Intellectual Assets and Value Creation: **Synthesis Report**

Douglas Lippoldt

Directorate for Science, Technology and Industry

The views expressed do not necessarily represent those of the OECD or its member countries.

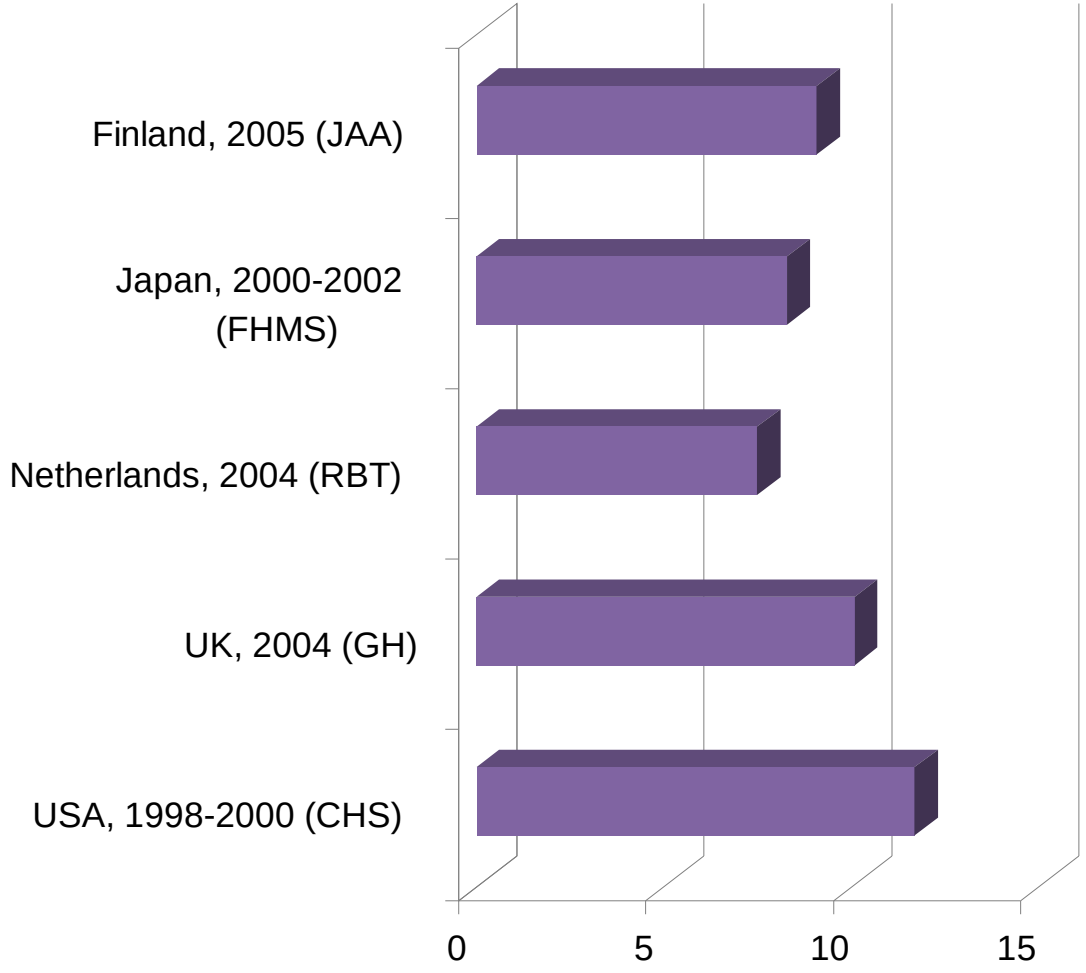
Organisation for Economic Co-operation and Development

- An inter-governmental organisation
- A forum for policy development and economic analysis covering all areas of gov't policy except culture and defence
- Promotes policies for growth/employment, economic development, expansion of trade
- 30 member countries: in Europe and North America, plus Japan, Korea, Australia, and New Zealand. (expanding)
- Industrialised, market-oriented, democracies

Why OECD Work on Intellectual Assets?

- Central to value creation, economic growth and competitiveness in a modern economy.
- Continued shortfalls in measurement and understanding, with implications for decision making
- IA relationship to innovation, as inputs and outputs
- Possibilities to leverage these assets for acceleration in development

Total Investment in Intangibles (% GDP)



Sources: Corrado et al (2005, 2006), Marrano and Haskel (2006), Fukao et al (2007), van Rooijen et al (2008), and Jalva et al (2007).

Overview: OECD Synthesis Report

- Macro
  - National accounts,
    Macroeconomic statistics
- Regional
  - Clustering; Firm location and linkages
- Firm level
  - High-growth SMEs, Corporate reporting

Macro-level: national accounts & estimation of investment in intellectual assets

- The System of National Accounts: report underscores crucial importance for tracking economic developments.
- Currently, an incomplete accounting of intangible assets, though progress has resulted in inclusion of certain types of software and R&D investment.
- Conceptual challenge - e..g., firm-specific intangibles – such as network capital or organisational capital
- Resulting challenge for policy & incremental approaches

Regional level: the regional dimension of innovation, firm location and linkages (1)

- OECD studies employed regionalised PCT data
- Highly inventive regions tend to cluster together, pattern increasing over time. (e.g., spillovers of tacit knowledge can benefit from proximity)
- Most inventive regions: tend to have more MNEs among their inventive firms; firms boost linkages across regions, as evidenced by fairly high frequency of cross-regional co-invention, within firms

