

GAP CONGRESS ON KNOWLEDGE CAPITAL

3 & 4 November 2005 • Melbourne, Australia

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GAP Congress on Knowledge Capital

Melbourne, Australia

3 - 4 November 2005

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Executive Summary

The Congress on Knowledge Capital, held in Melbourne on 3 and 4 November 2005, brought together over one hundred experts and leaders from academia, government, business and not-for-profit sectors to discuss the important issue of managing, measuring and reporting 'intangibles'.

Hosted by the **Australian Government Consultative Committee on Knowledge Capital** (AGCCKC) and **Global Access Partners** (GAP), the Congress focused on how Australian businesses can reinvigorate their knowledge management practices.

The following points emerged from the discussion:

- » Australia is evolving from an agricultural and industrial-based national economy to a global, technology-enabled, knowledge-based society. Sustainable management into the future demands a deeper understanding of the intangible factors, which create value, inspire innovation and drive improved performance outcomes. It is the 'invisible' aspects that set businesses apart and make them unique.
- » The fiscal and business drivers of growth and performance have changed, but organisations have not yet adapted the management, measurement and reporting of their vital intangible assets. Traditional financial reporting does not provide sufficient information to fully inform all stakeholders while accountants and managers lack the tools they need to provide quantitative and qualitative measurement of these important intangibles.
- » Non-financial aspects of management significantly affect business outcomes and a critical value in businesses - people, "know-how", systems and data - are underused and undervalued. Many investment decisions are based on unbalanced and incomplete information which underscores the importance of being able to "value intangibles" and their contribution to the performance metrics of an organisation. By building valuation standards and risk profiles, one can turn "intangibles" into tangibles.
- » The principles summarised in the '**Melbourne Protocol**' (a petition of support for the activities of the Australian Society for Knowledge Economics, signed by Congress delegates - see App. 5, page 48) lay the foundations for identifying and describing intangible assets and their relevance to improving performance. The new management and reporting techniques will prove a boon, rather than additional burden, to firms and organisations.
- » The techniques and language used to internally and externally communicate the nature and impact of intangibles must avoid jargon and employ concise, comparable, metrics. Experience demonstrates that the process of measurement, by showing employees that they are fully valued, will in itself improve motivation and productivity.
- » Congress delegates welcomed the formation of the **Society for Knowledge Economics**, which, through the development and implementation of the '*Australian Guiding Principles on Extended Performance Management*', will promote the strategic management of knowledge capital and be a forum for further discussion.

This Report represents a wide range of views and interests of the participating individuals and organisations. Statements made during discussions are the personal opinions of the speakers and do not necessarily reflect those of the organisers and sponsors of the Congress.

The Steering Committee

The Steering Committee of government, academia and industry leaders worked over a year on the Congress' objectives, topics for discussion and a continuity strategy, to ensure outcomes are achieved beyond the event.

The members of the Steering committee for the GAP Congress on Knowledge Capital 2005 were (in alphabetical order):

Mr Mark Bezzina

Executive Director
Society for Knowledge Economics

Ms Christina Boedker

School of Accounting
University of NSW

Mr Patrick Callioni

Division Manager
Australian Government Information
Management Office (AGIMO)
Department of Finance &
Administration

Mr Peter Fritz

Chairman
Australian Government
Consultative Committee on
Knowledge Capital (AGCCKC)
Group Managing Director
TCG Group
Managing Director
Global Access Partners (GAP)

Prof James Guthrie

Faculty of Economics & Business,
The University of Sydney

Mr David Hanna

Chief Executive Officer
Innovation Economy Advisory Board
State of Victoria

Ms Samantha Herron

Manager
Corporate Communications
Microsoft Australia

Mr Bruce Hills

Head of Risk
Business Technology Solutions & Services
Westpac Banking Corporation

Dr Steve Hodgkinson

Deputy Chief Information Officer for Victoria

Ms Julie King

Senior Policy Officer
Office of the Director General
NSW Department of Lands

Mr Andrew Leslie

Manager
Risk Analysis and Reporting
Westpac Banking Corporation

Mr Chris Liell-Cock

Chief Operations Officer
Sustainable Performance Pty Ltd

Mrs Annick Philipsz

Manager
Policy and Liaison
Office of the Innovation Economy
Advisory Board
State of Victoria

Partners & Sponsors

The GAP Congress on Knowledge Capital 2005 was coordinated by **Global Access Partners (GAP) Pty Ltd** – an influential network that initiates high level discussions on global issues, encouraging the sharing of knowledge, progress and policy change (see App. 3, page 40). GAP structures each initiative around the desired business outcomes of its partners and sponsors.

The Congress was co-sponsored by GAP and its partners whose role extends beyond the event through membership in the **Australian Government Consultative Committee on Knowledge Capital (AGCCKC)**. Our thanks go to the following organisations (listed in alphabetical order) for their contribution and foresight:

- » **Australian Government
Information Management Office
(AGIMO), Department of Finance
and Administration**
- » **Microsoft Australia**
- » **Qantas Airways**
- » **State Government of Victoria**
- » **Westpac Banking Corporation**

(for more information on the sponsors of the GAP Congress on Knowledge Capital 2005, see App. 3, pages 39-44)

Keynote Speakers

The Congress took place over two days. Day One included **the opening dinner** (3 November, Sir Redmond Barry Room, Investment Centre Victoria), while Day Two consisted of two morning and two afternoon **parliamentary sessions** (4 November, Legislative Assembly Chamber, Parliament House of Victoria) under the following headings: "Current Directions in the Knowledge Economy", "Society for Knowledge Economics. International Development", "Experiences from the Australian Trenches, "A Way Forward" (for a full programme and profiles of speakers, see App. 1 & 2, pages 32-38). Each session began with thought provoking addresses from the keynote speakers and continued as a dialogue between delegates in a 'think tank' mode.

The keynote speakers of the GAP Congress on Knowledge Capital 2005 were (in alphabetical order):

The Honourable Eric Abetz

Special Minister of State
Senator for Tasmania

Mr Keith Besgrove

Chief General Manager, Information
Economy Division Department of
Communications, Information
Technology and the Arts

Mr Mark Bezzina

Executive Director, Society for
Knowledge Economics

Ms Christina Boedker

School of Accounting, University of NSW

The Honourable John Brumby MP

Minister for State and Regional
Development, Minister for Innovation
State of Victoria

Mr Patrick Callioni

Division Manager, Australian Government
Information Management Office
Department of Finance and
Administration

Mr Michael Coomer

Group Executive, Business and
Technology Solutions and Services,
Westpac Banking Corporation

Mr Giuseppe Fiore

Director General, Consip S.p.A., Italy

Mr Peter Fritz AM

Chair, Australian Government
Consultative Committee on
Knowledge Capital (AGCCKC)

Mr Andrew Gale

President, Institute of Actuaries
of Australia

Prof James Guthrie

Faculty of Economics and Business
University of Sydney

Mr Chris Liell-Cock

Chief Operations Officer
Sustainable Performance

Mr Alex Malley

Chairman
Australasian Reporting Awards

The Honourable Dr Brendan Nelson MP

Minister for Education, Science and
Training, Australian Government

Mr Michael Potter

Director of Economics & Taxation
Australian Chamber of Commerce
and Industry

Mr Nick Ridehalgh

Partner, PriceWaterhouseCoopers

Prof Göran Roos

Centre for Business Performance
Cranfield School of Management, UK

Dr Herwig Schlägl

Deputy Secretary-General
OECD, France

Ms Jane Treadwell

Chief Information Officer, Victorian
Government

Mr Steve Vamos

Managing Director, Microsoft Australia
President, Society for Knowledge
Economics

Mr Warwick Watkins

Director General
NSW Department of Lands

Dr Ian Watt

Secretary, Department of Finance and
Administration, Australian Government

Dr Ian Woods

Senior Research Analyst
Sustainable Funds, AMP Capital Investors

Participating Organisations

Participation in each GAP Congress is by invitation only. The Congress is attended by the leading executives from government and industry.

101 delegate from the following 67 organisations participated in the GAP Congress on Knowledge Capital 2005 (for the full list of delegates, see App. 4, pages 45-47):

- » AMP Capital Investors
- » Australian Chamber of Commerce and Industry
- » Australian Computer Society
- » Australian Government Information Management Office (AGIMO)
- » Australian Institute of Company Directors
- » Australian Taxation Office
- » Australian Unity
- » Australian Valuation Office
- » Australasian Reporting Awards (Inc.)
- » Bill Godfrey & Associates
- » Colliers International
- » Committee for Economic Development of Australia (CEDA)
- » Committee for Melbourne
- » Computer Sciences Corporation
- » Consip SpA
- » CPA Australia
- » Cranfield School of Management, UK
- » CSC Australia
- » Dandolo Partners Pty Ltd
- » Department of Communications, Information Technology & the Arts, Australian Government
- » Department of Family and Community Services, Australian Government
- » Department of Finance and Administration, Australian Government
- » Department of Industry, Tourism and Resources, Australian Government
- » Department of Transport and Regional Services, Australian Government
- » Department of Innovation, Industry and Regional Development, Victorian Government
- » DH4 Pty Ltd
- » Global Access Partners
- » Growing Your Knowledge
- » Hewitt Associates Pty Ltd
- » ICGS
- » Information City
- » Information Integrity Solutions
- » Innovation Economy Advisory Board, Victorian Government
- » Institute of Actuaries Australia
- » Intellectual Property Research Institute of Australia (IPRIA)
- » International Intangible Management Standards Institute
- » International Organisation for Knowledge Economy & Enterprise Development (IKED)
- » jdrlegal Pty Ltd
- » La Trobe University
- » Leadership Consortium
- » Management Frontiers
- » Microsoft Australia
- » MIS Magazine, Fairfax Business Media
- » Northern Territory Valuation Office
- » NSW Department of Lands
- » Office of the Auditor General for Western Australia
- » Office of the Chief Information Officer, Department of Premier and Cabinet, Victorian Government
- » Office of the Minister for Education, Science and Training, Australian Government
- » Office of the Minister for State & Regional Development, Minister for Innovation, Victorian Government
- » Office of the Special Minister of State, Senator for Tasmania, Australian Government
- » Organisation for Economic Cooperation and Development (OECD)
- » PriceWaterhouseCoopers
- » Progressive Business Management Pty Ltd
- » Qantas Airways
- » Sanseman Government
- » Society for Knowledge Economics
- » Sustainable Performance Pty Ltd
- » TCG Group
- » The Allen Consulting Group
- » The Eureka Report
- » United Nations Staff College
- » University of Melbourne
- » University of NSW
- » University of Sydney
- » University of Western Sydney
- » Victorian College of the Arts
- » Westpac Banking Corporation

Report of the Congress Proceedings

Opening Dinner – 3 November 2005, Sir Redmond Barry Room

Michael Coomer of Westpac opened the Congress and welcomed **the Hon. John Brumby**, Treasurer of Victoria, Minister for State and Regional Development and Minister for Innovation, **Steve Vamos**, Managing Director of Microsoft Australia, **Patrick Callioni**, Division Manager, AGIMO, **Peter Fritz**, Managing Director of Global Access Partners, and guests to the opening dinner of the GAP Congress on Knowledge Capital.

He expressed Westpac's delight in partnering the event and acknowledged fellow sponsors in the Victorian Government, the Australian Government Information Management Office, Microsoft and Qantas.

In today's global world economy knowledge and technology hold the key to economic growth. 73% of the Australian workforce is employed in the knowledge and services sector contributing 52% of national GDP. Mr Coomer praised Mr Brumby's record in economic and regulatory reform and his passionate advocacy of innovation in promoting knowledge-intensive industries such as biotechnology, environmental technologies and advanced manufacturing.

Westpac agrees that knowledge and innovation are the keys to economic growth and acknowledges the current limitations in measuring and recording their contribution to economic success. The company has sought to overcome the limitations imposed by traditional reporting with its focus on historic financial performance, but faces the same issue that all companies do when compiling "*Extended Performance Management Frameworks*".

Westpac has made considerable progress in terms of sustainability reporting. Last year, for the first time, the bank aligned its non-financial reporting with its financial reporting, offering a *Concise Annual Report*, a *Full Financial Report*, and a *Stakeholder Impact Report* to provide a comprehensive picture.

For the fourth year in a row, Westpac has topped the world's banks on the Dow Jones Sustainability Leader Index. It was named a super sector leader for banks, and is the only Australian company in one of the 18 market sectors covered by the index. Westpac produced perfect scores on environmental performance, human capital development, stakeholder engagements, risk and crisis management, advanced customer relationship management, business risks and financial inclusion. Though Westpac is proud of these achievements, it recognises that they are small steps on the way to finding the languages and methodologies necessary for the record keepers and economic managers of the post-industrial world.

