

INTELLECTUAL CAPITAL REPORTING PRACTICES IN THE NON-PROFIT SECTOR

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INTRODUCTORY REMARKS

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1. THE NON-PROFIT FRAMEWORK

The non-profit sector is a really diverse sector, which includes several activities (Kong, 2010). In the book, the term non-profit has been used as an umbrella term which includes not only the non-profit (or third) sector in strict terms but also all sectors different from the for-profit sector.

In detail, we investigated the IC reporting practices within the third sector, health sector, public sector and higher education sector, which are extremely diverse in their composition. For instance, the third sector includes voluntary organizations, foundations, associations etc. operating on several activities, according to the International Classification of Non-Profit Organizations (ICNPO) (Salomon and Anheier, 1992). Public sector includes the State, regions, provinces, local authorities etc. The health sector includes research centers together with hospitals and public health companies (*Aziende Sanitarie Locali* – ASL). The higher education sector includes public and private universities as well as research centers. In other words, from an IC management point of view, the distinction between different industries may in some cases be as important as profit orientation (i.e. for-profit vs. non-profit) (Sillanpää *et al.*, 2010).

There are two main reasons that make the IC framework and IC report adaptable as a strategic management tool in the non-profit setting. The first is related to the changes faced by non-profit organizations (NPOs), which now operate in a profoundly changed environment as consequences of the changes introduced within the public environment by the New Public Management (Hood, 1995). NPOs today commonly operate in a highly competitive environment characterized by increasing demand for services from the community, growing competition for contracts with the for-profit sector, declining volunteer support and a generally decreasing government funding (Kong, 2010). The second reason is related to the knowledge-intensive character of NPOs, as their inputs and their outputs are intangible, how their production process is human-capital intensive (Venter and Sung, 2011; Ramirez, 2010).

Yet, the IC framework was originally conceived for the for-profit sector and empirical experiences of measuring and reporting IC have been mainly carried out by for-profit organizations, even if NPOs are aware of the relevance of IC as the key element on which to create and maintain their competitive advantage. Nowadays, in a knowledge-based economy, knowledge is critical to for-profit organizations as it is to NPOs (Kong, 2008). In a new competitive environment, NPOs are requested to manage existing resources efficiently and effectively and to create, maintain and develop new resources based on knowledge. If existing management tools of the for-profit sector can be imported within the non-profit sector to manage existing resources (Barman, 2007; Moxham, 2009), new frameworks and new tools will be required by for-profit and non-profit organizations to manage knowledge-related resources. The literature identifies IC as the right framework to define and systematize intangible resources, since it can be viewed as the dynamic and firm-specific system of knowledge-related resources. On the other hand, the IC report can be considered the right strategic tool to measure, manage and report IC information to organizations' stakeholders.

2. THE CONTRIBUTIONS

The contributions of the book focus on the IC reporting within the non-profit sector, summarizing the state-of-the-art in relation to the management and application of intellectual capital in non-profit organizations. In detail, the third sector, the public sector, the health sector and the university sector have been investigated. A brief introduction to the key ideas of the chapters is presented here.

Chapter 1 focuses on the definition and classification of Intellectual Capital (IC) and on the relevance of this concept within the non-profit sector.

Chapter 2 points out that IC measurement for internal (management) and external (reporting) is a potential approach for non-profit organizations. Considering the lack of specific IC measurement and reporting models (ICMRM) tailored on non-profit organizations, the chapter describes the *ad hoc* ICMRM models, illustrating also their evolution (from pioneering to advanced models) and the peculiarities of IC report for the non-profit sector, the state-of-the-art of the empirical researches on its implementation within the non-profit sector and the problems encountered by organizations whose objective is to implement an *ad hoc* IC measurement system.

Chapter 3 focuses on the main features of the third sector and on the main changes that drove third sector organizations towards considering implementation of IC measurement and reporting systems as strategic management tools. The chapter then examines previous IC report archival research and the intellectual capital reporting practices of an Italian third sector organization, ANPAS Piemonte, providing, in addition to the IC reports data on the three year period 2005-2007 in terms of human, organizational and relational capital, the notion of