

## Exploring the Benefits of Measuring Intellectual Capital.

### The AIMAG Case Study

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In recent years many studies on intellectual capital measurement systems (ICMSs) have been carried out. In spite of the fact that there still does not exist a unanimously accepted model, substantial agreement has been reached concerning the objects to be monitored and the fundamental characteristics that the measurement systems, as well as the relative intellectual capital reports, must present (Nordika 2001; Meritum 2002; DMSTI 2003; Frame 2003). There remain a number of research areas still to be explored and there is strong encouragement to pursue this research (FRAME 2003; RICARDIS 2006; Mouritsen and Larsen 2006; Cuganesan, Guthrie and Petty 2007).

The premise of the paper is that the relationships with employees (human capital) and with the other critical stakeholders (relational capital) occupy an outstanding position among the intangibles. So, the paper proposes to explore how, and under what conditions, adopting an ICMS will lead the company to monitor said relationships, to manage them as a lever to create value and thus create value also for the stakeholders. The paper argues, therefore, that the intellectual capital measurement and reporting system leads to the systematic management of stakeholder relationships, to their integration in company strategy and also to their improvement.

Moreover, the IC disclosure issue is questioned. The accounting literature has examined both the pros and the cons of disclosing information on intangibles (Williams 2001; Vergawewen and van Alem 2005; Vergawen 2006). The reasons for disclosure are both to reduce the information asymmetry between management, shareholders and investors (and hence, the agency problem) and to produce positive effects on the company's external reputation as well as the trust and confidence from all stakeholders in the firm's management. There are also strong opposing factors for IC disclosure, in primis the transparency drawbacks in competitive markets connected to the risk of revealing some crucial and sensitive aspects of company strategy. In analyzing the most widespread guidelines on the IC report (Meritum 2002; DMSTI 2003), the paper shows how producing an IC report can help to improve the transparency of the firm without causing the abovementioned negative effects. In fact, adopting a knowledge management perspective, the IC report can be used to show how a company generates value "through" and "for" employees, customers, co-operative partners; investors, etc.

In the first part of the paper, these issues are questioned adopting a deductive approach. Then, in support of these observations, a company longitudinal case study is illustrated. Aimag S.p.A. is a medium-sized Italian company operating in the public utility sector. Before adopting an ICMS, the company was already monitoring some stakeholder relationships (related to the quality policy and the corporate social responsibility policies). The paper illustrates how adopting an ICMS led the company to examine some of the relationships already being monitored (e.g. employees relationships) from a different perspective and to analyze and measure them in greater depth. Implementing such a system also allowed other relationships which had previously been neglected (e.g. with town officials, with partners) to be identified and monitored. This caused changes in the management of these relationships and affected company strategy. Lastly, the paper highlights the way in which disclosure of company intangibles is carried out by means of the IC report. The latter, together with the sustainability report, supplement the company's financial statement (AIMAG won the 2005 "Oscar di Bilancio" Award for the Italian SMEs with special mention of the IC report).