Independent measures of employees such as the "*Staff Perspectives Survey*" show that Westpac's staff understand how its fortunes and future are linked to Westpac's stakeholders. This has enabled its people to better understand its knowledge intensive resources, be open to new methods to foster their growth, and led to projects such as the "*Knowledge Worker Project*", which involves investigating and testing an intangible management framework, conducted by **Dr Ken Stanfield**, of the International Intangible Management Standards Institute.

One of the key findings of this initiative was that the time taken for an average employee to reach full competency in a new role had a significant financial impact. Using knowledge reengineering, Westpac believes that the new role competency could be reached in half the time, thereby reducing error-rates, rework, and costs, whilst improving service, satisfaction, productivity, engagement, and reputation.

Mr Coomer hoped that the lessons learned from initiatives could help develop a common standard through the Society for Knowledge Economics. He then introduced the next keynote speaker, the **Hon. John Brumby**, Treasurer of Victoria, Minister for State and Regional Development and Minister for Innovation.

Minister Brumby noted the growing importance of knowledge capital to the Australian economy, the Australian stock market records intangible assets of \$600 billion, and welcomed this Congress as a move to create new standards of accounting and measurement.

» Changing nature of economies

Mr Brumby pointed out that Victoria's vibrant, modern and prosperous economy is larger than Singapore's or Ireland's, and accounts for 25% of Australia's GDP after real GDP growth of 14% in the past four years. This is driven less by resources, agriculture or manufacturing and more by 'knowledge industries' and the service sector – ICT, biotech, media, higher education, healthcare, environmental technologies, advanced manufacturing and financial services.

In 1960 the global economy was equally split between agriculture, manufacturing, and services. By 1998, agriculture accounted for just 4% and knowledge/services over two thirds. New technologies have created a global, web-enabled playing field that lets anyone work together or compete with each other, regardless of geography, time or language.

Business can move jobs wherever there is a factory or Internet connection, as described by Thomas Friedman in *"The World is Flat"*. Companies are evolving into 'metanationals', which sense new knowledge and mobilise this knowledge to create innovative products or services. They "think locally and act globally."

Global supply chains have become complex and interconnected. One may sit at home, accessing the internet through a computer assembled in Taiwan, using Irish-built processors and running software developed in the US, to buy a product designed in Italy and manufactured in China. One's credit card will be processed in India, the product shipped from a warehouse in Singapore on a Norwegian freighter, tracked by an Australian TDL company and delivered to one's door by a van assembled by the Korean subsidiary of a German-American automotive company.

The management of these 'metanationals' – the ability to make comparative measurements of their performance and value – will be dependent on an international standard.

» Importance of knowledge capital

Companies and Governments must compete for opportunities and investment in this new world, wherever more economic value is found in creative and innovative ideas. If one can produce intellectual property then one can sell knowledge.

In the US software, patents, research and development, entertainment, media and pharmaceutical R&D now accounts for 50% of its export income. 70% of a modern car's value is in the intangibles – software, design, IP and branding, said **Minister Brumby**.



The skills and ideas that generate IP and turn companies into industry leaders or transform entire industries can come from anywhere and have an impact everywhere. China is using knowledge capital – planning, design, engineering, environmental services and project management – to create new urban environments for up to 20 million people annually. This knowledge capital is estimated to represent around 30% of annual urbanisation expenditure in China – or over AU\$50 billion annually. China will soon have constructed an urban fabric equal to Western Europe – which took 200 years.

The competition now is not just for capital and markets, but for skilled and talented people to generate the knowledge driving this new wave of globalisation. 60% of most organisations' assets are knowledge capital far higher when software and information assets are included.

» State Government support for building Victoria's knowledge capital

- The most ambitious innovation agenda of any Australian State Government – over \$1 billion to a wide range of strategic initiatives including \$50 million for the Walter and Eliza Hall Institute (WEHI);
- Establishing the *Innovation Economy Advisory Board* which also represents Victoria on the *Australian Government Consultative Committee on Knowledge Capital*;
- Encouraging a culture of ideas and creativity to attract the brightest through initiatives like the *Victorian Endowment for Science, Knowledge and Innovation* and events like the *2005 Alfred Deakin Innovation Lectures*, Australia's leading forum for discussing its future, and this Congress.

» Measuring Knowledge Capital

While all agree that knowledge, innovation and creativity are the key drivers of economic growth, no one has agreed on any consistent way of measuring and benchmarking their contribution to success. Economic, financial and management tools are still based on the demands of manufacturing and commodity driven sectors, focused on measuring and assessing tangible assets like inventory, capital stock, and productivity rates per head – while overlooking the intangible but vital contribution made by creative people.

This is a critical matter for Governments as well as businesses. Governments make major investment decisions, often in the innovation and knowledge-driven sectors, and the ability to assess the full –

tangible and intangible – value of these investments is vital. This Congress has a huge opportunity to develop an acceptable, credible and useful framework to report these assets to business managers, accountants and corporate regulators and develop clear, consistent, rigorous, transparent and accountable standards for measuring that fundamental driver of economic growth today – knowledge capital.

Minister Brumby wished the Congress well in these aims, stressed the support of the Victorian Government and looked forward to the Congress signing the *Protocol for the Management, Measuring and Reporting of Knowledge Economics* - the “**Melbourne Protocol**”.

Patrick Callioni of AGIMO closed the first day of the Congress.

Parliamentary Session Day – 4 November 2005, Parliament House of Victoria

Keith Besgrove, Head of the Information Economy Division in the Department of Communications, Information Technology and the Arts, welcomed delegates to the 2005 Global Access Partners Congress on Knowledge Capital. He emphasised the



impact of knowledge creation and exploitation as drivers of economic innovation. The ‘information economy’ is not a new sector or industry, but the total transformation effect of information and communication on all industries.

Australian Standard 50372005, better known as ‘*Knowledge Management, a Guide*’, was published in October 2005. Initiated by, among others, **Patrick Callioni**, its production involved a wide range of organisations over recent years and highlighted the growing importance of knowledge capital to organisations, public and private, large and small.

Session One – “Current Directions in the Knowledge Economy”

Mr Besgrove introduced the session Chairman, Special Minister of State, Tasmanian **Senator Eric Abetz**.

Senator Abetz saw the purpose of the Congress as putting the issue of intangibles on the national economic agenda for the 21st Century to improve Australian competitiveness, prosperity and success.

‘Just as modern capitalism required the development of common law to supercede 19th century’s notions of equity, freeing entrepreneurs to create new opportunities, industries and jobs, so, international accounting standards must now be reformed to leave space for knowledge entrepreneurs to create the industries that will employ our children.

‘What makes a business distinct is its ability to use knowledge – scientific, technical, social, economic and managerial - to produce a product of value in the marketplace. Research highlights that Microsoft is valued by the Stockmarket at ten times the value of its tangible assets, General Electric shows a 5:1 ratio and Coca-Cola about 12:1.

‘If buildings, machinery and other physical assets are not the only elements the Stockmarket values, what makes them so valuable? Brand value and goodwill only account for a portion of the gap between tangible assets and Stockmarket valuations, but while the Stockmarket recognises this added value in a Microsoft or Google, international accounting standards do not.

'This is what the GAP Congress is all about. Reconciling the disparity between formal accounting practice and intangible assets, because if one cannot measure it, one cannot manage it.

'The globalised economy of today is characterised by the growing importance of information as the raw material for value creation, and the diminishing importance of distance is a barrier to market. The speed of change is increasing and the rules governing value creation and competitiveness are under challenge. These challenges are especially great in the small to medium economies outside powerful trading blocks such as Australia's. Over the next 25 years the Internet and accompanying communications revolution will transform our economy and society. In 1980, the Telstar satellite offered 100,000 simultaneous telephone links. Today, enough bits can be transmitted in a second to carry three centuries worth of a daily newspaper.

'Remaining viable and competitive in the decades to come will require business to deal with much faster economic cycles. While it took the telephone a century to become a universally available tool, it has taken only two decades for the Internet to do the same. It took centuries for contract law to mature fully as a foundation of industrial capitalism, now legal frameworks have to be developed and implemented in just a few years to match the pace of the knowledge economy. Yesterday's rules may not work today, and will not be needed tomorrow. The prize is obvious as is the downside of failure.

'If a country is competitive, as Australia is today, it can create jobs for all, educate its children, build infrastructure and look after those who need help domestically and internationally. If a country cannot compete it will lose jobs, export markets and its best brains to the point that it may become a consumer market supported by primary industries - in Australia's case by mining. This worked for the Australia of the past, but it will not work now, when three quarters of our jobs and GDP are in the services sector.'

Senator Abetz characterised himself as a cautious optimist, seeing a way forward for small to medium economies to a prosperous, fair, sustainable and exciting century of achievement. 'Australia must be an open democratic society, thriving on a vigorous market based economy in a globalised, dynamic, sometimes unpredictable world.'

His focus concerned how to use existing and new national and international government mechanisms to establish ground rules that will cause markets in pursuit of self-interest to work towards goals Australians want. 'Australia must benefit from the continuing process of creative destruction, a term coined by Schumpeter, early in the 20th Century. Creative destruction occurs when a new innovation destroys an existing product, company or industry.

'An example of creative destruction is the advent of cheap, widely available personal computing which destroyed many leading IT companies such as RCA, GE and Data General. This 'destruction' created new and bigger enterprises and companies like Google, using the power of the Internet, are doing it again. Digital photography is killing off once dominant companies like Kodak, and Polaroid has already gone. CDs wiped out vinyl records and music downloads are doing the same to CDs, and the list goes on.

'Every wave of creative destruction changes a sector of the economy, destroying some jobs and creating many others, sending some businesses to the wall while creating fresh opportunities for those ready to grasp them.



'To keep up, we must challenge our present rules, perceptions and prejudices, and create the new rules we need to guide and shape our future. New accounting rules to measure intangibles are among the ground rules we need to create. If Australia leads the way then Australian business will reap the advantages that accrue to the first mover in the modern economy where speed to innovation and market is crucial. Today is a step in that direction, towards the creation of new internationally recognised rules to identify and to account for the value of intangible or invisible assets.'

The Senator thanked all who have contributed to the success of this Congress and hoped that future generations would look back at this event and recognise it as a pivotal point in setting new global rules for accounting, and for the knowledge based economy of the 21st Century.



Senator Abetz was honoured to be the first to sign the '**Melbourne Protocol**' as a tangible expression of support by the Australian Government for the principles and objectives of the Australian Society for Knowledge Economics Incorporated.

The Senator then welcomed **Michael Potter**, representing Peter Hendy from the Australian Chamber of Commerce and Industry.

Mr Potter explained his own position as the Chief Economist of the **Australian Chamber of Commerce and Industry**, Australia's largest and most representative business group. He outlined three main points - that knowledge is everything in economic growth, the importance of information technology and, thirdly, the Terms of Trade and Policy Issues relevant to Australia.

'Knowledge is everything in regard to driving economic growth because land, labour and capital cannot be increased indefinitely. The population cannot rise indefinitely, the amount of land is obviously finite, and there are fixed upper limits on the quantity of other inputs one can put into production. Only knowledge has no upper boundary. Only by increasing knowledge can economic growth continue in the long run.

'The OECD estimates that innovation accounts for 50% of long-term economic growth in advanced, industrial countries. Innovation is a subset of knowledge. Boosting growth by improving the education of people in the labour market is another way of looking at knowledge.

'Knowledge does not have to be abstract and independent from the inputs to production but can be embodied in them, in more knowledgeable staff or technologically advanced capital equipment. For instance, the conference microphone has more knowledge embodied in it than in a microphone 50 years ago.'

Mr Potter then moved on to address information technology. A report by DCITA says that technological factors, the information and communication technology revolution in particular, have accounted for between 59% and 78% of productivity growth in the services sector. The same report notes a study by DeLong and Summers which found that investment in new machinery and equipment, such as ITC equipment, contributes more to GDP growth than equal investment in structures and in transport. IT and knowledge are very closely related.

Mr Potter addressed some specific lessons for Australia, including the 'Terms of Trade' - the cost of what Australia sells divided by the cost of what it buys. Australia's terms of trade have increased greatly in recent years, due to the increase in prices of Australia's primary mining products - including iron, coal and especially uranium - while manufactured import prices, particularly those of IT, are falling.



