



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

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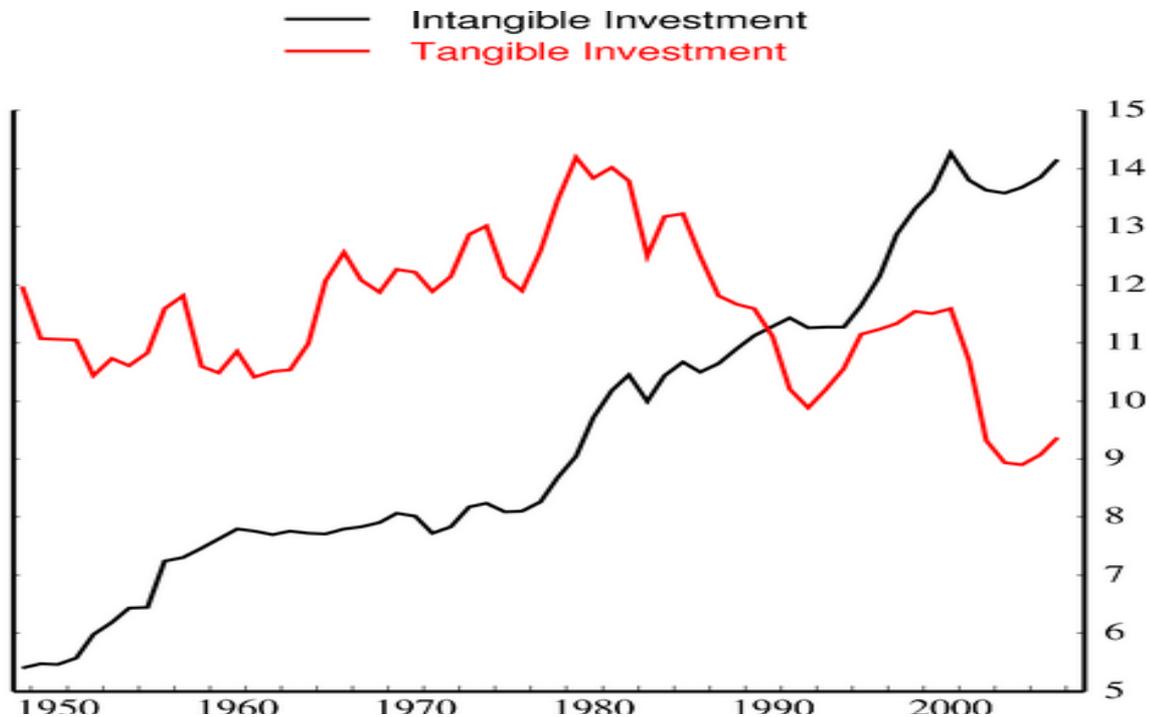
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# Why OECD Work on Intellectual Assets?

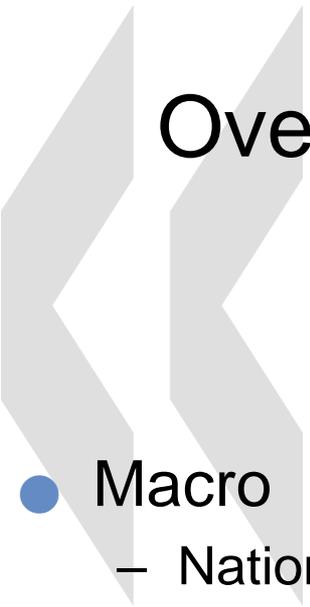
- Central to value creation, economic growth and competitiveness in a modern economy.
- Continued shortfalls in measurement and understanding, with implications for decision making
- Relationship to innovation, as inputs and outputs
- Possibilities to leverage these assets for acceleration in development

# Business investment in the US, tangible and intangible investment

(% business output)



Source: Corrado, Hulten and Sichel (2005, 2006)



# 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 and estimations of investment in intellectual assets

- The System of National Accounts is of crucial importance for tracking economic developments.
- Currently, the system provides an incomplete accounting of intangible assets, though progress in recent decades has resulted in inclusion of certain types of software and R&D investment.
- Firm-specific intangibles – such as network capital or organisational capital – are still not captured directly.

