



Where's the Beef?

Models of Intellectual Capital Valuation:
A Comparative Evaluation

Clara at “Home of the Big Bun”





Message

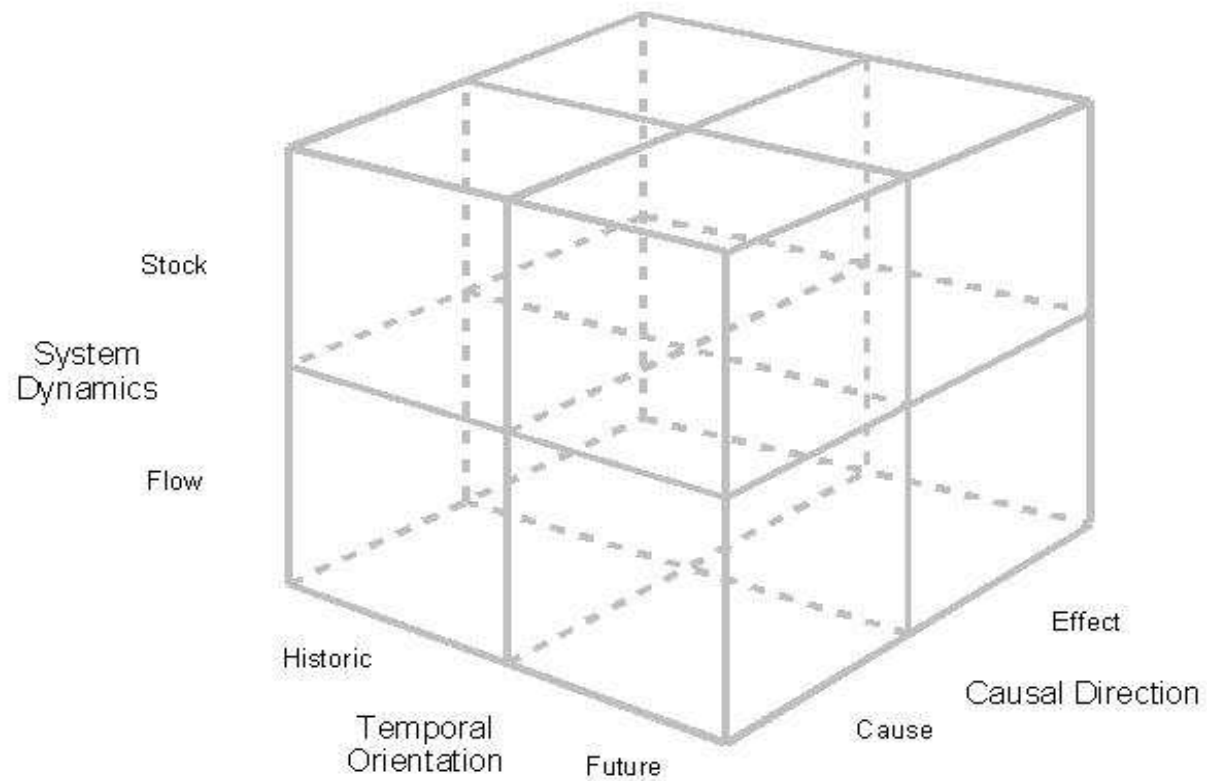
- The management of Intellectual Capital (IC) or Knowledge Management (KM) will only be accorded serious attention if it can be convincingly demonstrated that it generates value.