'It has been said that Australia is falling behind on the world stakes because we are not actually producing knowledge, e.g. IT, but in reality Australia has succeeded because it has specialised in what it does well, e.g. mining.

'Australia produces little IT hardware, importing most of its needs. Had Australia tried to specialise in producing IT hardware in the past, it would now be suffering as the price of these products has collapsed. A country does not have to produce IT to succeed. Australia has prospered by using knowledge, through IT to build its strength in mining. We can reap benefit from producing knowledge and IT related to the areas in which we have expertise. Australia is a world leader in IT related to mining, leveraged from its existing strong competitive advantage in mining itself.'

Mr Potter addressed the policies best suited to developing knowledge. Government should not try to 'pick winners', instead it should set a framework in which the market can decide where the best investments are. The Government has successfully floated the Australian dollar and deregulated banking and financial services in the past, and now pursues the National Competition Policy and a reduction in tariffs and subsidy.

'Today's issues are reforms to workplace and industrial relations and tax reform. IR reform should benefit the increasing use of knowledge in the Australian economy because the current, heavily regulated, IR system restricts the ability of firms to invest in their current workers by increasing their knowledge. A high minimum wage means there is less money available to train them to their future benefit.

'Furthermore, a heavily regulated industrial relations system restricts the ability of the unemployed to find work, and somebody who is not in a job is not increasing the knowledge of the nation or benefiting economic growth', Mr Potter said.

The second keynote speaker of the session, **Alex Malley**, Chairman of the Australasian Reporting Awards, noted, as an accountant and academic in the public and private sector, that he had witnessed two constant paradigms in his career – an obsession with measurement and a focus on measuring the wrong things.



'Accountants have historically focussed on the financial aspects of reporting, which means short-term horizons, rather than strategic views, dominate their perspective. Many accountants today are driven by external compliance demands.

Their energies become focused on compliance, on the external and on the reporting process, which is increasingly detached from the management of the organisation.

'Whenever one recognises human beings as a valuable commodity, they are on to something very positive. The broader based reporting mechanisms of the last few years, including corporate social responsibility and triple bottom line sustainability, are positive developments driven by small numbers of people which others have followed. People replicate rather than innovate, so we must drive this direction forward'.

'One of my first commercial experiences was to value a business', Mr Malley said. I knew I could count things and see all the physical dimensions, but there was also this intangible area. I asked a very senior executive to give me some counsel on how to quantify this, and he said, 'why don't you advise them to franchise, they've got a formula'. That sums up our extensive analysis of intangibles over the last 100 years.'

'If one can buy a franchise and there is a formula, then use the formula. It is about time that we broadened our minds and used some of our collective knowledge capital to be more scientific than that,' Mr Malley said.

'In commercial meetings people talk about buildings which are empty and not returning value and accountants are struggling to put it on the balance sheet. There is a focus on a building being empty or being full, not on the people within it.

'Accountants do not talk about being creative very often, because they get into trouble when they are. But this is an opportunity where they certainly can be.

'This is also a wonderful opportunity to engage with younger generations. Globalisation develops the knowledge sharing base between people, and the children of today have extraordinary knowledge from first class onwards. We know how to wear it down, but we do not know how to embrace, measure it and use it.

'We are pioneers by being here today', said Mr Malley in conclusion of his speech.

The third keynote speaker, **Steve Vamos**, Managing Director of **Microsoft Australia**, drew on his 25 years of experience in the IT industry, as a manager of an organisation in a volatile environment, and on his recent discussions with leaders in the area of knowledge capital from around the world.

'The IT industry takes rapid change for granted. Thanks to new technology, people are connected and have access to information and relationships impossible in previous times. However, our government, commercial and social structures were built in a disconnected environment and so connections are being applied to organisations that have siloed structures, processes and cultures. The opportunity is to build bridges between them.



'In 'Presence', Peter Senge and three other co-authors deal with technological and general environmental changes. They quote physicist, David Bohm, who saw fragmentation in our view of the universe, of ourselves, as separate

from one another in nature as a hidden source of the political, social and environmental issues facing the world.

'It is important to see the effort of management and measurement as building the connections - the bridges that make our economy more productive.

'We must take stock of where we are at, from a people and business management perspective. If we grow our revenue and profits by 10% per annum, we would be considered successful. Most people are working hard, at 100%, with very little capacity to do anything more.

'But if one asks what percentage of people's potential contribution they are giving, the answer is quite different - in Microsoft around 60%. What tends to stop it are basic management issues around commonality of purpose, business processes, technology and culture.'

Mr Vamos contrasted innovation versus invention. 'Innovation should not be pigeonholed as R&D, but as something that everybody in the workforce is capable of, if allowed, encouraged and enabled. A subset of that becomes invention, a subset of that becomes new things, but the vast majority of it is common sense. It is about how we get together and improve our lot and that of the key stakeholders we have that rely so much on us.'

'The Danish company Colorplast identifies their KPIs and is honest and open about the 'down' arrows in their reporting. What matters is the environment in their organisation, clear common goals which involve the staff and a culture of trust.'

'The demographics of Australian economy mean that companies must create and encourage innovation and the sharing of knowledge to move forward. We need modest but still difficult to achieve gains in productivity growth, to address the growing imbalance between working and retired Australians. This is a critical national priority and we are at base camp.'

Mr Vamos acknowledged the support of the **Institute of Actuaries, CPA Australia, Westpac** and **NSW Lands** in testing the principles developed by **Christina Boedker**. He thanked the management committee - **Alex Malley, Andrew Gale, Patrick Callioni, Mark Bezzina, Tamara Plakalo** - and asked for the support of participants in taking the process forward and overcoming the difficulties of consistent terminology and appropriate language with a view to reviewing progress in May 2006.

OPEN DISCUSSION: Speaking from the floor, **Des Pearson**, Auditor General for Western Australia, highlighted Western Australia's use of performance indicators in relation to government programmes, the importance of making these standards a benefit, rather than a burden for businesses and the need for consistent terminology.

Matthew Tukaki, Managing Partner from Sanseman Government, lamented Australia's seeming inability to collaborate, research and develop across multiple sectors. The new economy seems stuck in the ways of the old. Knowledge economics must involve stakeholder groups - universities, research organisations, the mining and resources sector, etc. - collaborating, innovating and creating a stronger economy.

Steve Vamos agreed. He said Microsoft operated by assessing the needs of stakeholders, measuring how they were performing against them and identifying new opportunities to explore by learning from them. The underlying management and cultural challenge is collaboration and feedback.

Mr Vamos noted the restraint around feedback in the work environment because 'we are too worried about upsetting each other'. Collaboration is about sharing ideas and changing views based on each other's perspective and getting the best out of the collective group. 'We need simple, practical ways to encourage managers of organisations to innovate and collaborate'.

Mr Vamos offered his experience as CEO of a dotcom start-up, into which Microsoft and PBL sunk almost \$100 million and which is now profitable after 10 years. After the failure of one development project their director of technology had complained that he knew it would not work - but had not expressed his view after being previously rebuffed in his advice. This incident encouraged the company to focus on sharing knowledge and learning and accept opinions in a positive and productive way.

Les Pickett said that his experience in heading management services for Coles Myer and as former head of the United Nations Staff College told him that a focus on people, rather than technology, was key. 'People make it work, leave them out and it is dead.'

Dr Anne Wyatt from the University of Melbourne raised two points regarding International Accounting Standards and the importance of measuring intangible investment in terms of inputs and outputs. In much of the debate, inputs and outputs are not separated. KPI measurement tends to mix up measurement with non-financial indicators, making interpretation of the outcomes problematic. 'We need to measure inputs, what business do (spend money) and then measure the outputs.'



'Knowledge is everything and it always has been, said **Dr Wyatt**. Technology has always been the way forward, but accounting has not advanced.

It is based on historical cost – measuring the capital and asset structures which existed in previous times – even though it is inherently forward looking in terms of anticipating cash flows and accrual estimates.

'We need to consider what modern businesses do, what their value drivers are and reorganise our classification systems so that we collect the relevant data. We need to create a new system, rather than fix the old one', said Dr Wyatt.

'Many speakers have discussed the need for research but a lot is being carried out in Australia. We are one of the few countries where intangibles are routinely reported on balance sheets. These are valuable numbers and financial analysts prefer to follow companies that report, and therefore value and nurture, intangibles.

Dr Beth Webster from Intellectual Property Research Institute of Australia made two points regarding the measurement of intangible assets allowing firms to work out their rate of return.



'We have a template for how the accounting system should be changed to account for intangible assets, but we face resistance from the Accounting Standards Boards,

both in Australia and overseas.'

'Everyone talks about the importance of knowledge to companies and the economy, but we really do not know what the rate of return is. We are making second-rate guesses about it being important, because we lack first-rate empirical evidence.

'Most 'knowledge' data is derived from incomplete accounting data or administrative measures like patent counts and R&D expenditures, which are derived for tax purposes or KPIs that firms derive.

'Many of the economic studies that try and measure the effect of innovation and knowledge creation on firm performance will be judged in the future as a very poor way of attacking the problem because of a lack of data caused by accounting systems out of line with actually happening.

'Foundations laid down over 100 years ago are very good for tangible assets, plant and equipment, but very poor for intangibles. We are using second-rate measures in getting results which are suggestive rather than rigorous', Dr Webster said.

Simon Carter, leader of Knowledge and Innovation at Colliers International, reminded participants of the importance of the physical work environment and that the majority of



businesses operate in work environments which inhibit relationships and good 'knowledge mediation' e.g. rapid and frequent exchanges and interactions between people. Dilbert's 'anti-productivity' cubicle is prevalent in Australia.

Alex Malley noted that trust is vital and can always be improved on, and that the appreciation of knowledge capital is a good way to achieve that. 'Staff often complain about how little they are valued in relation to their individual, and potential, collective contribution so if you give people a sense of their individual worth and encourage their contribution, then you are 'beating them off with a stick'. Succession planning is badly run in organisations, and people hold onto roles for too long. If we value and facilitate talent, then succession planning takes care of itself.'

Dr Ken Standfield, Chairman of the International Intangible Management Standards Institute, said his institute looked at global best practise in intangibles. 'Intangibles cause financial performance because people's knowledge and relationships create value. By removing people from the equation, one takes out profit, earnings, productivity and everything else. Traditional accountancy sees financial transactions as the 'be all and end all' whereas it is merely the end of a sequence of intangible transactions.

'Intellectual property is a hard intangible while knowledge, in the heads of employees, their motivation, their engagement, trust and culture are all soft. Therefore if one concentrates on 'hard intangibles' and merely count the number of patents, they are

missing the point because it is the soft intangibles that actually draw value.



'The heart of the problem is the equation of revenue, less expenses, equals profit. Management always seeks to drive down expenses to increase profit. Accountants lack a formula to tie revenue and expenses

together, but we seek, in intangible accounting, to connect these soft intangibles and expenses and revenue, to show the true rate of return on any activity', said **Dr Standfield**.

Christopher Bell, CEO of the Leadership Consortium, pointed out that 'management' meant working with one's hands and managing teams of horses whereas 'leadership' implied the wayfarer in terms of sea travel. This highlighted the importance of leadership, a critical intangible, in determining the culture of success.

Jarmal Richard, founder of JDR Legal and a Governor of the American Chamber of Commerce, highlighted the need to link the



knowledge of generation 'Y' and generation 'R'. In 2013, in the US alone, 10,000 people will be retiring every day when the youngest of generation Y will be 20 years old, but there is no

logical link to help those two groups capture or cross-pollinate their ideas and knowledge.

Stan Jeffery said, his work in helping start-up companies led to an interest in how to value early stage firms. He noted the concept of 'Open Book Management' in assessing the profitability of large corporations. A US product - the Great Game of Business - shows everybody their actual contribution to the business and its share price and so boosts motivation by showing how they affect the whole.

'We want continuous innovation, but the heavy schedule of many managers

means they are not interested in anything outside normal. We need to encourage enterprise cultures, but universities and the government don't reward contributions the way the corporate sector does. We are very good at creating corporate employees from our universities, but not good at creating innovators and people who can create their own jobs. We should be educating students to create a job of their own rather than line them up for a job in a large corporate', said Mr Jeffery.

Bill Godfrey, a management consultant, observed that 'some of our success derives from the way we operate in systemic ways with complexity, some from how we look after the mechanics, but that we lack tools for bringing them together and appreciating them both'. He noted that much had been made of the importance of both competition and collaboration - but collaboration between companies can become collusion. 'Collaboration and competition are not bad, but we lack the language to discuss their relationship.'

