

THE FRANCO-GERMAN ROUND TABLE ON INTANGIBLES

The First Workshop

Paris, MINISTRY OF ECONOMY, FINANCE AND INDUSTRY, 26 September 2011

The Main Discussed Issues



<http://www.chaironintellectualcapital.u-psud.fr/>

Agenda

- 1 Presentation
- 2 Introductions
- 3 Intangible investment and economic growth: a comparative analysis of France and Germany
- 4 Information systems and organisational capital as complementary assets
- 5 Reporting and valuing intangibles: The financial analyst perspective
- 6 Reporting and valuing intangibles (with a specific focus on SMEs)
- 7 IPRs, public funding and open innovation practices
- 8 Looking at the future : Value creation in Knowledge markets, networks and communities
- 9 Concluding Points

Presentation: The Agenda rationale

The Franco-German Round Table on intangibles and knowledge assets is a **research and policy initiative** by two major universities in the two countries (as well in Europe) –The University Paris-Sud and Heidelberg University– who decided to join their recent and on-going research efforts, in order to:

- Come up with conceptual instruments;
- Provide a stimulating platform for research and action for progress among different stakeholders in France and Germany;
- Contribute, more generally, to the large dialogue in Europe and more globally, on the role of intangibles in value creation.

The Round table will bring together **researchers, policy makers, Executives and Media** from the two countries, who are interested in sharing experiences and coordinating efforts towards understanding the dynamics of intangibles and their impact on sustainability in European societies, and beyond.

The project will deal with strategic business issues as well as with meso and macro/societal issues, taking into account the importance of linking these different perspectives. Societal issues such as sustainability will be integrated into the analysis.

The Round table has been initiated, based on two ideas:

- The importance of linking research to action;
- The existence of high potential for benchlearning between different targeted communities in the two countries on intangibles investment and value creation.

Presentation: Key topics for the agenda

Among the topics considered:

- 1 The status of intangibles and knowledge in our societies
- 2 Risks related to intangibles
- 3 The new forms of business modelling and their societal implications
- 4 The new forms of contracting and socio-economising
- 5 The importance of the public infrastructure for intangibles and contracting (for instance strategic funds for supporting innovation and valuing IPRs)
- 6 The degree of European and international mobility of knowledge /intangibles (the job creation dimension in Europe)
- 7 How to take advantage of aging population
- 8 Accounting, reporting and valuing intangibles: recent experiences and projects.

Presentation: The agenda planning and sequences

The Round Table includes three workshops:

- 1 The first workshop in Paris (26 September 2011)
- 2 A second workshop in Heidelberg (tentatively September 2012)
- 3 A third workshop (place to be determined, possibly at the European parliament)

In parallel to these formal meetings, several research initiatives and working groups will be initiated under the umbrella of the Round Table.

Each of the workshops will be organised around short technical presentations, to stimulate dialogue among participants and partners of the Round Table.

Introductions

Grégoire-Postel Vinay, Mission Stratégie, DGCIS, MINISTRY OF ECONOMY, FINANCE AND INDUSTRY

- Moving forward towards a better measurement of intangibles.
- Improving the return of investment of public policy.
 - Non-price competitive advantages.
 - Integration of tangible and intangible investments.
- EU 2020: 8 policy initiatives
 - Research and innovation
 - AERES, evaluation processes for public research
 - “Investments for the Future”, HR in high education
 - INPI network and reduction of patents cost
 - SMEs best practices
 - Vocational training ageing population
 - Software diffusion.

Introductions

Prof. Jean-Jacques Girerd, Vice-President, UNIVERSITY PARIS-SUD

- Competitive advantage of nations is now based on intangible capital.
- R&D and innovation broadly, human capital, marketing, information systems and new organizational models, are essential means of growth.
- The EUROPEAN CHAIR ON INTELLECTUAL CAPITAL MANAGEMENT, dedicated to the issue of intangible businesses, regions, cities and communities and the public sector.
- Special thanks to:
 - The MINISTRY OF ECONOMY, FINANCE AND INDUSTRY and DIRECTION GÉNÉRALE DE LA COMPÉTITIVITÉ DE L'INDUSTRIE ET DES SERVICES.
 - Mr. Grégoire Postel-Vinay
 - Mrs. Sylvie Donne
 - Mr. Florian Aymonin-Roux
 - Prof. Johannes Gluekler
 - Prof. Peter Meusburger
 - Prof. Leif Edvinsson
 - Prof. Guenter Koch

