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An Expanded Intellectual Capital Framework for Evaluating Social Enterprise Innovations

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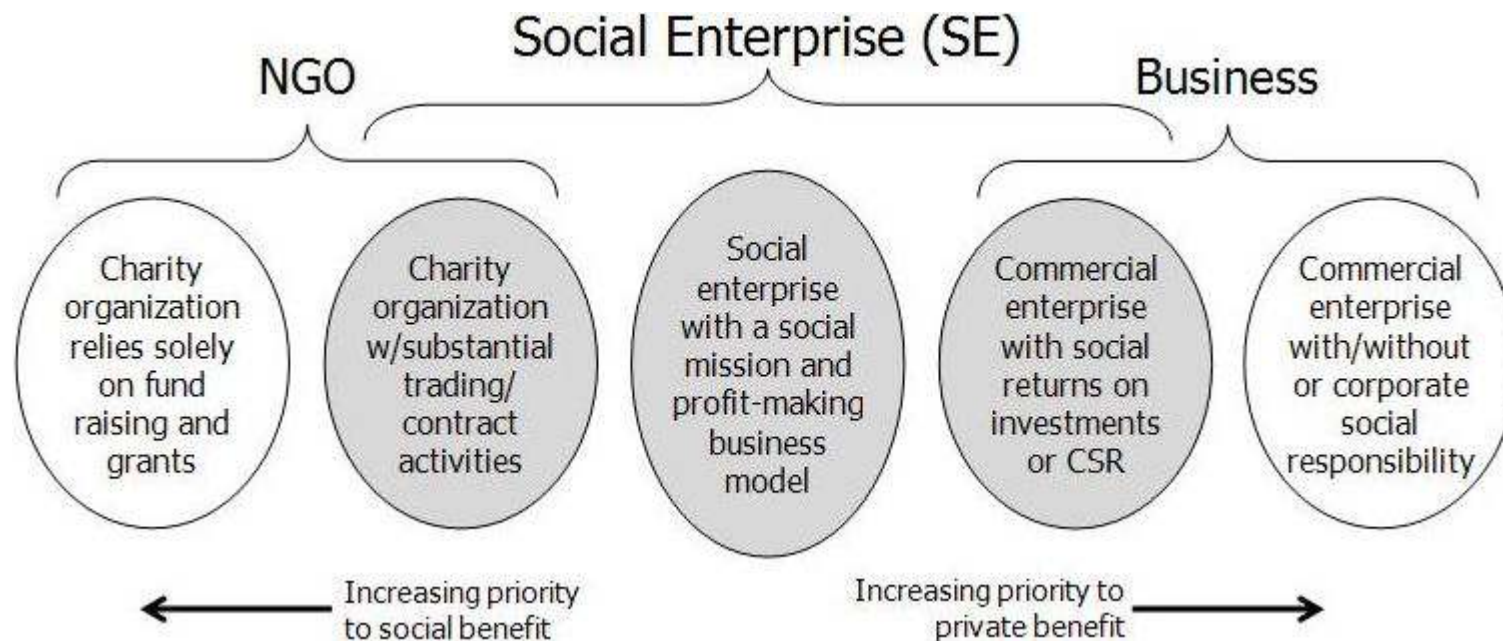
&