Mr Godfrey pointed out that patent law is still based on 19th Century standards but, with the acceleration of technological progress, protection which used to last half a generation now lasts three or four and perhaps needs to be addressed.

Bronte Adams from Dandalo Partners was interested in the generation, as well as measurement, of knowledge capital and the balance between tapping the creativity of the workforce and importing new people - the traditional short-term fix. 'Are we better off importing another 50 people or by extracting 5% better output from our existing workforce?', she asked.

Senator Abetz thanked all the participants and closed the session.

Session Two - "Society for Knowledge Economics. International Developments"

The Chairman **Mark Bezzina**, Executive Director of the Society for Knowledge Economics, open the session. He recapped that value creation is driven by knowledge intensive resources; that existing reporting accounting systems fail to deal with non-financial value drivers; and that an integrated holistic and authoritative process is required to drive strategy from formation through to execution to report progress to managers and stakeholders.

'The Australian Venture Capitalists Association website lists the attributes a business needs to attract venture capital. Firstly, a 'superior business' offering superior products and services targeted at fast growing, untapped markets, with a defensible strategic position, capacity to innovate, respond to market needs and create a sustainable competitive advantage.



'Secondly - the quality, experience and depth of the management team, and their ability to drive strategy within the organisation and translate it into real outcomes.

'Thirdly - the corporate governance and structure of the organisation, its investment structure and an exit strategy.

'There is no significant focus on traditional accounting measures or hard assets, instead a strong emphasis on the human structure and relational aspects of a business,' said **Mr Bezzina**.

'Existing accounting reporting systems are challenged to deal with non-financial value drivers. This has become more difficult in light of the recent Australian adoption of international accounting standards, which are clear cut and less prone to abuse but overlook non-financial value drivers.

'Reporting requirements are demanded by key stakeholders. Different stakeholders may demand different frameworks and, in the absence of a consistent and tested method, ad hoc approaches develop. These add complexity and compliance cost to business, and may not drive value for an organisation but become exercises in clever marketing or window dressing.

'Such systems are difficult to communicate due to the plethora of approaches and inconsistent terminologies and models involved. A lot of money can be invested in developing an ad hoc system, which is quickly outdated. A better approach is to develop an integrated, holistic and authoritative process to drive strategy from formation to execution that can effectively and consistently report progress to stakeholders.

Mr Bezzina gave a brief overview of the **Society for Knowledge Economics**. Established on 20 June 2005, the Society will consolidate and focus its limited resources, link up with similar international initiatives and become a beacon where people can share knowledge and create an authoritative body. The Institute of Actuaries of Australia and CPA Australia are its foundation members. The Society is in advanced discussions with the Law Council, Standards Australia and the Australian Information Industry Association, while key industry and government groups have pledged significant financial support.

Mr Bezzina introduced the first speaker of the session, **Mr Nick Ridehalgh**, a partner with PriceWaterhouseCoopers.

Mr Ridehalgh started with a notion that governments, regulators and companies in the capital markets mistakenly focus their attention on capital productivity rather than employee productivity and so rely on capital oriented metrics and management practises to make their decisions.



He outlined three topics for his address: the problems with the current Australian corporate reporting regime, the need for the Society to articulate and demonstrate the value proposition of extended performance management and, thirdly, to share research undertaken by **PriceWaterhouseCoopers** to understand the information needs of various stakeholders.

'Australian businesses are already heavily regulated, and recent accounting and other regulatory changes are driving organisations towards a minimalist and compliance focused approach to stakeholder reporting. There is a lot of volume but the actual information provided is not the most relevant.'

Mr Ridehalgh applauded the Society for encouraging a principle based regime, not more compliance, and believed adopting this approach will enable leading Australian organisations to develop, implement and report on their performance in managing knowledge intensive resources. Early adopters will reap the benefits and actively support the Society and other organisations will follow because their stakeholders demand it or because they see the value in managing their employee capital base.

'Many companies pay lip service to their knowledge intensive resources - 'people are our No.1 priority' - without any effective framework to manage, monitor and report on the development and productivity of their employees. They do not understand the value proposition and have not invested sufficiently to develop tools to manage these intangible assets, said Mr Ridehalgh.

'The preparation of the *'Australian Guiding Principles on Extended Performance Management'* by the Society for Knowledge Economics is a great start to this education process without landing more compliance burden on corporate Australia. The Society must now attract quality early adopters who can demonstrate the tangible value of this extended performance management, and then codify the principles and framework to enable others to quickly catch up.

'Current corporate reporting on capital productivity through traditional financial statements was developed in the era of capital intensive manufacturing. The developed world has moved on with some 25% of private sector employment in North America and Western Europe, and over 50% of employment growth in the last decade coming from people businesses. The numbers are even higher for Australia.

'Despite this shift, it is necessary to articulate the value proposition of EPM [Extended Performance Management] because assessing the value of knowledge intensive resources is a complex and evolving discipline with many ideas still unexplored. Quality of management is often cited by investors and analysts as the single most critical factor for an organisation's long-term sustainable success, but it is difficult to capture the quality of management as a summary statistic. It is unlikely to be comparable with a similar statistic produced by a competing organisation.

'The Society's guidelines show the difficulty in demonstrating the value proposition in tangible terms. In employee capital management, there is no tried and trusted double entry accounting system to record transactions and so measure return on investments. One cannot credit, for every \$100 of training, \$150 to knowledge income and bank \$50 in growth to our employee capital.'

Mr Ridehalgh saw the Society's draft of the Extended Performance Account (EPA) as useful as an internal 'scorecard' but doubted that it would demonstrate to stakeholders outside the organisation the value of activities undertaken in enhancing knowledge based resources. The document would require too much narrative to explain why each disclosed measure is important and what the actual value improvement delivered over time really represents, and would not be as simple as a people oriented balance sheet and income statement.

'It takes time for people to understand the intrinsic value of one's research. The more one can demonstrate in hard facts the value of breaking the mould and becoming more transparent and open, the more traction and change they will achieve. For the Society to succeed, it must refine the EPA so that firms can demonstrate the value and development of their knowledge resources, and commission projects, which measure and quantify the value achieved.

'For nearly a decade, **PriceWaterhouseCoopers** has researched and codified corporate reporting and tested its presentation with key stakeholders in capital markets. The company has surveyed the information needs of corporate stakeholders in 14 capital markets by interviewing 3,000+ CFOs and investment professionals.

'Research shows that transparency in corporate reporting not only allows stakeholders to assess corporate performance, but also leads to fairer market values, reduced stock volatility and enhanced credibility for management. PWC's value reporting framework - the codification of this research - has been considered by the Society in the 'Guiding Principles' as one of the only two models which meets all seven assessment criteria for an extended performance management framework.'

Mr Ridehalgh shared two recent pieces of PWC's work. One demonstrated the value of extended performance reporting and the other provided a framework for consideration as a publicly available extended performance account.

'The accounts of Colorplast, a Danish company, were first prepared by PWC in 2001 - a version in which everything not required by the regulators was removed was prepared alongside a 'full' version. Two groups of investment analysts from the same organisation in the UK were then asked to

review these documents and prepare a buy-sell recommendation, an earnings estimate for 2003 and a risk beater.

'The average earnings estimate for those with the full report was lower, but the spread of estimates was much tighter. The more comprehensive report generated greater certainty over the company's future prospects. 60% of the analysts with the full information recommended to buy, whereas 80% of those with the stripped down version said sell.

'The reasons justifying the purchase decision emphasised a greater understanding of market opportunities and the ability of the company to maintain its high level of product innovation whilst successfully managing its risks. The findings suggest a strong relationship exists between extended corporate reporting and the value placed on a company. What is abundantly clear is that financial data alone is insufficient to evaluate corporate performance with any degree of accuracy. This experiment certainly supports the Society's objectives and the underlying value proposition of managing and reporting on performance in non-financial strategic areas', said Mr Ridehalgh.

'The second piece of PWC's work relates to performance based reporting. With the increased complexity of corporate reporting requirements, information provided to stakeholders on company performance is becoming less meaningful without expert translation. With this in mind, PWC and the Institute of Company Directors in Australia recently launched the *Shareholder Friendly Report*. It provides a short, plain English, easy to digest document, which communicates financial and non-financial performance and results from a company's directors to its shareholders.'

The *Shareholder Friendly Report* starts to address the difficulty in measuring the quality of management, as it clearly shows management's performance in achieving a range of capital oriented and people oriented strategies over time. 'In truth, we really are only as good as our people,' said Mr Ridehalgh in conclusion of his speech.

The second speaker of the session, **Professor Göran Roos**, from the Centre of Business Performance at Cranfield School

of Management in the UK, observed that, on the US Stock Market, the market value divided by book value is going up. 'On the market value side, the future value component of the share price, the growth expectations, are rising – unlike the current value. The relative book value size is going down, because firms now look different. In the SMD500, there are 76 classically NASDAQ firms, with business logics fundamentally different from the ones we are used to. eBay is a classical example: its balance sheet is not the source of its earnings potential.'

'Apart from traditional resources, they use three other types of resources: competence in people, relationships and connectivity and 'tangible type intangibles' - the IP, the patent and the brands, said **Prof Roos**.



'Accounting has developed over a long period of time, but it cannot be applied in areas where the fundamental assumptions that underpin it are no longer holding true.

'More spending on machines means more machines, but more money spent on training does not necessarily mean more knowledge. Doubling training does not always double knowledge. If one uses it, one does not have less of it. Actually, if one does not use one's knowledge, it diminishes over time. The economic behaviour of these resources does not fit within accounting.

'Knowledge creates increasing marginal return, whereas traditional resources have diminishing marginal returns. eBay is network economics, and by looking at eBay as if it was a factory, we confuse people. That is fundamentally one of the problems around external disclosure. If we apply one lens suitable for one organisation to other organisations, we will not understand what we are looking at. Value shops - organisations that deploy people to solve problems – or research organisations, cannot be assessed by the factory model. We do not have a good lens so we use the wrong one.

'A branch of philosophy, known as axiology, concerns the definition and measurement of value. Value, like beauty, is in the eye of the beholder. Different stakeholders want to see different things, and value things differently. At some stage we have to decide whose needs to address, be it the investor, the average investor, the institution or institutional investor.

'The second issue concerns measurement theory. For something to be credible it must be measurable, but measurements of knowledge are not currently credible because they cannot be assured nor audited in financial terms. The figures are worthless if not comparable and reliable.

'A shared terminology is needed, something which accounting has. We need to differentiate between intangibles already shown on balance sheets – borrowing capacity for example – and those which are not. We then need common measures and a common form in which to present them, to allow the demonstration of causality.

'There are pockets of activities, and one of the Society's challenges is to tie them together to form the basis for a principal approach to reporting. It is important to get governmental regulatory support to avoid the US experience, in which experimentation is impossible due to closed Act lawsuits. A number of these experiments are executed in countries with different legal frameworks, e.g. Scandinavian countries. Investors and analysts are sceptical and must feel it useful to be accepted. If it is merely activity without any long-term benefit it will not be useful, said Prof Roos in conclusion.

The Session's third keynote speaker, **Giuseppe Fiore**, Director General of Consip SpA, Italy, gave an overview of his organisation. Consip SpA, a Public Information Service Agency, was born in 1998 to develop and maintain the information systems for the Italian Ministry of Economy and Finance, which administers public and regional spending. Its actions are based on ICT and spending rationalisation to reduce costs and improve the efficiency of public administration.



The Italian economy suffered from low growth in the past three years, putting pressure on public spending. The public demanded better, quicker and simpler public services and a decentralisation of control.

The government had to respond to these challenges by improving efficiency at all

levels and create a synergy between enterprise, administration and citizens in which knowledge management represents a main focal point.

Italian public administration is trying to define a new business model to meet the requirements of a complex society. Consip SpA aims to create a synergy between enterprises, administration and citizens based on cost reduction, simplification and requalification of the human resource base.

DISCUSSION: Opening the debate from the floor, **Ian Caddy**, of the School of Management, University of Western Sydney, pointed out that organisations, through their people, processes and relationships, can do things, which lead to good or bad outcomes – as demonstrated by two large financial services organisations in Australia in recent years. 'We need to deal with reporting in terms of completeness, as well as credibility, comparability and accuracy'.

'Intellectual capital reports added to balance sheets should be complete. Organisations tend to emphasise the good and minimise the bad but statements should show losses as well as gains. Though firms may wish to bare their soul to their internal stakeholders but not want to report this externally, audit processes should lead to a complete report, and these are usually greeted with a 'collective sigh of relief,' Mr Caddy said.