Session 1

Intangible investment and economic growth: a comparative analysis of France and Germany

Moderator:

Prof. Leif Edvinsson, LUND UNIVERSITY, Chairman , THE NEW CLUB OF PARIS

Issues:

- What is the level of investment in intangibles in France and Germany, in comparison with other OECD nations?
- Are there specific behaviours for France and Germany with regards to the level and modalities of investment?
- Are there specific spaces for benchlearning processes and experimentation?

Germany and the knowledge economy agenda

Dr. Uwe Thomas, former Secretary of State at the GERMAN FEDERAL MINISTRY OF EDUCATION AND RESEARCH

- Similarities between France and Germany based in the necessity of the two countries.
- Focus on: Big companies with a High Tech Portfolio, medium sized companies with high export ratios, and small companies with high growth ratios due to technical leadership.
- In the next 40 years, France and Germany will be at the forefront of innovation and resulting economic success.
- Germany: 4 large public research organizations (each spending 1-2 billion € yearly), have just set up academies on science management and it is still a rather weak undertaking.

Intangible investments in Germany, an overall perspective

Dr. Bettina Peters, Senior Economist, ZEW

- Hard to measure knowledge
- Collection of time series
- Contribution to economic growth
- Intangibles and Their Contribution to Growth at the Macro Level
- Intangibles and Their Contribution to Growth at the Sector Level
- Impact of Intangibles on Productivity Growth at the Micro Level
- Increase of intangible capital of 30% between 1995-2000
- Increase not continuous – follows overall economic development

Intangible investments in France, over a long term period

Vincent Delbecque, Post-Doc, Prof. Ahmed Bounfour, UNIVERSITY PARIS-SUD

- A study focused on precisely defined intangible items.
- Assesses the effect of intangible capital at the aggregate level but also in terms of asset combinations in order to identify asset complementarity.
- Documents intangible investment structure in France and Germany and within-country heterogeneity by focusing on the French industry structure and investment.
- Intangible capital, including software, R&D, architecture and design, advertising, training and organisation, contribute positively to economic growth.
- These contributions are lower than labour and tangible capital.
- Innovation incentives are to be promoted, but not at the expense of labour and tangible capital.

Intangible assets of the public sector, the French experience

Danielle Bourlange, Deputy General Director, APIE

- Our objective is to unlock the potential of public intangibles to create social and economic value.
- Modernization of public service.
- Opening up public intangibles: Open data : re-use of public sector information (PSI).
- Economic development : raw material for innovation and economic growth, particularly on a context of a digital economy.
- Transparency : increased dissemination of PSI through new channels to reach a broader public.
- Research fields: Measurement of the impact of disseminating public intangibles on a local territory.

Comments

Xavier Timbeau, Director, OFCE

- Comparative analysis of intangible investments: important yet complex exercise.
- The intangible infrastructure is harder to define, compared to physical infrastructure.
- Challenge: to prepare the right policy instruments adapted to the reality and complexity of intangibles.

Session 2

Information systems and organisational capital as complementary assets

Moderator:

Prof. Guenter Koch, General Secretary, THE NEW CLUB OF PARIS

Issues:

- What is the relative importance of Information systems and organisational capital as intangible assets for firms?
- What is the level of maturity of firms' behaviour with regards to valuation and management of these two complementary assets?
- What type of approaches to be implemented between France and Germany?

Organisational capital, Human capital as strategic resources

Prof. Martin Schneider, PADERBORN UNIVERSITY

- **Training** (as a measure of Human Capital) and **Computer-Aided Interface** (as a measure of Organizational Capital) are associated to performance in firms from the mechanical engineering industry.
- Which policies and practices are strategic resources?
- Can we distinguish between IT investment & organisational capital?
- Are there interactions between different strategic resources? How sustainable are competitive advantages?

