

Corporate Governance of Intellectual Capital: The Impact of Intellectual Capital Reporting

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Abstract : Background: The role of intangible assets in today's society is undeniable and continuously growing. More than 80% of corporate market is related to intellectual capital(IC). However, corporate governance principles and practices seem strongly based and oriented towards tangible assets. The impact of intangible assets on corporate governance might require prevention and adaptative actions. Adherence to voluntary mechanisms of intellectual capital reporting (ICR) seems to be a gateway towards adapting corporate governance to intangible assets influence and a conceptual cornerstone. The impact of adherence to intellectual capital reporting on corporate governance and performance needs to be evaluated. Purposes: This work has a sequential two folded purpose: (1) exploring the influences exerted by IC on corporate governance theory and practice, and within that context (2) analyzing the impact of adherence to voluntary mechanisms of ICR on corporate governance. Design and summary: This work employs the theory of the firm and agency theory in order to conceptually explore the effects of each dimension of IC on key corporate governance issues, namely property rights and control by shareholders and residual claims by stakeholders, fiduciary duties of management and the board, opportunistic behavior and transparency. A comprehensive IC taxonomy and map is presented. Within the resulting context, internal and external impact of ICR on corporate governance and performance is conceptually analyzed. IRC constraint and barriers are identified. Intellectual liabilities are presented within the context of IRC. Finally, IRC regulatory framework is surveyed. Findings: Relevant conclusions were rendered on the influence of intellectual capital on corporate governance. Sufficient evidence of a positive impact of IRC on corporate governance and performance was found. Additionally, it was found that IRC exerts a leveraging effect on IC itself. Intellectual liabilities are insufficiently researched and seem to have a relevant importance on IC measuring. IRC regulatory framework was found to be insufficiently developed to capture the essence of intangible assets and to meet corporate governance challenges facing IC. Originality: This work develops a progressive approach to conceptually analyze the mutual influences between IC and corporate governance. An epistemic ideogram represents the intersection of analyzed theories. An IC map is presented. The relatively new topic of intellectual liabilities is conceptually analyzed in the context of IRC. Social liabilities and client liabilities are presented.

Keywords : corporate governance, intellectual capital, intellectual capital reporting, intellectual assets, intellectual liabilities, voluntary mechanisms, regulatory framework

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