Prof Göran Roos addressed the issue of completeness through the principle of axiological measurement theory. This implies a viewpoint which defines what should be reported avoiding incomplete and double accounting.

'Internal and external stakeholders required different things. One should measure how good a company is at transforming one thing into another, not 'how much of something do we have'. Transformational measures are more important than resource measures. In the end, dealing with human behaviour, we can lead the horse to water, we cannot make it drink. There are limits on what you can request them to do.'

Nick Ridehalgh noted that similar concerns were expressed at the ASIC about the Shareholder Friendly Report, i.e. that vital information would be lost if a 20-page report replaced one 300-pages long. Shareholder Friendly Reports should provide a trend line and an outlook, not just in financial strategy, but in knowledge intensive resources and brand value.

'This society will drive internal behaviour, which will then influence external reporting. People are trialing ideas for simplifying their reporting and passing their message more clearly on to their corporate stakeholders, shareholders and analysts. The organisation will align behind the things they see as important in the market while the law, and requirements of continual disclosure, protect the quality of the information.'

'Analysts dislike firms which change their methodologies of providing information. Every time a company reorganises, they discount the price a little because 'something fishy' may be going on. Firms must explain why they have changed their strategy, why the market has changed and what the new measure of success is going to be', said Mr Ridehalgh.

Dr Derek Binney, from CSC Australia, was interested in helping companies determine what they need to do regarding intellectual capital and knowledge capital. Executives understand the connection between the value of intellectual capital and the value of their business, but think that analysts, responsible for influencing investment decisions, do not. Current formulas fail to convince analysts of the linkage between investments in intellectual and knowledge capital and real returns. New methods should provide proof and so an important lever.

Nick Ridehalgh agreed that analysts require financial numbers, which can be fed into models to generate information. They then 'eyeball' management, assess their competence and add a 'management premium'. Firms, which are transparent in their reporting, add to their credibility, and therefore their value. When the market turns down, all companies suffer, but those that have been transparent, where analysts understand the business, bounce back quicker.

'Analysts do understand the importance of transparency in these non-financial areas, but do not know how to build it into their models. The Society for Knowledge Economics must try and educate them as to how to apply these intangible factors to the model. Companies, or the reporting entities, can help taking into account a broad suite of reporting rather than just focusing on short term links.'

Prof Göran Roos responded by saying he had found that buy side analysts tracking one big US company took into account 28 non-financial intangible factors. Buy side analysts were substantially more sophisticated than sell side ones.

'Based on the US settlement case between the SEC and the big investment banks, the number of analysts tracking shares have decreased dramatically. Companies must therefore provide substantially more context in their reporting because the analysts tracking them are fewer in number and more junior and less experienced than before. There are now a huge number of listed shares in the US not tracked by any analyst.'

Dr Ken Standfield observed that social acceptance by financial analysts had emerged as a major issue. Finance is based on hard core mathematics and so analysts trained in finance focus on cashflows and the bottom line rather than Key Performance Indicators and other issues.

'A KPI could choose 10 or 20 factors out of a hundred possible ones, but the factors omitted could be important. Creative accounting can make these indicators look very favourable regardless of reality. Analysts want to know what the basis of these indicators is and how it has changed.'

'To gain national and international credibility with financial analysts, the Society must go beyond Key Performance Indicators. It must define knowledge and collaboration, and show how this created financial performance. Analysts only want to see hard core mathematics.'

Prof Göran Roos commented that one must understand the process of measuring subjectivity with high precision, to end any confusion about what IC and balanced scorecards are. One must decide on the point of view one is taking and the object under observation, then break down what the observer wishes to see into measurable, observable, necessary, sufficient attributes. As a manager one cannot say, by Monday they want to have a 15% increase in customer satisfaction.

'One needs to put everything one measures on the same scale. Measurement theory operates on a space of zero to one where zero is the boundary of uselessness, and one is the boundary of perfection. We are somewhere in between. The process is not complicated, but one has to decide from whose point of view it is.'

Giuseppe Fiore said that journalistic reporting was an issue in Italy. His department would report on the results of public spending rationalisation to the media and receive (as different journalists wanted different information) greatly contrasting press, whatever the success of the initiative. The communication of reports was therefore vital and the media should be educated in understanding such reports. 'Information technology can provide infinite amounts of information but this does not guarantee that the public will understand what you are trying to achieve.'

Dr Beth Webster observed that most companies do not know the rate of return from their past spending on intangible capital. This can only be tackled by reforming the accounting system and how companies categorise expenditures on training, marketing, organisational productivity and R&D. This would change their balance and profit and loss sheets.

Nick Ridehalgh saw this as a communication, rather than an accounting, issue. When assessing the value of an organisation, accounting handles the financial side, but the non-financial side requires something new, disclosure rather than a mathematical double entry approach. Putting it into the accounting system will confuse traditional accounting methodology.

'Analysts rely on earnings, capital expenditure and key financial measures to assess an organisation. Remembering the Colorplast example regarding simplified and full data, we need a new methodology to present and understand this data so modelling techniques can be reviewed to give firms a fair value in the capital markets.'

Andrew Gale, from the Institute of Actuaries, commented on the balance of debate between the corporate and the public sector. Analysts influence the behaviour of CFOs and CEOs, so changing their behaviour is critical. In his experience in leading an actuarial advisory firm, analysts do want to understand the value drivers beyond the apparent transparent financial details.

'If we can clearly establish linkages between knowledge capital and value

drivers, there is a strong appetite among analysts to embrace these ideas and this will blow through to CEOs and CFOs in terms of more open disclosures.

'A third of activity in the market is in the public sector, but overwhelmingly our comments today have focused on the corporate sector. What is the motivation in the public sector, (at federal or state level, NGOs etc.) to report on a robust basis their intangible or knowledge base capital?', asked Mr Gale.

Dr Ian Woods, from AMP Capital Investors, observed how a fund manager makes money and outperforms by having a contrary view to the market. 'Perfect knowledge in the market would remove this edge so there is a conflict of interest between what the society is trying to achieve and what active managers are looking at. Buy side analysts look to intangible assets to enable them to outperform their competition. Different dynamics affect the sell side. They make a decision of sell, hold or buy, through discount rate or growth, but good operators will understand the value of the intangible assets.'

'There is one particular company in the steel sector which always starts their financial performance presentation with their occupational health and safety performance for the last year. Analysts always query the relevance of this, but the same analysts, at another meeting of another steel company, will then question why they have not heard about occupational health and safety.'

'To a certain extent, the acceptance of analysts depends on the management's belief that these issues are important', said Dr Woods.

Dr Anne Wyatt noted that the quality of management could be measured by looking at how much management spent, where they spent those dollars and the return on this investment. 'We can look at the value driving processes, but we still have to measure performance in terms of dollars and rate of return. Accounting exists to provide accountability. If we can collect better data in firms as to where and how money is spent, classify it according to management intent and then relate to those expenditures to output, we can access the effectiveness of that management. We can analyse what went right and wrong and use this feedback in understanding what drives value and risk.'

Nick Ridehalgh agreed with the benefits of collecting and analysing such data but said this did not give the whole picture. 'The legacy of past managers is important to current and future growth. A management team could 'rape and pillage' a company, destroying the company in the long term to provide short-term gain. What is important is analysing non-financial data to provide information on long-term trends and behavioural linkages.'

Prof Göran Roos commented that moving into 'intangible' areas creates problems of identifying causality - research and development being a classic example. 'If R & D shows that a particular project is not possible, is that a good or bad thing?'

The Chairman **Mark Bezzina** wrapped up the session by thanking the sponsors and participants.

The Hon. Dr Brendan Nelson, Federal Minister for Education, Science and Training, gave a keynote address at the lunchtime event in Queen's Hall of the Parliament House of Victoria.



Session Three – “Experiences from the Australian Trenches”

The Chairman **Dr Ian Woods** welcomed participants to the session and likened it to 'climbing the first cliffs from the base camp established earlier'. He explained that as senior research analyst at AMP Capital Investors, his role in the Sustainable Future Funds was to incorporate intangible issues in Australian listed companies into an investment decision-making process.



'To a buy side analyst or investment manager, a key question is whether one gets value in an investment decision by looking at a company's intangible assets. Does it provide a benefit to the people who invest in our fund? A broader issue for the finance sector and government is how, as

investors and representatives of the owners of listed companies, we ensure the firm is managing the key issues important for long-term sustainability, when intangible assets are such an important part of a company's value.

'For our particular fund we stress sustainability and look at four issues – the environment, community, workplace and the value chain stakeholders. To answer the question of whether it add value, we asked if the 'good guys' who manage intangible assets outperform the 'bad guys' who do not. We found the 'good guys' outperformed their opposition over four and ten years. This study provided the value of studying and managing intangibles to the investment decision-making process.

'We looked at specific sectors - media, health care, the engineering contractors and property - and found sector specific and company specific factors. Even companies in the same sector can have different strategies, which means the importance of their intangible assets are completely different, for instance product differentiation versus a costs basis approach'.

Dr Woods drew on his experience in providing feedback to the non-financial reports that companies have produced as part of ACCA's sustainability report awards. He found that they often fail to explain the relevance of the issue to their business.

'The internal management of intangibles is more important than their external reporting. A lot of information should be on the website, rather than in GRI. The focus should be on what has changed, and on performance.

'Indicators and targets are most useful when it is recognised when something is a lag indicator or lead indicator and what this means in terms of the measurement of outcomes. This is often missing in these reports', said Dr Woods. He then introduced the first speaker of the session, **Christina Boedker**, from the School of Accounting, University of NSW.

Ms Boedker related her 6 years of experience in corporate America, whose commercial culture focused on quarterly performance reporting and bottom line results, before she turned to research in Australia.



She teaches two programmes: Financial Accounting and Managing Intangible Resources.

Ms Boedker reflected on recent international activities. The United Kingdom has issued an operating and financial review which requires publicly listed organisations to measure and report the value, composition, and performance of their intellectual capital and intangible resources.

Ms Boedker mentioned the work done in recent years with the New South Wales Department of Lands and the initiatives emanating from Europe, including five years of intellectual capital statements by the Danish Ministry of Innovation, Science and Technology.

'Austria issues legislative requirements for certain public sector organisations to disclose information about the performance of these invisible resources. The United Nations is issuing their second draft of the guiding principles on extended performance reporting. The United States is also promoting enhanced business reporting. Overall, there are some common trends developing, in a process of trial and error as we engage with the international communities and learn from their successes and failures.

'Australia's practises are very fragmented. There needs to be quantity backing behind a common initiative for us to be taken seriously. As a starting point, we have been working on a draft of the *'Guiding Principles on Extended Performance Management'*, commissioned by the Society for Knowledge Economics, to raise awareness and start a debate as to how we can better understand the value and performance of these invisible resources.

'Based on the experiences of our international counterparts, the Guiding

Principles are intended as an inspiration to help organisations reflect on how they are currently managing, measuring and reporting knowledge intensive resources. So far, 20 stakeholders have helped us review the draft, and we are very grateful to the support of **the CPA Australia, the Institute of Actuaries, the NSW Department of Lands, Westpac, Microsoft, PWC**, the research team with **Prof James Guthrie, Prof Jan Mouritsen, Prof Göran Roos, Mark Bezzina, Tamara Plakalo** and **Chris Liell-Cock**.

'People are asking me what the 'vision' is. What is the value in having 'piece of paper'? The value of the Guiding Principles depends on how they are used, how they are of benefit to organisations. Our short to medium term vision is to get a larger group of organisations to help test the Guiding Principles, to learn about their challenges, weaknesses and benefits. Organisations which have already volunteered include NSW Lands, Westpac and Microsoft. The pilot projects provide us with early lessons which complement the discussion. An Extended Performance Account is not just about external reporting, but more about internal management activities.

'An Extended Performance Account is not a corporate report driven by regulatory requirements or marketing collateral striving to gain public acceptance. Instead, it is a dynamic account which has meaning to the organisation and can help it reflect on who they are, where they are going, how they are managing their structural, relational and human capital and whether such resources are given the strategic priority we think they deserve. If the account is not meaningful to the organisation, how can it be meaningful to external stakeholders such as our financial analysts?

'We need to build a business case substantiating the financial outcomes that accrue to organisations who invest into their intangible resources, in the form of a lower cost of capital or higher financial returns, but extended performance management is about more than just financial outcomes. It is about changing workplace culture, building visionary leaders and enhancing employee innovation and motivation. It is about creating better work environments, and so improving the prosperity, performance, productivity and sustainability of the organisation as a whole. Perhaps, as Charles Handy said, it is about starting to govern in consent with the governed.