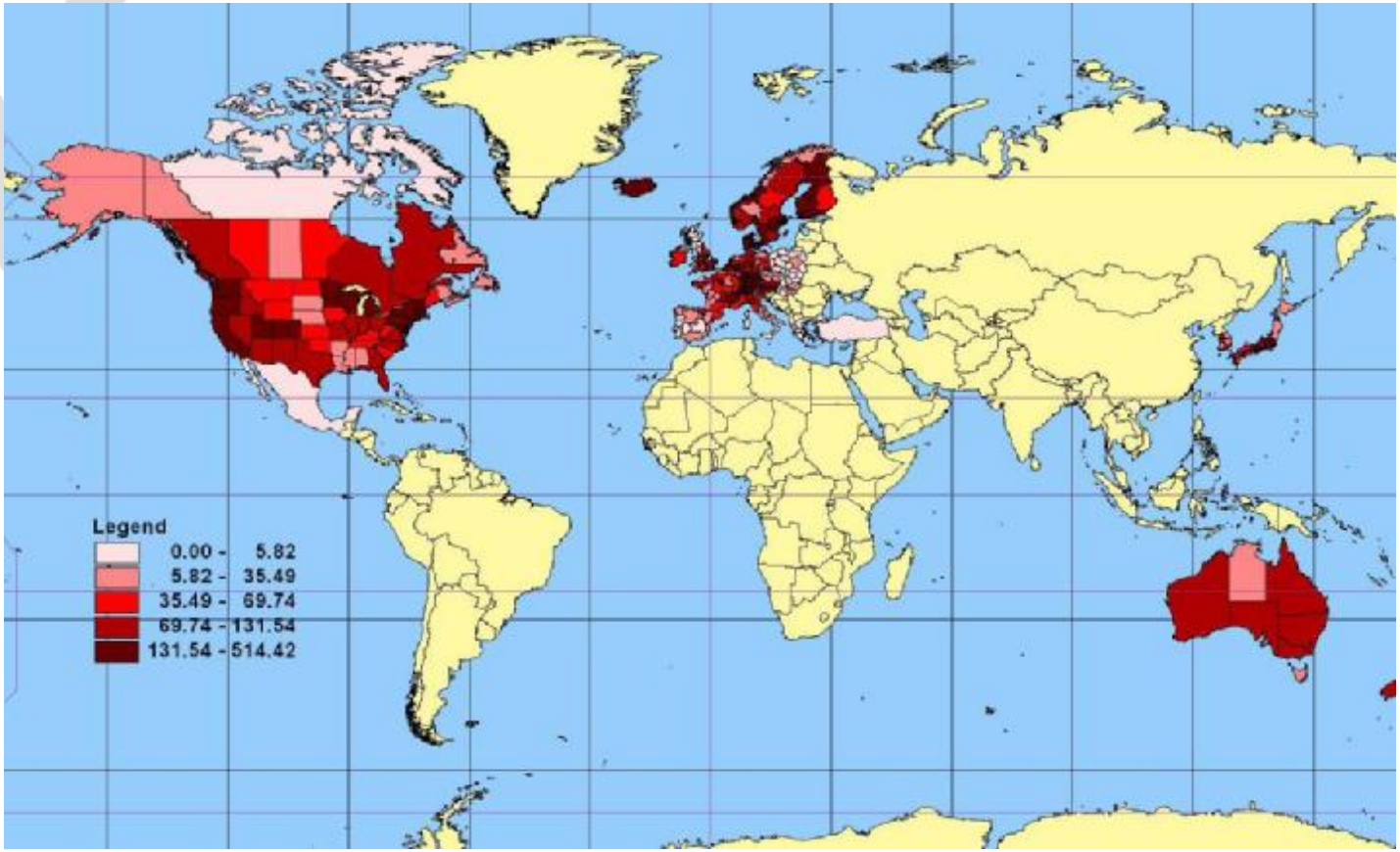
Regional level: the regional dimension of innovation, firm location and linkages (2)

- Cross-country differences point to the importance of national innovation systems, framework conditions (e.g. competition, IPR)

- Regional variation in inventiveness points to factors such as availability of skilled labour, public investment in research, infrastructure, regional governance.

- Policy plays a role in shaping these factors; but better understanding processes will be important to improving the efficacy of policy.

PCT applications, OECD countries, 2002-2004 (per million population)



Source: Usai et al. (2008), based on the OECD Regional Database.

Firm-level: corporate reporting

Non-financial disclosure of intellectual assets…

- Current practices: often backward-looking, provide inadequate information about capacity to generate future revenues from assets.

- Some initiatives aim to enhance narrative reporting and promote disclosure by companies of, *inter alia*, material, qualitative and forward-looking information about value drivers, trends, risks & uncertainties.

Corporate reporting is important…

- Investors can better assess future earnings & risks
- Financial markets: improved transparency, efficiency
- Promotes management of assets; accountability
- Ability to secure funding at a lower cost of capital
- Government policy can promote identification & dissemination of best practices in voluntary reporting

OECD Growth Project

"… something new is taking place in the structure of OECD economies… and this transformation might account for the high growth….

Policies that engage ICT, human capital, innovation and entrepreneurship in the growth process, alongside fundamental policies to control inflation and instil competition while controlling public finances are likely to bear the most fruit over the longer term."

Possible Next Steps At OECD…

Particularly promising areas for further work might include analysis of:

- **Intellectual assets and new business models,** including examination of the influence of intellectual assets on the emergence of new business models.
- **Value creation and globalisation,** including exploration of the relationship between intellectual assets and organisational change.
- **Support for improved measurement approaches**, *e.g.* for definition of asset boundaries and determination of appropriate depreciation rates and deflators.

Conclusions

Government Policy:

- Can support better measurement
- Can influence some drivers of IAVC (e.g., human capital development, public research, IPR)
- Can promote improved transparency of intellectual assets
- Requires care

- For a summary of the recent OECD work on IAVC, go to:

http://www.oecd.org/sti/ipr/iavc

Thank you for your attention