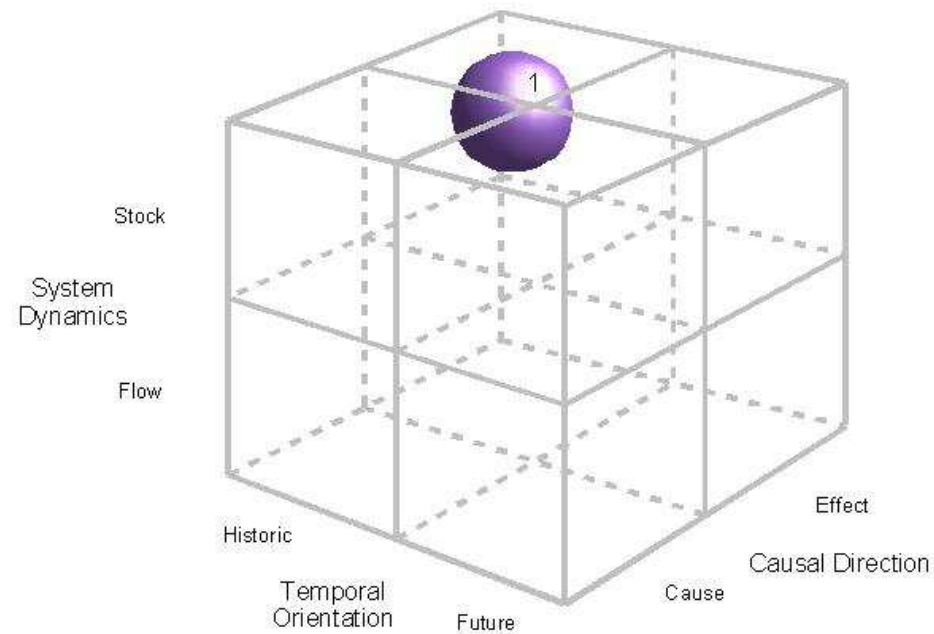
Issue

- There has been a proliferation of perspectives and models.
- Which model(s) are better at demonstrating that IC or Knowledge Management generates value?