'We are not alone in the search for accounting for intangibles, and we should listen to and learn from the successes and the failures of our international counterparts.

'We need a shared initiative and common goals for us to be taken seriously. It is important that Extended Performance Management and Extended Performance Accounts are meaningful to the organisations', said Ms Boedker in conclusion of her speech.

The second speaker of the session, **Chris Liell-Cock**, Chief Operations Officer of Sustainable Performance, outlined his role as coordinator of the pilot projects, his intention to address the 'big picture' related to knowledge capital.



'Intangible value is the difference between stock market value and book value, and has grown to approximately 75% of an organisation's value, according to Accenture.

Therefore, one needs to look at the stock market to understand what that intangible value is, because that is where it has been created.

'There has been a dramatic change in the top 100 companies in the Australian Stock Market from 1990 through to 2002. Only 39 companies survived over those 12 years. Since then, another 10 have disappeared, all fallen out of that top 100 - a 30% survival rate over 15 years. Creating value is challenging.

'Looking at the drivers of value creation and destruction, we notice two things: organisations, who climbed in, had a much higher revenue growth than those that slipped out, 15% compared to 2%. Revenue growth is a key driver. Organisations in services and information knowledge (48 in total) replaced those in physical goods such as agriculture, manufacturing and mining. The top 100 Australian companies have migrated from physical goods through to services and information knowledge.

'Organisations that created their future succeeded, those that did not disappeared. Brambles floated its cleaning business in the UK, which is in physical goods, and bought a document management business in Australia, which is knowledge and information. The stock market reflects these changes in an open market where only the fittest survive.'

Mr Liell-Cock referred to a chart relating information from Russell 3000 Analysis which showed the stock market values business in two parts, 40% on current value and 60% on future value comprising change and project management through major projects, process, new products, ventures, and acquisitions.

'Anecdotal evidence suggests only one in 10 projects succeeds and delivers the benefits intended. This is where almost all the value is created or lost today, and it is mostly lost. This is where the challenge lies.

'It is also where the least amount of transparency exists in measuring and reporting to stakeholders, both in financial reports and in every day management of the business. One could argue that governments, in the public service, could be most transparent here, though politics, transparency and trust do not necessarily flow in the same sentence.'

Mr Liell-Cock outlined three key points arisen from the pilots with four organisations - **Westpac, NSW Department of Lands, Victorian Government and the Department of Family and Community Services** over the last 12 months: 'It needs to be very simple and practical for people: if they do not understand it they will not buy into it. There needs to be a very strong link between actions and benefits, as without that it does not mean very much, Thirdly, people are key: measuring, reporting and managing their expenditure of time on processes, relationships and knowledge activities is fundamental.'

Dr Woods then introduced the final speaker of the session, **Professor James Guthrie** from the faculty of Economics and Business at the University of Sydney.

Prof Guthrie saw his three main points as the importance of intellectual capital, the voluntary reporting of intellectual capital in an unregulated environment and his insights from recent research.



He recently attended two conferences in Italy, which were focused on knowledge resources. The conference in Ferrara saw over 120 academic papers on intellectual capital. The OECD policy symposium gathered 50 delegates discussing innovation IP and intangibles. The European Commission has recently funded 8 million Euros to look at intellectual capital in small and medium

enterprises, and manufacturing concerns are taking up the challenge. Spain's current university funding addresses intellectual capital, rather than traditional financial statements.

In 1991, at the OECD conference, Prof Guthrie gave a report entitled 'No Accounting for Intellectual Capital in Australia'. 'Two Australian companies, Lend Lease and Morgan & Banks, were heralded there as world leaders in intellectual capital management and reporting, therefore even though it has not been consistent, we have had world leaders in this area,' said Prof Guthrie. 'My main focus since then has been on voluntary reporting as reflected in annual reports and websites. This shows that organisations are telling stories about their knowledge capital, leadership, customer relations, internal processes and human capital.'

'There is a lack of consistency, of metrics, and a lack of stories as to why these intellectual capital items are important to the organisation. We only find good news stories in the annual report. Overall, when we compare our results to other advanced western countries, we find that we are on par.'

'My most recent research looked at Hong Kong and Australia and found that voluntary reporting is continuing to increase, with more categories reported.'

'We are looking on the inside of organisations, including the Australian Red Cross Blood Service, seeing how they turn strategy into action and, more importantly, researching what their key stakeholders want. We want to know whether it is a fad or a fashion by observing the take up inside organisations.'

Prof Guthrie denied that the issue involved merely tinkering with traditional financial reporting or finding measurement criteria and the failure of traditional financial reporting to report true value.

'The first area concerns identifying elements associated with intellectual capital or knowledge capital and establishing a terminology and shared meaning. This is starting to emerge. People from different disciplinary backgrounds, from government, policy makers, entrepreneurs, those driving

large corporations and academia, are starting to discuss this today.

'We need to focus on a variety of organisational forces interested in knowledge resources, NGOs as much as publicly listed companies'.

Prof Guthrie agreed with the view that when organisations set up people in charge of strategy, then everyone else runs away because 'someone else is in charge. There is a real problem if intellectual capital reports are produced for external consumption if nothing changes inside. The Danish experience shows many organisations are not producing the intellectual capital report externally, but it is part of strategy, of operations, of business planning, and of the story telling inside the organisation about what is important'.

OPEN DISCUSSION: Bruce Hills, from Westpac, noted that a focus on intangibles boosted the staff's motivation, morale and productivity which was a surprising but very powerful benefit to senior business management.

Dr Ian Woods asked Mr Guthrie if certain Australian sectors – such as finance, health care or technology - reported more often than others.

Prof Guthrie answered that larger organisations reported more often than smaller ones, but there was no 'industry' effect in Australia. Studies in Italy and Denmark do suggest that some sectors report more than others.

Mr Guthrie was asked how companies determined the extent of their knowledge resources and codified them into categories. In the questioner's experience, when conducting a review of a government department, it was hard to determine exactly where true value in the knowledge workforce lay.

Prof Guthrie said the answer began in the Society's Guiding Principles, driven by international practice and the experiences with Westpac, NSW Lands and others. 'It is important to focus on how knowledge resources are embedded in the operation plans. From that starts to emerge an internal reporting system and an external reporting account.'

Christina Boedker noted that various instruments were in place and could be subjective and ambiguous. 'The key challenge in reporting is not knowing how the

resource is utilised, how it is developed and what value accrues. Stakeholders have to be assured that Extended Performance Accounts can be trusted in terms of validity and accuracy. If it is meaningful to the organisation, it becomes meaningful to external stakeholders in a notion of trust which is another intangible, difficult to measure, difficult to codify.'

Rob Elliott, from the Australian Institute of Company Directors, said that small businesses are wary of the issue of cost and that these ideas would be an extra drain on resources. 'There must be a real, tangible value proposition for small business, for them to take it up, and a lot of the discussion today has concerned the 'large end of town', Mr Elliott said.

Dr Woods concluded the session by thanking sponsors and participants and invited them to sign the 'Melbourne Protocol'.

Session Four – "The Way Forward"

The Chairman **Andrew Gale**, President of the Institute of Actuaries of Australia, and director of the Society for Knowledge Economics, welcomed participants to the closing session of the Congress.

'The **Institute of Actuaries of Australia** is a foundation member of the Society for Knowledge Economics because it shares its belief in developing a robust understanding of intangibles, knowledge and human capital. The Congress has shown that this information allows us to manage our organisations better. The key question for this session is where do we go to from here'.

'There are stages in the development of every new area of study. First, there is a pioneering stage, where there is active interest by a range of curious individuals and you have pioneering individuals doing their work. The next stage is early development, where early methodologies emerge, discussion papers come out and professional development continues; this is where we are at now. The third stage is active development - education, well developed methodologies, the development of guidance notes and practice standards and the formation of practice committees - before the stage of maturity.

Mr Gale drew a parallel with risk management, a significant area for actuaries, and an area which many people come into 'accidentally'. 'The Australian and American Actuary associations wish to create a framework for education and accreditation in risk management and to form a body called Enterprise Risk Management International, associated with the Enterprise Risk Management International Institute, which involves 14 universities around the world. It will be multidisciplinary, globally consistent, based on education and might provide a template for the Society for Knowledge Economics.'



Mr Gale then introduced the session's first speaker, **Dr Ian Watt**, Secretary of the Department of Finance and Administration.

Dr Watt gave an overview of his Department. The **Department of Finance and Administration** advises the Minister for Finance on accounting policy and frames the rules under which Government agencies prepare their accounts. It is responsible for the development of better budget, asset and financial management in the Australian Government. Success depends on managing knowledge effectively and using data to generate the outcomes that government wants and that the community expects.

'Almost 50% of finance employees and two thirds of our new recruits have tertiary qualifications, compared to 20% of the working age population as a whole.

'The **Australian Government Information Management Office** (AGIMO) is part of the Department of Finance at the centre of strategic advice on ICT technology matters.

'AGIMO is a knowledge organisation. It is small, owns few assets, and operates little hard infrastructure. It achieves its objectives by creating knowledge know-how, engendering innovation and helping agencies use ICT to achieve government's objectives. Its value is substantial but is not measured in our balance sheet because it is intangible.

'On this basis, the Department should make a useful contribution to today's debate and what comes after it, said Dr Watt.

'Australian's financial reporting requirements do not require reporting on knowledge capital. There is no barrier to providing such information in annual reports, but it does not happen because it is not required.

'Many firms see a significant extra cost associated with providing this material for limited direct benefit, annual reports already contain a huge amount of financial information which swamps the reader, and there is no broadly accepted framework for knowledge capital reporting.

'Economists are better than accountants at ascribing values to knowledge capital, and financial markets do factor in some value for knowledge capital when assessing the value of a firm. Market value exceeds tangible asset value at least in part, due to intangible assets such as knowledge capital.

'Public sector accounting practises are shaped by broader international approaches, driven by private sector experience. The traditional conservatism of accountants has not been reduced in recent years, indeed it has been enhanced by the major financial scandals such as Enron, WorldCom and Parmalat and, locally, by HIH. Greater recognition of knowledge capital might involve making financial statements less concrete, introducing more judgments and uncertainty.

'An internationally accepted framework to measure and report on intangible capital would help improve corporate governance by making it harder to fudge, to treat something of little value as having great value.

'Accountants can measure the transaction flows associated with knowledge capital in salaries and purchases, but rarely prepare reports that classify such flows as knowledge capital flows or include knowledge capital assets such as research and development. It is going to be a slow process to introduce that into mainstream financial reporting.

'Before the new accounting standard (AASB138 Intangible Assets) became effective on 1 July 2005, there was no specific accounting standard for intangible assets. It was possible to ascribe a market value to these assets

and in the accounts, provided there was sufficient evidence to satisfy the auditors this was appropriate, but satisfying the auditors is never easy.

'The new standards set some specific but conservative rules for intangible assets. There is at least an explicit recognition of intangible assets as a class. We at least now have bridge head, from which to advance. The public sector debate needs to answer three questions: Which knowledge assets represent value to our stakeholders? How do we ascribe a value to these attributes? How do we make its reporting relevant, understandable, reliable and comparable?"



Dr Ian Watt said he did not see the accounting profession changing its approach to knowledge capital in the short term. 'The way forward is an additional statement or disclosure in the annual report, though there is already negative sentiment in the public and private sector about the volume of reporting requirements, he said.

'The Guiding Principles produced by the Society for Knowledge Economics are a step in the right direction. They seek to extend existing arrangements in a careful fashion, complementing existing standards and practises rather than refuting or challenging them, working with them and extending and building rather than calling them into question. These are standards which serve other purposes', said Dr Watt in conclusion.

The second speaker, **Dr Herwig Schlögl**, Deputy Secretary General of the OECD, acknowledged that the formation of the Society for Knowledge Economics was timely as economies saw a shift from tangible to intangible, intellectual, assets.

He said that in studying economics in the 1960s, account was made of a minor residual called 'goodwill' but that this was now becoming, in a broader sense, the basic concept for firms and governments.

'Australia fairs well in international comparisons. Use of ICT is a major factor in economic growth and Australia ranks 4th out

of 30 in the OECD in the proportion of investment in ICT to GDP, helped by the country's willingness to reform and deregulate telecommunications. Australia ranks 6th in economic growth from 1991 to 2003, thanks to the openness of Australian society to new technological developments and political policy reforms.



'Intellectual assets are our only unlimited resource. We are experiencing a difficult situation in the oil and energy sector, but it is not as worrying as the oil price shock in the 70s because these tangible resources have diminished in importance in GDP.