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Hong Kong



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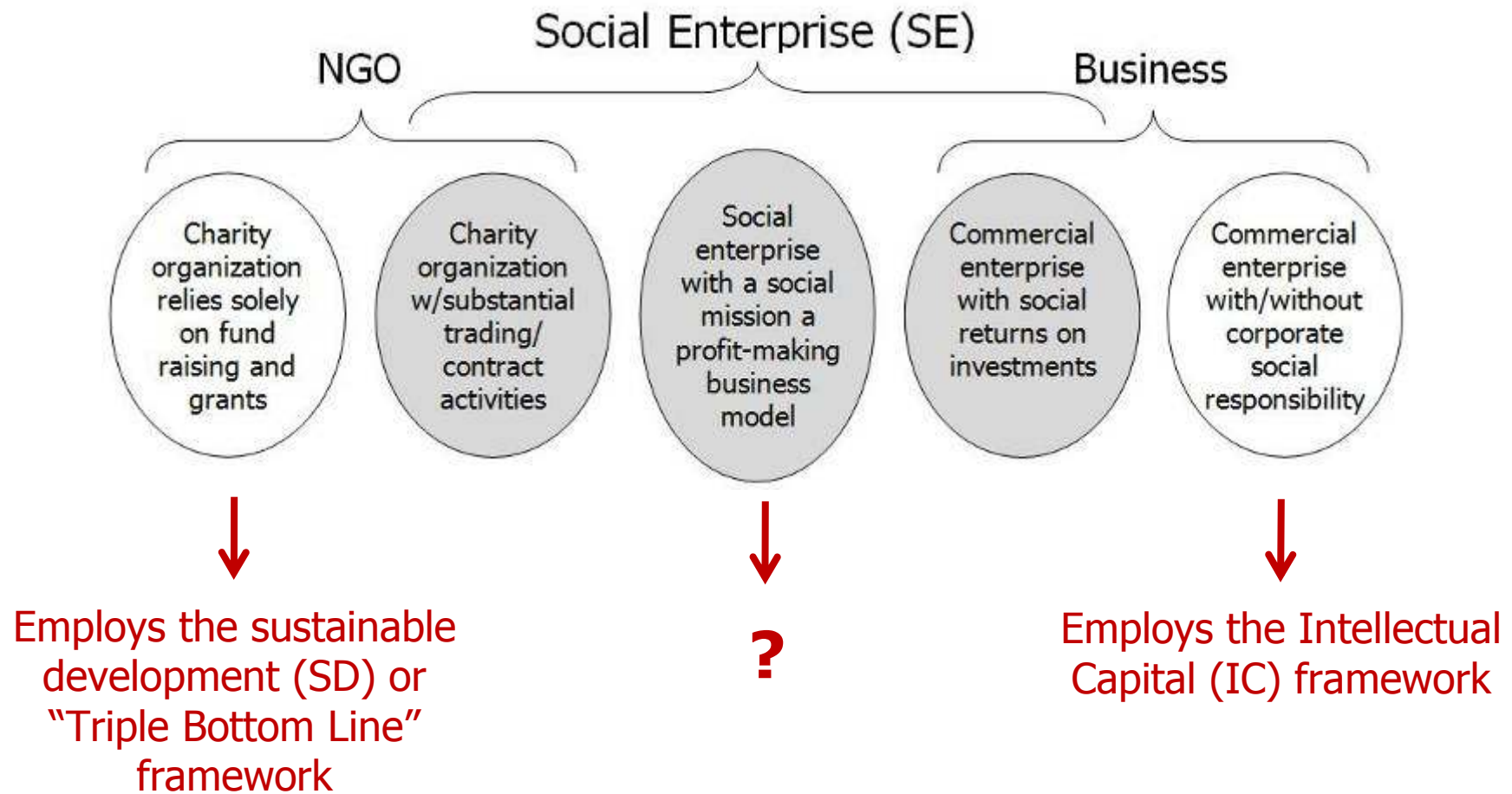
What are Social Enterprises?



Examples of SE



The Problem



Common IC Components

	Human Capital	Customer Capital	Structural Capital (Organizational Capital)
GUTHRIE (2001)	<ul style="list-style-type: none"> • Know-how; • Education; • Vocational qualification; • Work-related knowledge; • Work-related competencies; • Entrepreneurial spirit • Innovativeness, • Proactive and reactive abilities • changeability 	<ul style="list-style-type: none"> • Brands • Customers • Customer loyalty • Company names • Distribution channels • Business Collaborations • Licensing agreements • Favourable contracts • Franchising agreements 	<ul style="list-style-type: none"> • Patents • Copyrights • Trademarks • Management Philosophy • Corporate Culture • Management processes • Information Systems • Networking Systems • Financial Relations

Source: Adopted from Guthrie (2001), p.35

IC Applications

- Intangible assets not reported
- Various uses: KM, internal evaluation, creativity, value creation, IC Accounting, IC reports, M&A, IC standard WICI, stock exchange...