Comparative Analysis

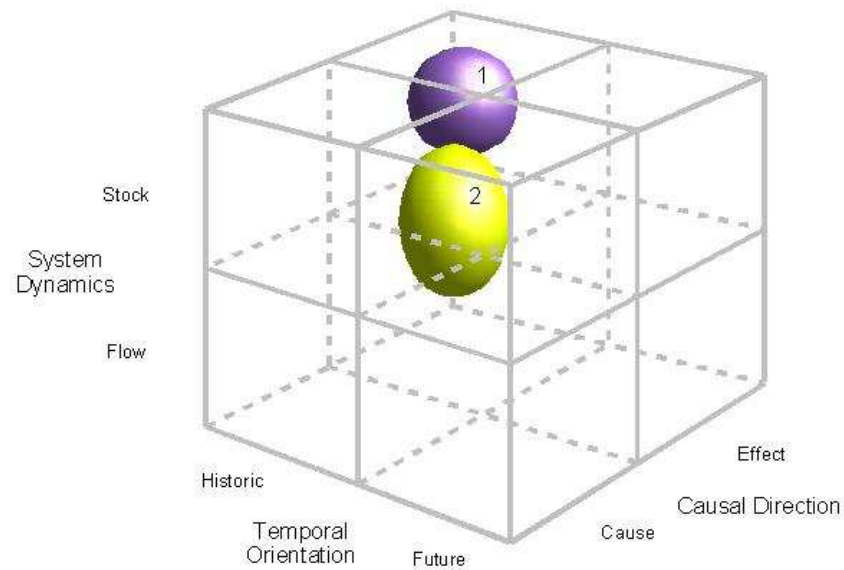


IC Precursors



IC Precursors:
EVA, MVA, Tobin's Q

Popular IC Models

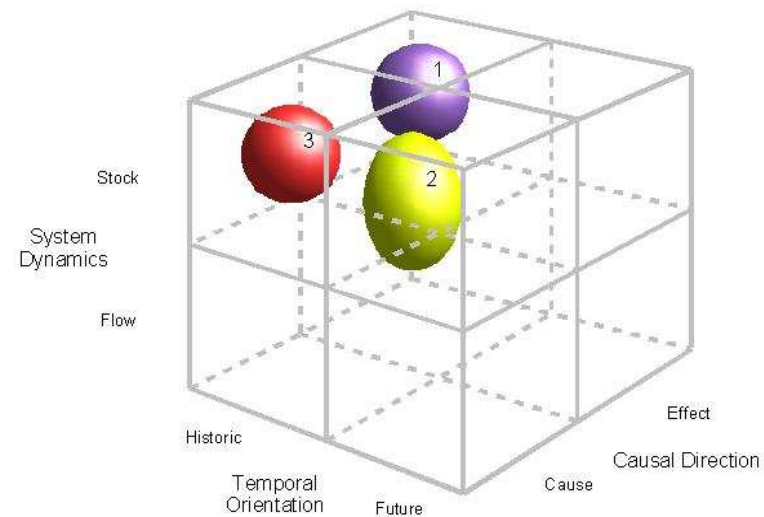





IC Precursors:
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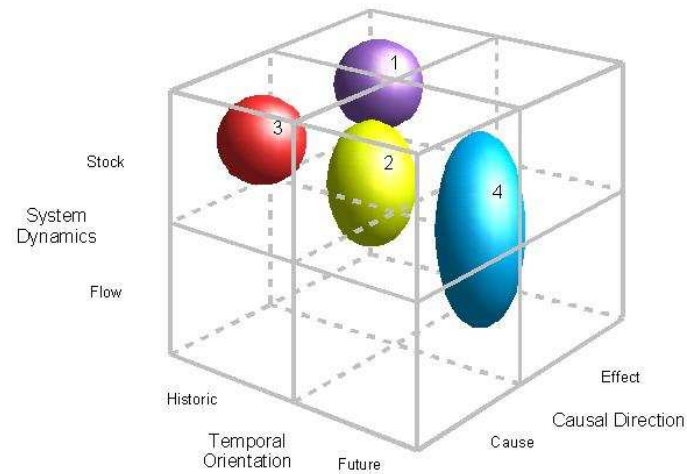
Popular IC Models:
BSC, IC Nav, IC-Index, IC Audit, IAM





Citation-Weighted Patents



-  1 IC Precursors:
EVA, MVA, Tobin's Q
-  2 Popular IC Models:
BSC, IC Nav, IC-Index, IC Audit, IAM
-  3 Citation-Weighted Patents

Real Option Theory



-  1 IC Precursors:
EVA, MVA, Tobin's Q
-  2 Popular IC Models:
BSC, IC Nav, IC-Index, IC Audit, IAM
-  3 Citation-Weighted Patents
-  4 Real Option Theory



Motivation

- Which measurements are superior in predicting an organization's economic performance?
- How much is a particular embodiment or encapsulation of Intellectual Capital worth?



Current Models

- Historic temporal orientation, generally.
- Focus on stocks, predominantly, not flows.
- Limited empirical testing.
- Discipline of linking to economic value appears to be avoided.