Dr Schlögl pointed out that there is no OECD definition of intangible assets, but one pillar of intellectual assets comprises human capital, skills, education and motivation. The second is structural capital, including organisational skills and innovation – which is more than just technological innovation. 'Wal-Mart, for instance, is a very traditional business (e.g. retailing), but its success comes through organisational innovation, reorganising their supply chain and outsourcing.

'Structural capital includes the quality of a country's institutions, legal framework and universities. Australia is doing quite well. The Pisa Study compares students internationally and Australia is above average, compared with the other 30 OECD members. Finally, relational capital is a factor – the networking of the company with partners, competitors, the environment and outside resources.

'It is difficult to define the concept of knowledge capital, but the task is to measure, evaluate and report it to use it as a management tool. An example is the car industry. You can judge an individual car company in its own right, but increasingly the global car industry is working on new projects and technology like the hybrid car with partners. The networking, the relational capital is increasingly important. We are close to a definition but still struggle with measurement, an agreed auditable methodology.

'The key responsibility of the CEO, and minister, is to distribute financial or personal resources between different areas and this must be based on clear information. How you distribute your resources between education and science and technology? It will not immediately be obvious if the right decisions were made but in the mid-term it can happen very quickly.'

'Alan Greenspan, the Chairman of the U.S. Federal Reserve, became nervous about the dynamic development growth in the United States in the early '90s. In '96 he talked about 'irrational exuberance' in the market, but he was wise enough not to change his monetary policy, and the growth continued with continued historic gains in productivity. We had the bubble in 2000/2001, but bubbles happen in a technological revolution. What is amazing is the speed of the recovery, one of the fastest in history. It is very difficult even for macroeconomists and monetary policy makers to judge what is going on.

'The International Economic Organisation exists to provide a platform for dialogue to find a common policy approach to meet emerging challenges. The OECD is not a regulatory body, but international institutions allow nations to avoid unnecessary international frictions. We work with our 30 members and increasingly on global issues with China, India, Brazil, South Africa and other nations depending on the issue. The OECD can contribute to the project of knowledge capital by providing a global platform for discussion to promote a common policy approach', said Dr Schlögl in conclusion.

The third keynote speaker, **Jane Treadwell**, Chief Information Officer for Victoria, reminded participants that Minister Brumby had talked about two thirds of economic value being created by knowledge and technology, and that two thirds of a brick's value is in information. Two thirds of business processes within organisations consume resources rather than produce them.

'We have an aging workforce, and unless we change our workplaces, we will only be able to attract two thirds of the talented 'Generation Y' people we need to deliver services and value.

'Many people work in government to make a difference and create a better society. The role of CIOs involves more than just technology but seeks to find ways to transform society.

'Globalisation, technology, safety and security have become key issues, and information and technology are enabling people to bring citizen power to the agenda, as they use the Internet to form activists groups.

'We are entering a new era in public policy, centred on the citizen and the networks that sustain our communities. This demands a renewed emphasis on the public sector's capacity to innovate and draw on their capability and intelligence. These networks are held together by shared goals, interests and intelligence. Relationships, based on trust and the willingness to collaborate, generate more and more value.



'Up to 50% of ICT related projects do not deliver results, sometimes because of the technology, but often because of organisational problems', said **Ms Treadwell**.

She stressed the importance of making things simple and understandable. 'Knowledge economics and intangibles are not concepts everyone takes for granted'.

OPEN DISCUSSION: The Chairman **Andrew Gale** introduced the discussion stage by inviting thoughts as to what issues the Society for Knowledge Economics should address and what initiatives they should undertake. He gave reporting, regulation, terminology, analysts, leadership and cultural change as examples.

Bill Godfrey asked how the culture, which would produce information about knowledge, could be created, replicated in other organisations and reported. 'We tend to ascribe success in one project to a particular factor – leadership or ICT – but when it is applied to a system which is working well to make it even better, that can affect the system disastrously. We have discussed many separate, but interrelated issues. The way forward is to embrace absolute clarity because, if there was every a place where we can get confused, it is here, where we are dealing with complex adaptive systems and emergent phenomena'.

Michael Inglis, Tax Barrister, was struck by the lack of references to property. 'In analysing the sale of a business, everything which can be identified is given a value, with the residual being 'brushed under the carpet' called goodwill. It is important to identify what contributes to value and earning. Knowledge capital will not be achieved in terms of property. The key is getting the terminology and the philosophy right and having a broad enough assessment of all the good things 'under the carpet' that make the magical difference between the sum of the identifiable parts and the value of all the stock in the enterprise as a whole'.

Nick Ridehalgh noted that the new standards do provide an opportunity for companies to explain why they are paying a premium over and above the intangible and tangible assets. He went on to ask a representative from Westpac to explain what they saw as the value of participating in an EPM.

Bruce Hills said, an unanticipated benefit of focussing their staff on the nature of intangibles and processes was it gave them a sense of empowerment. Westpac has publicly talked about its commitment to social responsibility and has now produced superior results, which is satisfying. The process of asking these questions changes the behaviour of the organisation by itself.

Dr Herwig Schlögl answered a question about his experience of international best practice by saying that a global forum was needed to discuss it and, in the wake of issues such as electronic privacy and security, there should not be a rush into legislation. 'One should aim in all modesty, to get an agreement in a private framework, with supervision from government, on some basic principles so you can make this reporting comparable for investors, but leave enough room for countries to meet their individual requirements.

'It is important to know how a society adapts to this technological revolution. Australia is a positive example, but some mature economies are slow to react. There must be better cooperation between publicly funded R & D and the business community to make universities more efficient, compared to the huge funds invested in them.

'The sense of urgency in some non-OECD countries such as Brazil is high. China produces more scientists than the whole of the European Union. You cannot have dynamic innovation in an economy without young people and all OECD countries have an aging population.'

Warwick Watkins, Director General of the NSW Department of Lands, thanked everyone for attending the GAP Congress on Knowledge Capital which had brought together experts and leaders from academia, government, business and not-for-profit sectors to discuss the important issue of management, measurement and reporting of intangibles for the first time in Australia. Mr Watkins noted that a



number of case studies showed that various organisations have begun the 'journey of discovery' in identifying, nurturing and reporting on their intangible assets.

The NSW Department of Land initiated a reporting program to improve its communication with Government, stakeholders and the community and equip it with the information, skills and capacity needed to better manage itself and implement purpose driven change.

The demographics of the organisation indicate that up to 44% of its staff will retire within the next five to ten years. 'Although we have made great progress in recording information and processes, being early adopters of technology to enable improved information access and communication, we are still exposed to the loss of tacit knowledge and informal communication networks which assist us in working efficiently and effectively', said Mr Watkins.

'In our first Intellectual Capital Statement, part of the Department's 2004–2005 Annual Report, we have also recognised the need to identify, measure and improve those factors which nurture innovation, create public value and underpin confidence in our organisation, which holds records of property ownership, spatial and mapping information, land valuation, Crown land assets and the collective history of land administration within New South Wales.

'During this learning process, and through our involvement in the **Australian Government Consultative Committee on Knowledge Capital (AGCCKC)**, we have discovered that we are not alone on this journey; we share many common objectives and goals with other public, private and third sector organisations and that there is no single solution.

'We continue to learn from each other's experiences and achievements,' said Mr Watkins in conclusion of his address.

Peter Fritz AM, Chairman of the AGCCKC, Managing Director of Global Access Partners (GAP) and the TCG Group, closed the Congress by thanking sponsors, members of the Congress Steering Committee, keynote speakers, overseas guests and delegates.



(Full transcripts of the speeches are available on request from GAP at +61 2 8303 2416).

Appendix 1

PROGRAMME

Day One – Thursday, 3 November 2005

**Sir Redmond Barry Room, Investment Centre
Victoria, Level 46, 55 Collins St, Melbourne**

7:00pm _____ *Pre-Dinner Drinks, Registration*

7:30pm _____ *Dinner*

Welcome and Introduction

Mr Michael Coomer

Group Executive, Business and Technology
Solutions and Services, Westpac Banking
Corporation

Keynote Address

The Honourable John Brumby MP

Minister for State and Regional
Development Minister for Innovation, State
of Victoria

Vote of Thanks

Mr Patrick Callioni

Division Manager, Australian Government
Information Management Office,
Department of Finance and Administration

10:30pm _____ *Close*

Day Two – Friday, 4 November 2005

**Legislative Assembly Chamber
Parliament House, Spring St, Melbourne**

8:30am _____ *Registration*

9:00am _____ *Welcome and Introduction*

Mr Keith Besgrove

Chief General Manager, Information Economy
Division Department of Communications,
Information Technology and the Arts

9:10am _____ *Opening Keynote Address*

The Honourable Eric Abetz

Special Minister of State, Senator for Tasmania

9:25am _____ **Session One**

“Current Directions in the Knowledge Economy”

Session Chair

The Honourable Eric Abetz

Special Minister of State, Senator for Tasmania

Mr Michael Potter

Director of Economics & Taxation, Australian
Chamber of Commerce and Industry

Mr Alex Malley

Chairman, Australasian Reporting Awards (Inc.)

Mr Steve Vamos

Managing Director, Microsoft Australia
President, Society for Knowledge Economics

9:50am _____ *Discussion*

10:30am _____ *Morning Tea. Presentation of Pilot Projects*

10:50am	Session Two	“Society for Knowledge Economics. International Developments”
	Session Chair	Mr Mark Bezzina Executive Director Society for Knowledge Economics
		Mr Nick Ridehalgh Partner, PriceWaterhouseCoopers
		Prof Göran Roos Centre for Business Performance Cranfield School of Management, UK
		Mr Giuseppe Fiore Director General, Consip S.p.A., Italy
11:25am	Discussion	
12:20pm	Break	
12:30pm	Lunch	Queen’s Hall, Parliament House
	Introduction, Vote of Thanks	Mr Steve Vamos Managing Director, Microsoft Australia
	Keynote Address	The Honourable Dr Brendan Nelson Minister for Education, Science and Training, Australian Government
2:00pm	Session Three	“Experiences from the Australian Trenches”
	Session Chair	Dr Ian Woods Senior Research Analyst, Sustainable Funds AMP Capital Investors
		Ms Christina Boedker School of Accounting, University of NSW
		Mr Chris Liell-Cock Chief Operations Officer, Sustainable Performance
		Prof James Guthrie Faculty of Economics and Business, University of Sydney
2:35pm	Discussion	
3:15pm	Afternoon Tea	
3:35pm	Session Four	“The Way Forward”
	Session Chair	Mr Andrew Gale President, Institute of Actuaries of Australia
		Dr Ian Watt Secretary, Department of Finance and Administration, Australian Government
		Dr Herwig Schlögl Deputy Secretary-General, OECD, France
		Ms Jane Treadwell Chief Information Officer, Victorian Government
4:10pm	Discussion	
5:00pm	Signing Ceremony for Melbourne Protocol	
	Keynote Address	Mr Warwick Watkins Director General, NSW Department of Lands
	Vote of thanks	Mr Peter Fritz AM Chair, Australian Government Consultative Committee on Knowledge Capital (AGCCKC)
5:45pm	Close	

Appendix 2 – Speakers' Profiles

Senator The Hon. Eric Abetz **Special Minister of State** **Liberal Senator for Tasmania**

Senator Eric Abetz was chosen by the Parliament of Tasmania on the on 22nd February, 1994 to fill a casual Senate vacancy. He was re-elected on October 3rd, 1998 and again on October 9th, 2004, when he recorded the highest vote ever (by number and percentage) by a Tasmanian Senate candidate. Prior to entering Parliament he was State President of the Liberal Party of Australia, Tasmanian Division for three and a half years from 1990-94 and practiced as a Barrister and Solicitor in the legal partnership of Abetz, Curtis and Docking. Senator Abetz was educated at the University of Tasmania where he graduated with an Arts Degree in 1978 and a Law Degree in 1981. He was admitted as a Barrister and Solicitor of the Supreme Court of Tasmania on 29th August, 1983 and admitted to the High Court of Australia in 1986. Senator Abetz is the first and only Tasmanian to be elected Federal President of the Australian Liberal Students' Federation and is also the only life member of the Tasmanian University Liberal Club. He is also a life member of the Australian Liberal Students' Federation. Senator Abetz has served as Chairman of the Senate Legal and Constitutional Affairs Legislation Committee and as the Chairman of the Native Title and the Aboriginal and Torres Strait Islander Land Fund Committee. Senator Abetz has also served as Chairman of the Attorney-General and Justice Government Members' Committee. Senator Abetz was appointed to the Howard Government's second Ministry as Parliamentary Secretary to the Minister for Defence in December 1998 and promoted to the position of Special Minister of State on the 30th January, 2001. His current Ministerial responsibilities include the Australian Electoral Commission and electoral laws, the Australian Government Information Management Office (e-government) and Ministerial and Parliamentary Services (parliamentarian's entitlements). Senator Abetz represents the Ministers for Employment and Workplace Relations, Workforce Participation, and Small Business and Tourism in the Senate, where he answers questions on their behalf and has carriage of relevant legislation.

