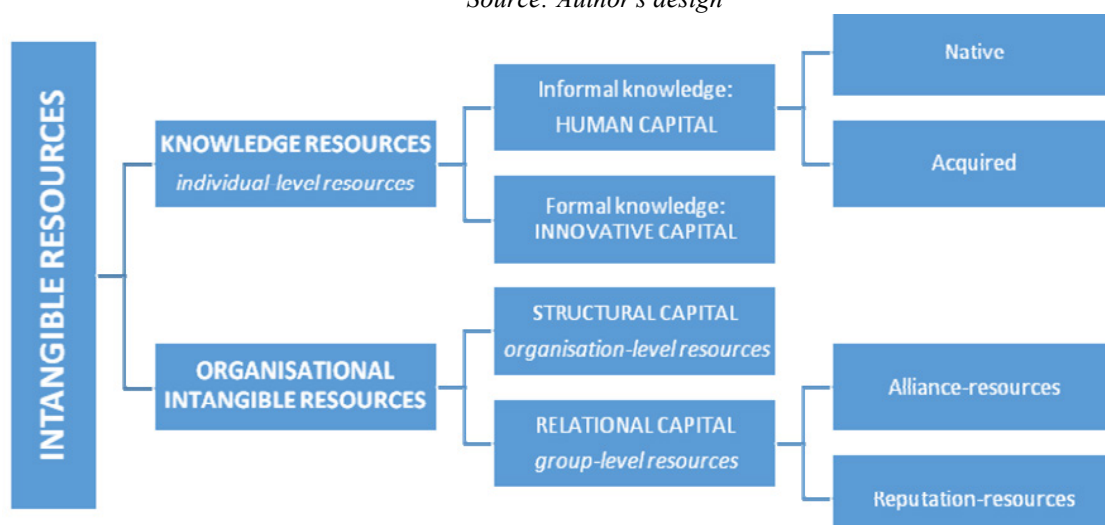


Figure 2. A new proposal for intangible resources components

Source: Author's design

Structuring the types of intangible resources in the proposed IRR can be done by complying with the taxonomy (see Figure 2) that we have developed in an earlier research work [5].

A more detailed analysis, on components, of intangible resources is shown in Table 1.

Table 1 Components of Intangible Resources in the Proposed Taxonomy

INTANGIBLE RESOURCES					
KNOWLEDGE RESOURCES			INTANGIBLE ORGANISATIONAL RESOURCES		
Human Capital		Innovative capital	Structural capital	Relational capital	Alliance Resources
Native	Creativity and skills	Commercial strategies (trade secrets, etc.)	Internal cooperation and know-how transfer	Management of existing client portfolio	
	Principles and moral values			Attracting the consumer - relationships and distribution agreements	
	Social skills	Patents /patents	Management	Supplier management	

	Leadership ability		tools and systems	Cooperation, partnerships and networks	
<i>Acquired</i>	Entrepreneurial experience	Drawings and patterns	Methods, databases, procedures and manuals	Prestige	<i>Reputational Resources</i>
	Educational and professional skills				
	Staff motivation and loyalty	Copyright	Certifications	Social responsibility	
	Tacit knowledge		Research projects and acquisition of IT systems and network systems		

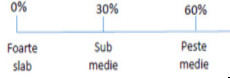
Source: own processing using data provided by Global Competitiveness Reports, World Economic Forum, 2010-2015

4. Submission of Intangible Resources Report

In the report different types of indicators can be determined for the types of intangible resources considered, expressed as financial or non-financial variables.

These are required in order to evaluate the intangible resources, but also to monitor their development over time. For example, Table 2 contains a possible breakdown for the human capital acquired, educational and professional skills.

Table 2 A Possible Breakdown of Intangible Resources Report for: Intangible Resource - Educational and Professional Skills

Human Capital Acquired	<i>Educational and professional skills</i>	resources	Average seniority in the profession / employee (NF)	Numerical
			Education level (NF)	%
			- Upper secondary	%
			- University	%
			- Postgraduate	%
			Proportion of high-skilled professionals in the company (NF)	%
			Seniority in the organisation (number of years of employment in the same organisation) (NF)	Numerical
			Number of women in managerial positions (NF)	Numerical
			Managers with postgraduate training in business (NF)	Numerical
			The existence of employees with skills development plans (NF)	
		activities	The cost of employee satisfaction surveys related to training activities (F)	u.m.
			Number of training days and education / employee (NF)	Numerical
			Costs for development of skills / employee (F)	u.m.
			Training expenses / administrative expenses (F)	%
			Investment in training as a share of net sales (F)	%
			The company has implemented annual assessments of employees' performance (NF)	Yes / No
		results	Value added per employee (F)	u.m.
			Profit per professional (F)	u.m.
			Fluctuation rate of professionals (NF)	%
			Annual staff fluctuation (NF)	Numerical

Regarding the assessment and measurement of each intangible resource indicator, this process can be performed in compliance with the financial and non-financial

characteristics of the indicators, using the following techniques:

- assessment based on rating scales, especially for non-financial indicators. A percentage benchmark (e.g. 60%, according to the organisation's strategic goals) is often more relevant than an absolute evaluation scale (such as meters, for example);
- measurement in the form of numerical values for non-financial indicators;
- measurement in the form of percentages for financial indicators, but also for the non-financial indicators;
- evaluation in the form of monetary units, in absolute amounts, for financial indicators;
- assessment by dichotomous scale, where two possible variants are possible: yes / no, suitable for non-financial indicators.

Because the indicators linked to intangible resources represent a special case, one

should mention that the effective choice of the appropriate intangible resource types is conditioned by the organisation's business sector and its specificity.

5. Conclusions

In order for the organizations to raise their ability to identify, evaluate and manage intangible resources and to provide information needed by the capital providers (investors), they must necessarily rely on a common conceptual background. This article has shown such a conceptual framework, in the form of the intangible resource report. However, the process of managing intangible resources is unique to every organization and everyone has to create its special process. Another fact that shows the importance of such reports is that they are able to obtain results that could be comparable to those of other organizations, as the current financial statements are now.

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