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

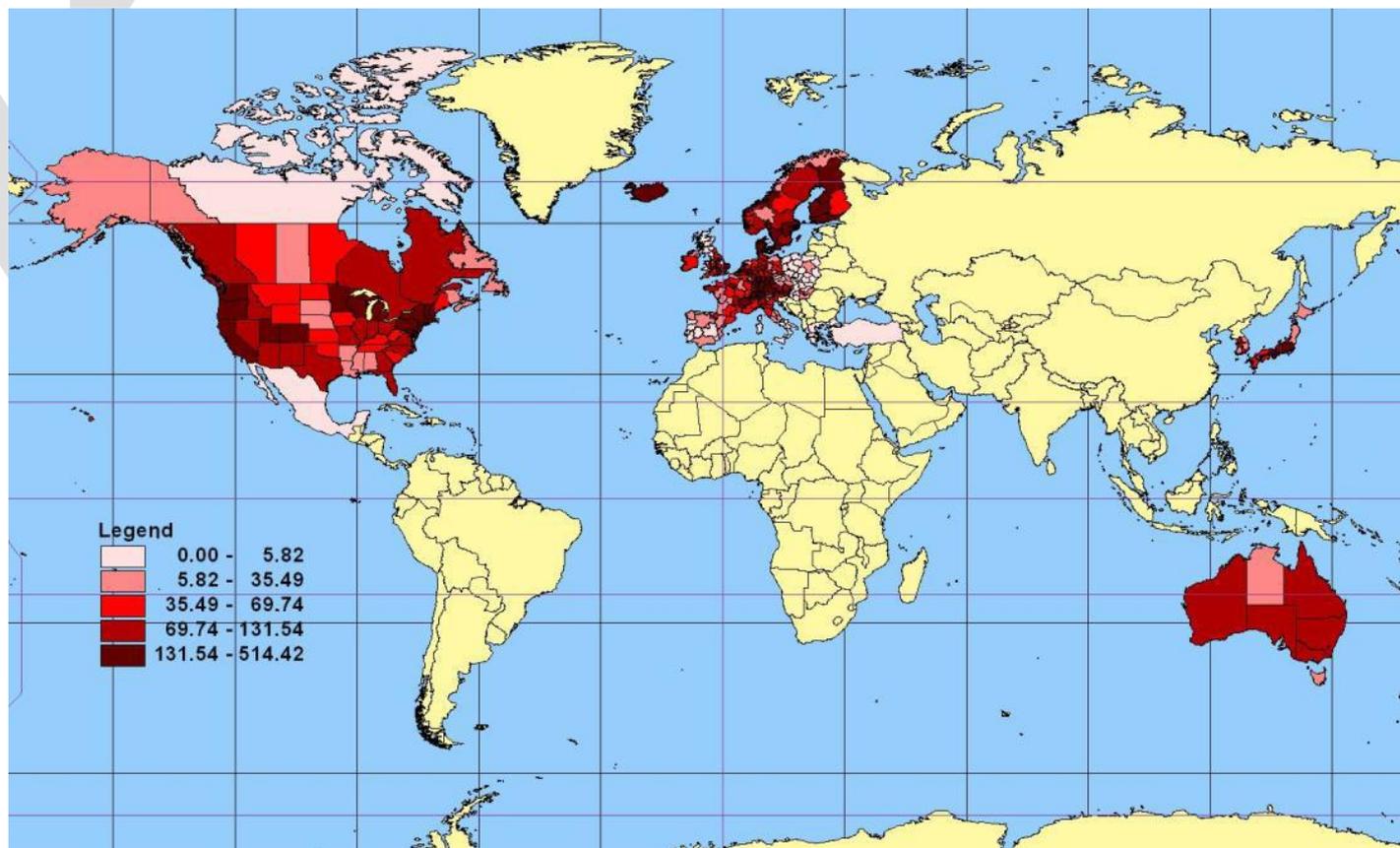
- Innovation linkages within firms across regions.
- Inventive regions: tend to have relatively more multi-regional firms among their innovative firms.
- Understanding processes important to maximising the returns to innovation and optimising the effects and efficiency of innovation policy.

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

- Highly inventive regions tend to cluster together.
- Cross-country differences point to the importance of national innovation systems.
- The inventive performance of regions is found to be directly influenced by the availability of human capital and R&D expenditure.

# “The World is Spiky”

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...

- Allows investors to better assess future earnings and risks associated with different investment opportunities.
- Makes financial markets more efficient by improving transparency
- Within firms, promotes management of the full range of assets... and accountability.
- Improves the ability of firms to secure funding at a lower cost of capital.

# Value Creation

- Ability to create value from intellectual assets is highly contingent on the management capabilities and business strategies.
- Wise exploitation of intellectual assets (e.g. ,R&D, patents, human capital & software) can yield high return on investment
- SMEs:
  - often rely on informal approaches to IP management.
  - administrative procedures may weigh heavily on smaller firms.
- In many cases, IA use is non-exclusive, non-rivalrous; readily scalable.

# 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.
- **Improved measurement approaches**, *e.g.* for definition of asset boundaries and determination of appropriate depreciation rates and deflators.

# Conclusions

- Intellectual assets, for economic efficiency, growth, innovation:
  - Important to measure and report
  - Important to manage
  - Important to invest
  - Important to take into account from a policy perspective

- For a summary of the recent OECD work on IAVC, go to:  
[www.oecd.org/sti/industry-issues](http://www.oecd.org/sti/industry-issues)

*Thank you for your attention*