Valuing IS & organisational assets, a French perspective

Prof. Ahmed Bounfour, UNIVERSITY PARIS-SUD

- Background: The IC-dVAL approach, a global IT organisation's performance measure, based on two complementary theories
 - RBV
 - Dynamic capabilities
- Exploring alternative / complementary ways of measuring organisational capital.
- Research agenda with AFOPE, distinguishing strategic (dynamic and improvisational) and operational capabilities.
- Moving forward regarding measurements and developing a 'complementarity' approach.

Comments

Georges Epinette, Vice President CIGREF and CIO, GROUPEMENT LES MOUSQUETAIRES

- Information systems in large companies can be approached in terms of value creation.
- Opportunities for benchlearning between German and French firms.

Daniel Stévenin, Inspecteur Général, RTE and President of AFOPE

- Joint approach developed recently with the EUROPEAN CHAIR ON INTELLECTUAL CAPITAL MANAGEMENT on modelling organisational capital.
- Approach articulated around the concept of capabilities.
- Under implementation in several companies member of AFOPE.

Session 3

Reporting and valuing intangibles: The financial analyst perspective

Moderator:

Prof. Dr. Peter Pawlowsky, CHEMNITZ UNIVERSITY

Issues:

- What type of expectations do financial analysts express with regards to intangibles reporting?
- Is there a real need for a standardized approach?
- Is such an approach feasible due to the idiosyncratic nature of (some) intangibles?

Reporting on intangibles: the financial analyst view

Alban Eyssette, Chairman, “Intangibles Commission”, SFAF

- Principles for Effective Communication of Intellectual Capital (EFFAS): promoting a shared responsibility between companies, analysts, and investors.
 - Benefits for companies: improve resource allocation on intangible assets, improve communication on true strengths to stakeholders.
 - Benefits for analysts and investors: better understand of the long term value creation process.
- | | | |
|--|---|--|
| <ul style="list-style-type: none"> ■ Clear link to future value creation ■ Transparency of methodology ■ Standardisation ■ Consistency over time | <ul style="list-style-type: none"> ■ Balanced trade-off between disclosure and privacy ■ Alignment of interests between company and investors ■ Prevention of information overflow | <ul style="list-style-type: none"> ■ Reliability and responsibility ■ Risk assessment ■ Effective disclosure placement and timing |
|--|---|--|

Comments

Patricia Lavaud, OBSERVATOIRE DE LA RESPONSABILITÉ SOCIÉTALE DES ENTREPRISES

- Studying and promoting Socially Responsible Investment and Corporate Social Responsibility in France and abroad.
- A growing interest towards 'reputation risk'.

Prof. Guenter Koch, General Secretary, THE NEW CLUB OF PARIS

Three pertinent topics:

- How to capitalise intangibles.
- The existence of frameworks.
- The issue of integrated reporting.

Comments

General Discussion

- How is information on intangibles relevant in our societies?
- The issue of the use of IC within companies.
- How France and Germany will develop their capabilities in the use of intangibles (IC).
- The issue of time perspective.
- How do venture capitalists value intangibles?
- How to move from a deterministic/controlled world to a set of measures of indeterministic world, where intangibles will play a critical role?

Session 4

Reporting and valuing intangibles (with a specific focus on SMEs)

Moderator:

Sylvie Donne, DGCIS, MINEFI

Issues:

- Lessons from the Wissensbilanz experience in Germany.
- Is there a specific approach to SMEs?
- What type of trade-off / equilibrium between reporting and managing intangibles, especially for knowledge intensive SMEs?

IC & KM in German SMEs

Prof. Dr. Peter Pawlowsly, CHEMNITZ UNIVERSITY

- Study conducted in German SMEs in 2006 and 2010.
- German SMEs plan to reinforce: identification of strategic knowledge deficits, project learning and benchmarking, and partnership development.
- Critical items for performance: direct customer relations, analysis & systematic evaluation of customer complaints and analysis of mistakes.
- As for market challenges, quality competition appears as the first factor, followed by price competition and legal regulation.
- KM appears are strongly effective when it is used to support string HR driven, quality oriented strategies, KM activities are significantly correlated to corporate performance.