Proposition #1: Adopt a Broader Concept of Capital

Scope of IC/KM
(mostly corporate applications)



Scope of "Triple Bottom Line"
(mostly developmental applications)



Note: Tangible Assets are treated separately from IC which are part of Intangible Assets

Scope of "Metacapital"

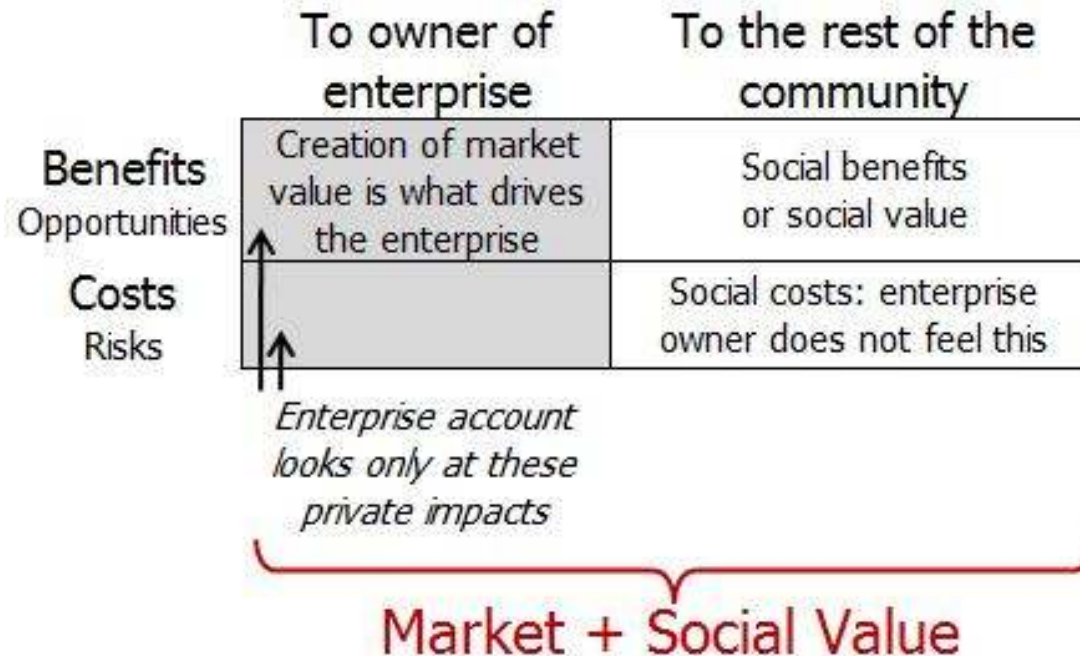
(for application to nonprofit-SE-corporate enterprise continuum)

Proposition #2: From Stakeholder to Relationship Capital

RELATIONSHIP CAPITAL: new generic label proposed

- 1 Formal organizations and networks
 - 1a Internal or within the organization: no label in current use
 - 1b Relationships external to the organization: **Relational Capital**
Stakeholder Capital: partners, suppliers, customers, govt
Customer Capital*
 - 2 Informal groups and communities: **Social Capital**
 - 2a Within a group: **Bonding Social Capital**
 - 2b Between a groups: **Bridging Social Capital**
 - 2c Between a group and the government: **Linking Social Capital**
 - 3 Personal, both formal and informal: no label in current use
- From this scope
- To this scope

Proposition #3: Value Creation: from Market Value to Market + Social Value



Expanded IC Framework

Adopts :