Goal

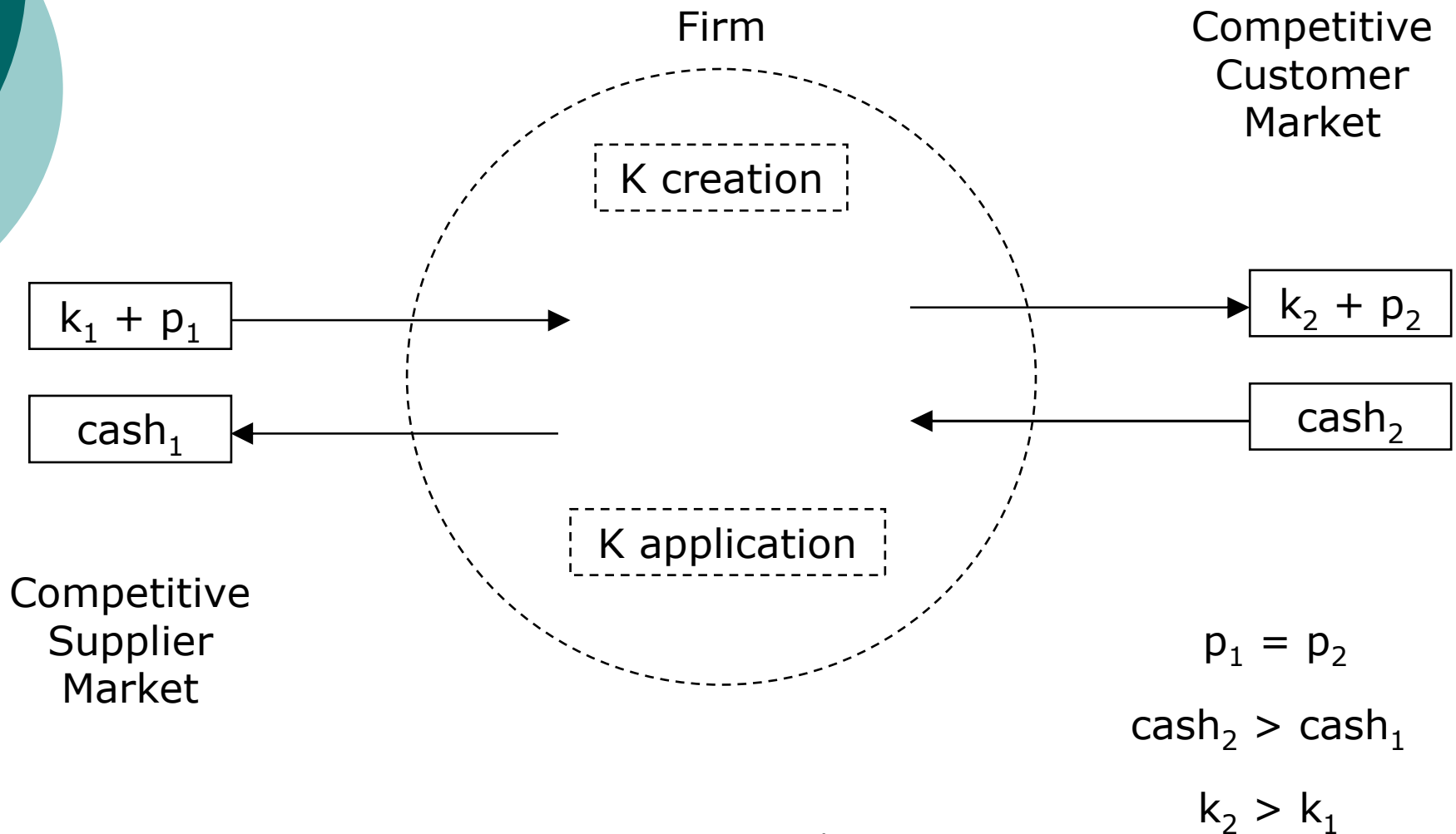
- MANAGEMENT
 - To model the links of IC or Knowledge Management activity to cash flow performance.
- ECONOMIC
 - To reduce resource misallocation.



Level of Analysis

- The firm, using a Knowledge-Based View.
- Firms exist as a governance structure due to high asset specificity.
- Asset specificity refers to the degree to which an asset can be redeployed to alternative uses without loss of value.