The Wissensbilanz recent projects in Germany

Prof. Dr. Inge Wulf, CLAUSTHAL UNIVERSITY

- Overview of the BMWi initiative, started in 2002 to support IA based management of SMEs.
- More than 34 projects have been sponsored by the Ministry with a volume funding of 17,5 million €.
- Intellectual capital stages were implemented in about 400 SMEs, and guidelines have been published both in German and English: A real community of users have been established in Germany.
- The Wissensbilanz is organized around quantification and qualification of key success factors assessed in a systematic way.
- Identified benefits: diagnosis, decision support, optimisation and innovation, internal communication, management and reporting.

How to approach value creation in SMEs, the OSEO experience

Annie Geay, OSEO

- The necessity of developing reporting standards adapted to SMEs, especially in a context where 700 000 SMEs will have a succession issue in the next 10 years.
- Considering the context of the knowledge economy (access to knowledge, protection of new ideas, participating into successful networks) as well as of positioning within value chains.
- Public procurement and the sustainability agenda.
- OSEO, in this context, is playing an important role in innovation, especially in the context of “investments for the future” and clusters.

Comments

Takayuki Sumita, Chairman, WORLD INTELLECTUAL CAPITAL INITIATIVE

- We are facing a remarkable difficulty in establishing a common language.
- METI provides tools for helping SMEs in identification and management intangible assets.
- In Japan, more than 200 companies are reporting on their IA, accessing a network of technical advisers.

Marie-Ange Andrieux, ORDRE DES EXPERTS COMPTABLES, & GPS MEDEF

- The importance of a real governance of intangibles.
- Priorities for SMEs: human capital, branding, and qualitative competitiveness based on intangibles.

Session 5

IPRs, public funding and open innovation practices

Moderator:

Dominique Guellec, OECD

Issues:

- To what extent does open innovation introduce a different way to deal with knowledge assets?
- What is the level of diffusion of open innovation practices in France and Germany?
- Are there specific behaviours with regards to patents?

Open innovation and the services economy

Bror Salmelin, EUROPEAN COMMISSION

- Paradigm shift, from the science based linear innovation to to the knowledge (intangibles) society paradigm characterized by user-centric innovation, open innovation, systemic innovation and experimental mash-up.
- From the European perspective, 2020 is an adapted horizon for inducing such a change.

Open innovation versus proprietary knowledge

Nikolaus Thumm, Chief Economist, EPO

- Is OI against proprietary knowledge? OI does not mean open propriety.
- OI is not to be confused with open source, public domain or the absence of intellectual property.
- Open source is one mode of OI; OI needs a functioning IP system.
- IPRs has no value in itself; it creates value when linked to the strategy.
- OI asks for easy access to patent system as well as timely procedures and high presumption of validity of granted patents.
- New business models focus on branding, customer relation as well as a mix of open and proprietary knowledge. Whereas new technologies might demand alternative forms of protection (e.g., sui generis systems and shorter and longer patents).
- Policy: Special attention to the quality of granted patents and to reduce complexity and costs of the whole system.

Using open innovation as an innovative mean for technology transfer

Prof. Dr. Robin Kleer, RWTH AACHEN UNIVERSITY

Two case studies illustrating the attractiveness of OI in German firms.

- Open innovation in the German Mechanical engineering industry.
 - Evaluation and modification of OI evaluation of the approach. methods for industry domain.
 - Identification of OI platforms.
 - Development of business model
 - Piloting the platform and for future platform operations.
- Best practices to lower the barriers for commercialisation of nanotechnology research.
 - Identified barriers: establishing partnerships, misalignment of interests, unfair treatment of small partners, and loss of independence.
 - OI more important for large firms; positive correlation between OI and organisational readiness and investment.

Comments

Thierry Sueur, Vice-Président, AIR LIQUIDE

- OI is not new.
- Cooperation facilitates IP Management.
- Difficult to establish cooperation with other companies.
- Are there regulations compatible with OI?

Philippe Cadre, Deputy Director, Patents Directorate, INPI

- INPI is interested in deploying OI solutions, especially for SMEs.
- Building a platform dedicated to SMEs, to provide quick and easy to use informations for SMEs.