- “Metacapital” to encompass all elements in the corporate IC framework and in the developmental “Triple Bottom Line” framework;
- Market plus social value creation; and
- More generic “relationship capital” instead of the outward-looking “stakeholder capital” component of IC

Result : A framework that can be equally applied to NGOs, Social Enterprises and Corporations

An Application: Value Creation Scale

- Ordered or sequenced checklist
- “Yes-no” scoring
- Sequenced according to:
 - Value creation > No value creation (only resource transfer) > Value destruction
 - Benefit to: All > Many > Few

Did it result to value destruction of:	All= present and future generations?	1	Irreversible loss of natural capital; depletion of non-renewable resources
	Many?	2	Loss of metacapital from a substantial segment of society
	Few?	3	Loss of metacapital from a minority
Did it merely transfer resources among:	Few?	4	Resource transfer involving a minority; zero wealth creation
	Many?	5	Resource transfer involving majority; zero wealth creation
Did it result to value creation for the benefit of:	Few?	6	Build-up of metacapital for a minority
	Many?	7	Build-up of metacapital for the majority
	All= present and future generations?	8	Increase in quantity and quality of natural capital available to present and future generations

Scale Applied to Common Innovations

Value-Destroying and/or Resource-Transferring Social Innovations

- OPEC; any cartel of extractors of non-renewables
- Mining enterprise; logging in the Amazon forests
- Polluting or tax-evasive enterprise; illegal drug industry
- Legalized and illegal gambling; casinos
- Financial scams: Ponzi and pyramidal schemes
- Using taxpayers' money to bail out ailing enterprise
- Confiscation from few rich + distribution to many poor
- Taxation + subsidies
- Boxing as a paid spectator sport; cockfighting

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Value-Creating and Resource-Transferring Social Innovations

- Oligarchic capitalism + regulatory capture
- Enclave corporation
- Private enterprise + corporate philanthropy
- State-owned/controlled enterprise
- Private enterprise + corporate social responsibility
- Employee-owned enterprise; cooperative
- UNESCO, UNEP and other UN agencies
- Private enterprise + ISO 14000 certification
- Community-based sustainable livelihood system
- Socially-embedded enterprise + "triple bottom line"
- Costa Rica's Biodiversity Law

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Scale Applied to Social Enterprises in Hong Kong and the Philippines

Ventures in Development, Hong Kong SAR
 Fullness Christian Vocational Training Centre, Hong Kong SAR
 Global Institute for Tomorrow, Hong Kong SAR
 Olecram Mining Corporation, Camarines Norte, Philippines
 Kalahan Educational Foundation, Nueva Vizcaya, Philippines
 Center for Bridging Societal Divides, Philippines
 Botika sa Barangay, Philippines

