

Case 3b

The problems of valuing intellectual capital

Geoff had decided to research how companies valued intellectual capital, and was very keen to get started. He began by contacting several big accountancy firms asking if they had any publications on this topic, and was pleased when they responded by sending material very quickly. He spent two full days in the university library, where he searched the library's on-line catalogue and the *Financial Times* archive on line. He also tried using the Internet search engine Google, but he found over 700 000 hits relating to intellectual capital and realised that it would take years to read them all.

He arrived for his tutorial with the file of material that he had collected as the foundation for his literature review. This comprised photocopied extracts from some textbooks on financial reporting, the reports he had received from professional accountancy firms, and copies of articles from the *Financial Times*. Geoff showed his tutor how he had started writing his literature review. This summarised everything he had read so far in chronological order of publication, including extensive quotations from each source.

Geoff was disappointed that his tutor did not seem more enthusiastic about his progress. As they discussed the purpose of a literature review, Geoff commented 'I've done a really thorough search, there's nothing else about intellectual capital in the library – I think I've read nearly everything written on the topic now!'

The tutor pointed out that, although Geoff had collected some relevant and up-to-date material, he had not looked into the academic literature. He therefore suggested two refereed journal articles that he should read. Geoff began to realise that the reading he needed to do was going to be very time consuming. His tutor gave him some advice on learning to skim texts to speed up the process and how to organise information efficiently, keeping careful notes on sources.

Geoff returned to the library and searched for the two refereed journal articles. One journal was in the library, but he had to request the second article through the inter-library loan service. He sat down to read the first article and discovered that some of the points that the author made had also appeared in the professional reports. He made some notes on these connecting ideas and began to think about the reasons why companies might want to put a value on intellectual capital, as well as the ways in which they might perform the calculations. The article contained references to books and other articles that dealt with this. Geoff noted their references in full so that he could obtain copies.

Over the next few weeks, Geoff concentrated on reading the academic literature. Many of the articles that he read contained references to the work of two particular researchers, so he looked for other published works by these people, who were clearly authorities in the area. The library staff helped him to use several electronic resources, including ABI-Inform and EBSCO, which provided speedy access to the articles he needed. Soon he was able to read quickly through a list of titles to pick out those relevant to his work, although the amount of material previously written on the subject seemed daunting. Talking to other students on his course, he found that they had similar concerns. One student said that she had collected so many references that she had decided to record everything she had read in a simple database. She showed Geoff how she had set this up, and he decided to copy the idea. He also began to organise his notes around themes that seemed to be repeated in the articles he was reading. Over time he began to realise that the practical issues,

which had first attracted him to the topic, could be explained more clearly when they were placed in the theoretical context discussed in the academic literature.

Geoff was still worried that he hadn't located all the relevant literature. However, he was reassured by his tutor's comments after reading the first draft of his literature review. These emphasised that there was no need to read everything that had been written and that, although the structure of the review still needed further work, it provided a reasonable overview of current thinking. They discussed ways in which he could take a more critical approach to the literature and use this evaluation to support his arguments in a logical way. As part of the discussion Geoff's tutor asked him to select the article that he considered the most authoritative on the problems of valuing intellectual capital and then to explain why. This exercise helped Geoff to reorganise his material in a more focused way.

When he had completed the second draft of his review Geoff felt really pleased with it, and his tutor congratulated him on making excellent progress. He was even more enthusiastic about his project now that he could be confident about his basic understanding of the area and had identified specific issues to focus on.

Questions

- 1 How do you think Geoff's view of the purpose of undertaking a literature review changed?
- 2 What specific skills did Geoff develop in the course of preparing the review?
- 3 Why do you think Geoff's friend recorded everything she had read in a database rather than just those articles she felt would definitely be of use to her dissertation?
- 4 How could Geoff have made better use of Internet search engines in researching his topic?