Comments

Patrick Terroir, Director General, CDC PROPRIÉTÉ INTELLECTUELLE

- Great paradox: we are in the knowledge economy but where are the economics?
- How to organize an IP market economy?
- We strongly need to experiment through the first patent fund for licensing (France Brevets, European Commission); creation of a long term investment club.

Alfred Chaouat, Senior-Vice President, TECHNICOLOR, President, LES FRANCE

- In EU projects, there is generally no patenting because of the competition policy. Results: Bottom line not so good.
- What should be the business model for Europe: R&D and licensing only, or furthermore enabled for product development?

Comments

Prof. Christian Osterrieth, Partner at REIMANN, OSTERRIETH, KÖHLER & HAFT, **Guido von Scheffer**, IP-STRATEGISTS, LES DEUTSCHLAND

- Europe developed important frameworks.
- IP is effective if it is possible to license it.

General Discussion

- The patent system is a framework for controlled exploitation. It provides an elegant solution to the risk incurred in R&D investments. However, in some instances patents are blocking exploitation and cooperation and therefore alternative solutions must be explored.
- Many studies have corroborated that more patents does not always mean more innovation.
- Open source goes in parallel with the patent system.

Session 6

Looking at the future : Value creation in Knowledge markets, networks and communities

Moderator:

Prof. Dr. Jacques Liouville, UNIVERSITY OF STRASBOURG

Issues:

- Taxonomies for the new forms of knowledge transaction and exchange.
- New practices and new forms of innovation within global innovation networks.
- Knowledge networks and markets and public policies.

Creating value in network and the peripheral voice

Prof. Dr. Johannes Gluekler, UNIVERSITY OF HEIDELBERG

- The concept of periphery along four dimensions: development (the economic dimension), subsidiary (the organisational dimension), remoteness (the geographical dimension) and farness (the topological dimension).
- A case study of a large German firm (Chemical AG), shows how the periphery voice –in this case the Argentinian subsidiary– innovates: how ideas are created and disseminated.
- The structural advantage of the periphery is also put forward especially with regards to experimentation and entrepreneurial venture.

The knowledge flow among communities

Prof. Dr. Oliver Ibert, INSTITUT FÜR GEOGRAPHISCHE WISSENSCHAFTEN

- The tangible and intangible aspects of knowledge.
- Mobility of knowledge: Re-enactment at another location (experts demonstrating insights, documents read, equipment installed, etc).
- Geography of communities are characterised by learning principles, with a tension between mobile and immobile assets. (Sites with immobile assets cannot be easily ignored.)

Value creation in markets and networks

Fernando Galindo-Rueda, OECD

- Rationale as well as typologies of KNM mechanisms are presented: IP markets, networks, collaborative mechanisms, markets for corporate control, and labour markets.
- Platforms are also presented: platforms for knowledge services (e.g., Innocentive); platforms for trading on IPRs (Intellectual ventures); KNM infrastructures, and public platforms.
- The interest for further empirical study of KNM is presented.

Comments

Frédérique Sachwald, THE FRENCH MINISTRY OF HIGHER EDUCATION AND RESEARCH

- Periphery voice.
 - Important for the internationalisation of R&D.
 - Importance of listening to the periphery.
 - New insights in studying organisation of R&D including with regarding to its location.
- Mobility of knowledge
 - Importance of the local dimension.
 - Importance for the cluster policy where proximity is relevant.

Comments

General Discussion

- Knowledge is an intangible in which mobility is crucial.
- “You have to be physically close to where ideas are being born.”
- Cluster policies are difficult to implement; impact evaluation just began recently.
- How to manage long-distance partnerships?
- Public-private transfers and innovation is not happening inside the firm only.
- The complementarity dimension remains to be explored.

Concluding Points

There is a high potential for benchlearning between France and Germany on Intangibles / Intellectual Capital.

The agenda should cover a variety of topics.

Among those to be considered in the very short term:

- Accounting, reporting, valuation and standards.
- Strategic funds and public sector initiatives regarding knowledge assets.
- Markets, network, communities and new innovation models and practices (open innovation).
- Regional, territorial and clustering aspects.
- SMEs and entrepreneurship.
- Analysis of performance for specific intangibles such as Informations systems and organisational capital.

Download the slides from the event following this link:

[The Franco-German Round Table on Intangibles](#)