Theory





Theory

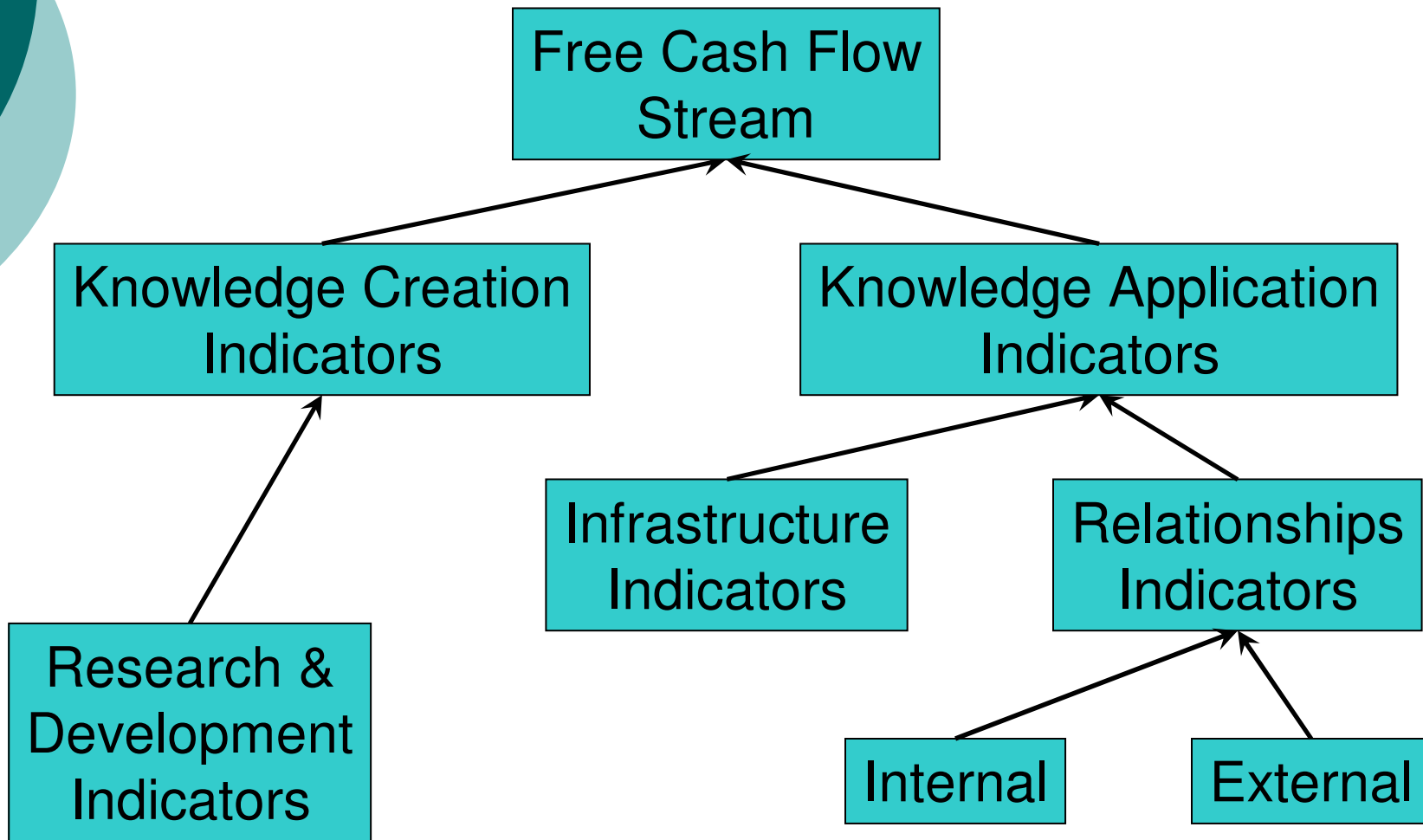
- Knowledge has economic value
- Economic value of Knowledge is measurable
- Measuring value aids decision-making