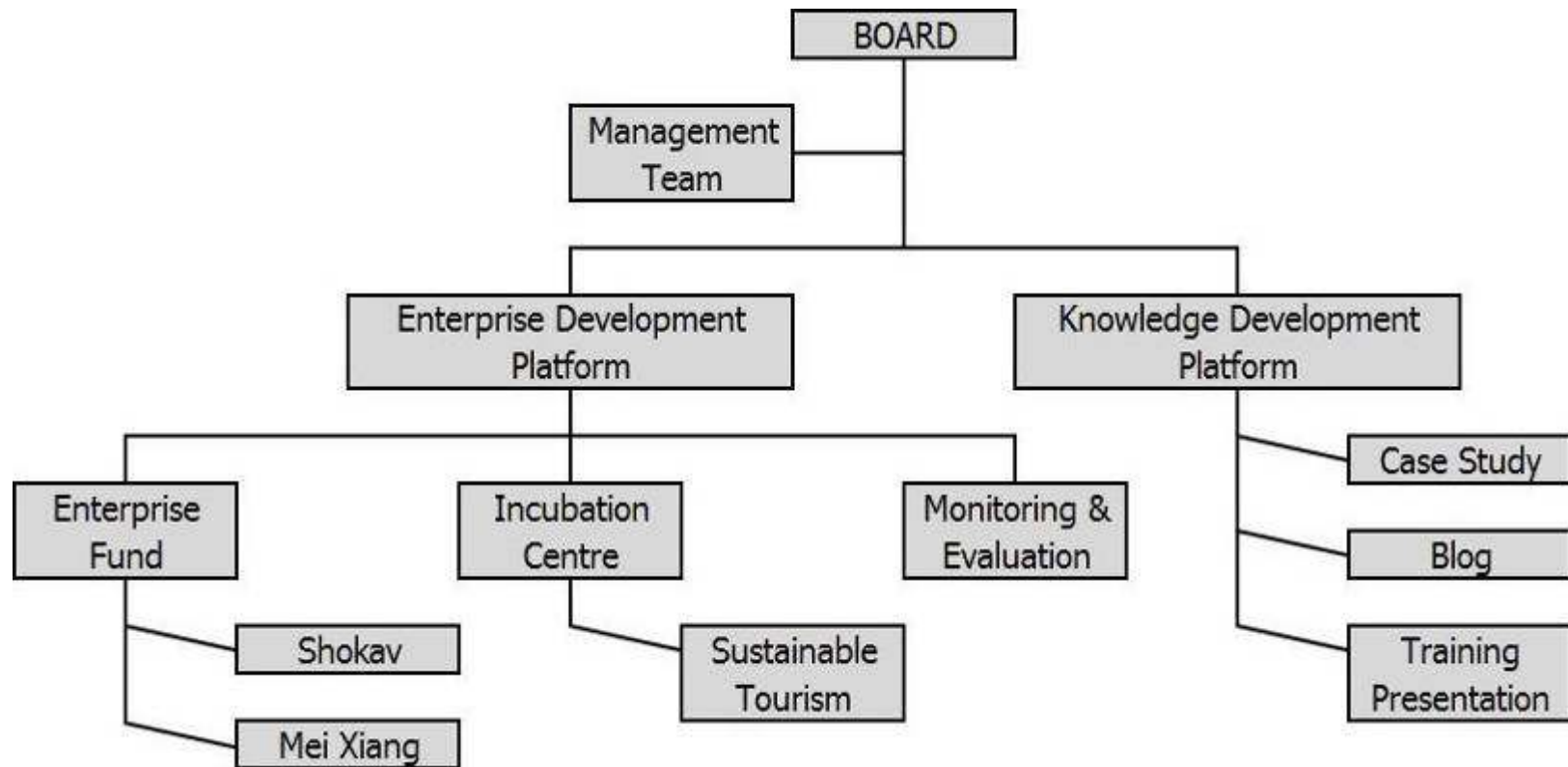
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Significance of Expanded IC

- Expanded IC valuation and reporting needed for :
 - New emerging “social stock exchange” for SEs e.g. Bovespa in Brazil
 - Voluntary reporting on social responsibility by corporations
 - Rating system to guide “socially-responsible consumption”
- Conceptually close to Dr. Chen Yu’s “consumption capital” theory” socially responsible consumption
- Relationship capital: closer to Asian concepts of *guanxi* (China), *suki* (Philippines), *gotong royong* and *mushawara mufakat* (Indonesia and Malaysia)