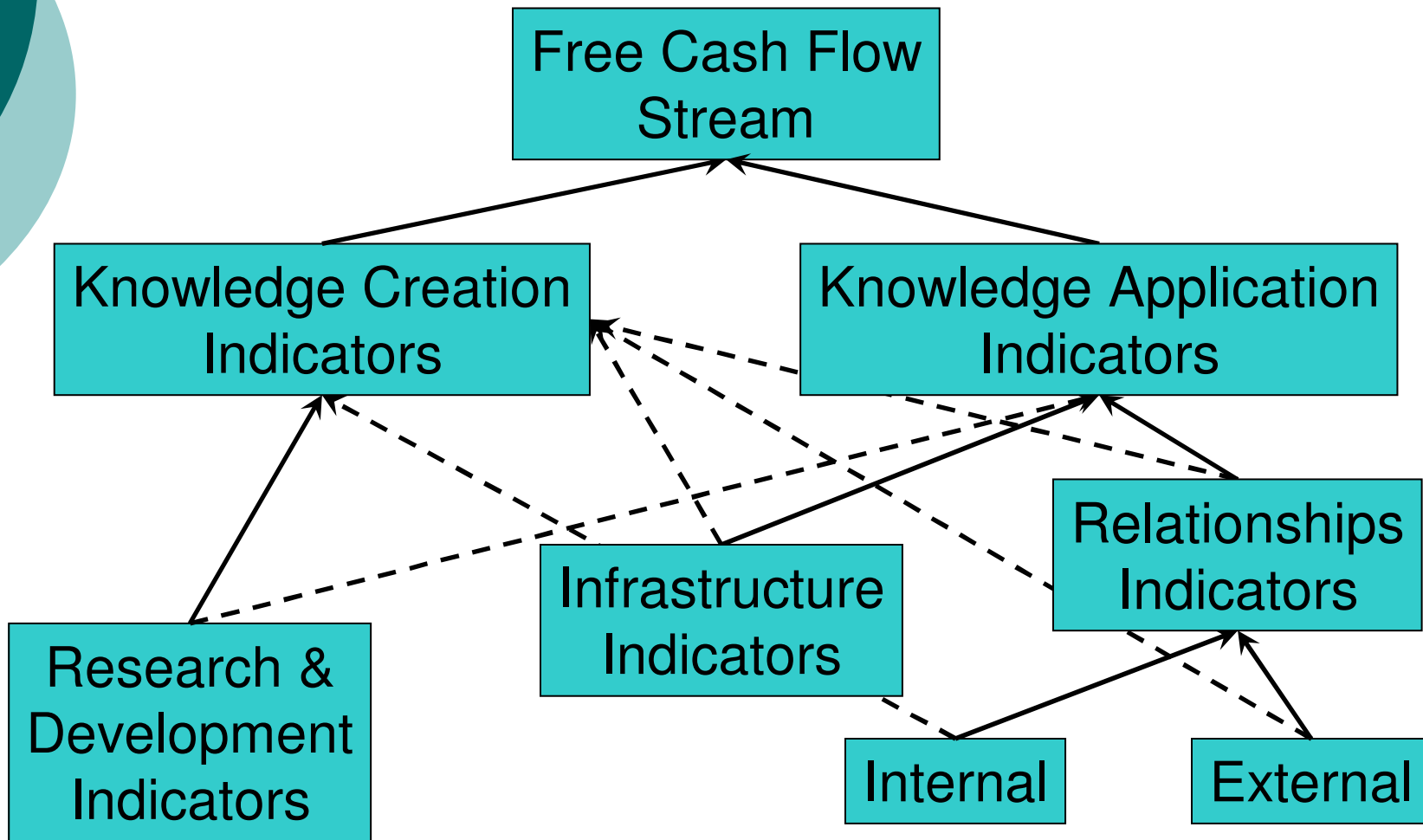
Hypotheses

- IC is measurable in terms of cash.
- Some forms of IC are more valuable than others.
- Firms with superior IC or Knowledge Management abilities generate relatively more free cash flow.

Research Model



Research Model





Research Design

- Target Population & Sample: Publicly-traded Canadian Biopharmaceutical and Mineral Exploration Corporations.
- Data Collection: Public statements, On-line databases, Industry specific journals, Company surveys.



Research Design

- Data Measurement: Ultimately units of cash at a point in time.
- Data Analysis: Factor analysis, Descriptive statistics, Structural equation modeling (path analysis)



Summary

- The management of Intellectual Capital (IC) or Knowledge Management (KM) will only be accorded serious attention if it can be convincingly demonstrated that it generates value.