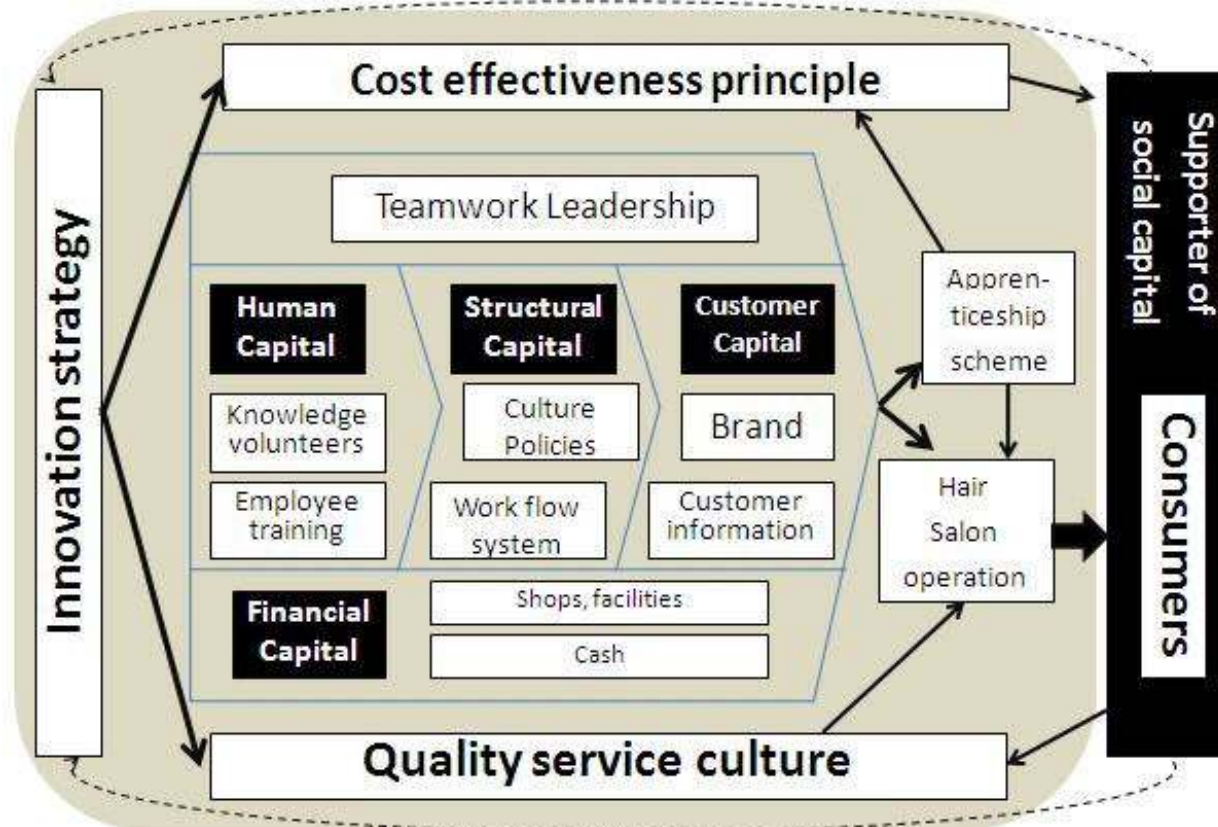
Ventures in Development, HK

- Organization and Programs

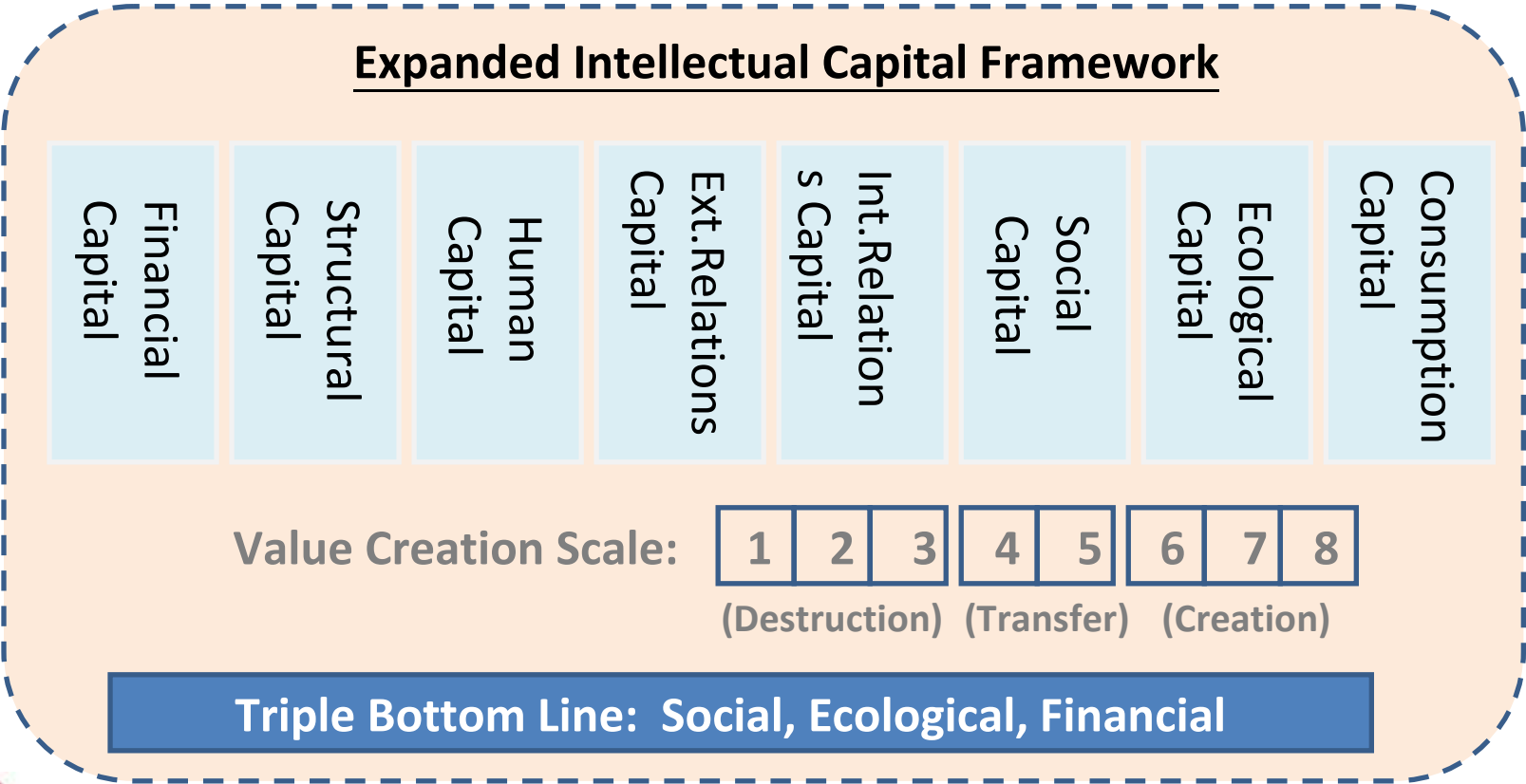
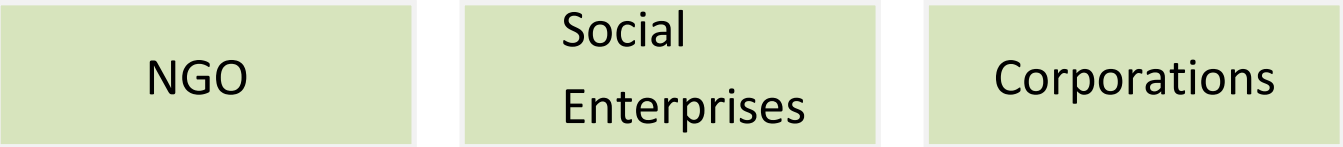


Fullness Christian Vocational Training Centre

- Service-as-Business Framework (with IC)



Framework revision



Conclusion

- World has changed. Financial capital least important. Organizational knowledge utilization, innovation and integration with social phenomenon are the key for sustainable organizational growth
- The Expanded Intellectual Capital Framework expands the scope of intangible assets to include all factors that contribute to value creation by adopting metacapital.
- *“I like to call this... creative capitalism – an approach where governments, businesses, and nonprofits work together to stretch the reach of market forces so that more people can make a profit, or gain recognition, doing work that eases the world’s inequities.”* (Bill Gates in Davos, January 2008)

Thank you!

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