Mr Keith Besgrove **Chief General Manager, Information Economy** **Division, Department of Communications,** **Information Technology and the Arts,** **Australian Government**

Keith Besgrove is the Chief General Manager of the Information Economy Division in the Department of Communications, Information Technology, and the Arts (DCITA) in Canberra, a position which he has held for four years. Keith provides advice to the Australian Government on the strategic, legal and regulatory framework for the on-line economy. His responsibilities include domain names, spam, cyber-security, authentication, spyware and broadband. He is involved in various international groups including the OECD, APEC and ITU, and is responsible for research and analysis into the impact of ICT in improving productivity in Australia. Keith holds a Bachelor of Arts in Political Science from the University of Sydney. He is also a graduate of the Wharton School's Advanced Management program, and has completed an Australian Government Research Fellowship into innovation programs in Israel and Singapore.

Mr Mark Bezzina **Executive Director,** **Society for Knowledge Economics**

Mark Bezzina has Bachelor of Business and Information Science from the University of Technology Sydney (1998) and a Master of Business Administration from Macquarie Graduate School of Management (2001). Mark Bezzina is the founding Executive Officer of the Society for Knowledge Economics. He is the General Manager of StanCert Pty Ltd, a management consultancy, and the General Manager of Strategy Development at Standards Australia. Prior to this Mark held senior management positions at the Australian Gas Light Company, the Reed Group, Ralph M. Lee (now Downer RML), BICC/Metal Manufactures and Pirelli. Mark is founder of the National Centre for Security Standards, Chairman and founder of the BizDex Information Management initiative and immediate past Chairman of the Biometrics Institute. Mark is a member of AEEEMA, the St James Ethics Centre and the Edmond Rice Business Ethics Initiative; he also sits on several high-level government and industry committees.

Ms Christina Boedker **MBA (MGSM), MCom (UNSW), BA (Hons) (UNL)** **School of Accounting, University of NSW**

Christina has over ten years of management, consulting and research experience with UK, US and Australian organisations. Christina has held positions as department head in Operations and Marketing. Over the past five years, she has specialised in the fields of intellectual capital, intangibles and knowledge management. She headed a large project developing and implementing a knowledge management strategy for a US corporation with 180,000 employees on six continents. She managed a research project examining the measurement and reporting of intangible resources at a NSW public sector organisation on behalf of the Centre for the Management of Knowledge Capital, MGSM. Christina lectures post-graduate students in Managing Intangible Resources and Financial Accounting and undergraduate students in Strategic Management. She is doing her PhD on the use of information about intangible resources by capital market investors. Christina is at present consulting to the Society on Knowledge Economics on the preparation of Australian Guiding Principles for measuring and reporting intangibles.

The Hon. John Brumby MP **Treasurer of Victoria, Minister for State and Regional** **Development, Minister for Innovation** **State of Victoria**

John Brumby is the senior economic Minister in the Bracks Government holding the offices of Treasurer, Minister for State and Regional Development and Minister for Innovation. As Treasurer, he is responsible for the financial management of Victoria's \$30 billion Budget sector, which represents over 13% of the State economy. A leader in economic and regulation reform in the Bracks Government, John has worked hard to ensure Victoria is the leading State to live, work and invest. He has implemented major taxation reforms, bringing the total amount of tax cuts announced by this Government to over \$3 billion; overseen the establishment of *Partnerships Victoria* to encourage private sector involvement in the development of major infrastructure projects; managed Victoria's National Competition Policy and the establishment of the Victorian Competition and Efficiency Commission; and overseen the implementation of the Essential Services Commission, an independent regulator of energy, gas, rail, grain, ports and the water industry.

John is currently the longest serving of Australia's State Treasurers. As Minister for State and Regional Development, John has overseen the establishment of Regional Development Victoria to promote and drive economic growth and prosperity outside Melbourne. He has also established Australia's first Regional Infrastructure Development Fund, which includes \$70 million to undertake the biggest natural gas rollout in provincial Victoria since the 1970s. In February 2002, John was appointed as Victoria's first Minister for Innovation. John actively promotes innovative, creative and knowledge-intensive industries such as biotechnology, environmental technologies and advanced manufacturing. A key part of this exciting vision is the development of the \$206 million Australian Synchrotron at Monash University's Clayton campus, which is set to revolutionise scientific R&D in Australia. John was elected to the Victorian Parliament in 1993. He was Leader of the Opposition for almost six years, overseeing the rebuilding of the ALP and the development of new policies to revive and reinvigorate country Victoria. Between 1983 and 1990 he was the Federal Member for Bendigo during the Hawke Government and served as Chairman of the Parliamentary Committee on Employment, Education and Training. John completed a Bachelor of Commerce from Melbourne University in 1974 and a Diploma of Education from SCV Rusden in 1975. He was the recipient of a Centenary Medal in 2003.

Mr Patrick Callioni
Division Manager, Australian Government
Information Management Office,
Department of Finance and Administration

Patrick has degrees in Arts and in Law, he is a Barrister and a Fellow of the Australian Institute of Management, a Director of the Society for Knowledge Economics, and a Member of the Australian Institute of Company Directors and of the Chartered Institute of Purchasing and Supply (Australia). Patrick has presented and published papers on a variety of topics in recent years, including strategic management, value creation, performance indicators, and the information economy and knowledge management. Patrick has experience as a senior manager in program management, policy development, service delivery and corporate management - in health care, employment and training, income support and compensation, and information management. In Finance, Patrick's role is to oversee the management and strategic development of whole of government ICT infrastructure.

Mr Michael Brian Coomer
Group Executive, Business and Technology
Solutions and Services, Westpac Banking
Corporation

Michael Coomer is the Group Executive, Business & Technology Solutions & Services for Westpac Banking Corporation. He has almost 30 years of experience at the forefront of information technology, having had associations in the telecommunications, financial services, aerospace and defence industries, primarily in senior executive roles with prestigious large corporations. Michael spent over 10 years with Rockwell International, working in numerous overseas roles, on large scale defence, aerospace and telecommunications projects. In 1987, he joined the Ansett Transport Industries Group and was appointed its Chief Information Officer in 1989. In this capacity, Michael had overall responsibility for the replacement of all of the Group's systems, including reservations, scheduling, telephone and many other operations systems, in anticipation of de-regulation in 1990.

As IBM Australia's Head of Systems Integration, Michael helped create the very successful Lend Lease-IBM Joint Venture, ISSC Australia in 1993. From January 1995 until March 2000, Michael was the Chief Information Officer of the National Australia Bank, Australia's largest bank. In this role, he was responsible for the Group's IT activities in Australia, New Zealand, Europe, the US and Asia and oversaw the bank's transition into the Internet age. In January 2002, Michael joined Westpac Banking Corporation. He is the Group Executive for Business & Technology Solutions & Services with responsibility for information technology, outsourcing governance, all back-office operations and support, and corporate services. Michael also has group-wide executive responsibility for ensuring that Westpac's control frameworks against fraud, money laundering and the financing of terrorism are developed and monitored. Within his portfolio Michael also has group-wide responsibility for the provision of specialist business continuity services and physical security requirements. Michael is a Fellow of the Australian Institute of Management, the Australasian Institute of Banking & Finance, the Telecommunications Institute and the Australian Company Directors Institute. Michael is a non-Executive Director of Baycorp Advantage. He is also a member of the J B Were Private Equity Fund.

Mr Giuseppe Fiore
Director General, Consip S.p.A., Italy

Mr Fiore has a degree in Mechanical Engineering from "La Sapienza" University of Rome. 1980 to 1994 he worked for IBM Italia in sales and marketing. He moved to Paris in 1995 as the executive assistant to the General Manager of Product Business. In 1996 he moved to the USA where, still in IBM corporation, he covered different positions in Worldwide strategy and marketing. In 1999 he became Director of Strategy Operation Marketing for Product Business. Mr Fiore joined Dell in 2000 as Director of Sales for Dell Italy. Since October 2001 Mr Fiore has been working for CONSIP, where, from 2002 to 2004, he ran the Public Spending Rationalization Division. Mr Fiore was made General Manager of CONSIP in January 2005.

Mr Peter Fritz AM
Chair, Australian Government Consultative
Committee on Knowledge Capital (AGCKCK)
Group Managing Director, TCG Group
Managing Director, Global Access Partners (GAP)

Peter Fritz is Managing Director of GAP, and Group Managing Director of TCG Group - a network of private, independent and mutually supportive companies which over the last 33 years has produced many breakthrough discoveries in computer and communication technologies. In 1993, some of the 65 companies in the TCG Group were publicly floated on the Australian Stock Exchange as TechComm Group Limited (now called Utility Computer Services UXC), with great success. Another former TCG company floated on the New York Stock Exchange in November 1997 for US\$600m, making it the largest technology company to be established in Australia until that time. Peter's innovative management style and corporate structuring has led to the creation of a business model which is being copied by many successful entrepreneurs, and has become part of university undergraduate and masters programs in business management in Australia and around the world. Peter Fritz chairs a number of influential government and private enterprise boards and is active in the international arena, including having represented Australia on the OECD Small and Medium Size Enterprise Committee. He is the holder of six degrees and professional qualifications, is a recipient of the Order of Australia, and has received many other honours.

Mr Andrew Gale
President, Institute of Actuaries of Australia

Andrew is the President of the Institute of Actuaries of Australia, and has had a lead role in the Institute being a foundation member for the Society for Knowledge Economics. He is a Member of the Committee of Management for the Society. He has been a periodic contributor to the Australian Government Consultative Committee on Knowledge Capital. Actuaries' interest in knowledge capital is based on their curiosity and expertise in understanding and valuing intangibles and, in so doing, helping people better manage value from intangibles. Andrew leads Trowbridge Deloitte which is the actuarial advisory division of Deloitte. He is an industry leader in strategy, distribution and marketing issues for wealth management and life companies. Andrew leads customer analytics, valuations and M&A assessments. Andrew's clients include AMP, CBA, National Australia Bank, MLC, Westpac, Suncorp, Macquarie Bank, Zurich and Tower. He has more than 25 years in financial services, where he has worked primarily in senior executive roles in distribution, marketing and strategy. He has held divisional and general management roles with two of Australia's leading financial services organisations, MLC and AMP. He has led the development of wealth management and financial planning infrastructure ventures at Accenture and was the Director of the Consumer Division of C&W Optus, where he drove 50+% annual revenue growth.

Prof James Guthrie
Faculty of Economics and Business
University of Sydney

Professor James Guthrie's research and teaching interests include public sector accounting, auditing, accountability and management, social and environmental reporting and auditing, management of knowledge, and intellectual capital and the measurement of intangibles. He consults in public and private sector management, management of knowledge, intellectual capital, performance, benchmarking, and annual reporting strategies. He was awarded the prestigious Chartered Institute of Management Accountants (CIMA) Research Foundation International Visiting Professorship for 2000 and an Italian national government outstanding international academic award for 2003-2004. James has held posts at the University of New South Wales and Deakin University prior to taking up his Professorship at the Macquarie Graduate School of Management (MGSM) in 1995. He is now a Professor of Accounting, Faculty of Economics and Business, at The University of Sydney. He has also been Visiting Professor at universities in Sweden, Italy, Scotland and England. Before commencing his academic career, James worked in a chartered accounting firm, and has been made a Fellow of the Australian Society of CPAs and a Fellow of the Institute of Chartered Accountants in Australia. James is the author or co-author of over 100 articles in both international and national refereed and professional journals, 30 chapters in books and presented his research findings to over 230 national and international gatherings. He is the joint founding editor of the international research journal, *Accounting, Auditing and Accountability* now in its 18th year and *Australasian Editor for the Journal of Intellectual Capital* since 2000. His auditing research work has included corporate governance and audit committees and he has presented his research findings to several Parliamentary committees. His extended performance reporting research work has been linked to several consultancies for government and non-profit organisations.

He has also provided comments to many Parliamentary Public Accounts Committees inquiries into public sector annual reporting and performance measurement. His education research work has challenged both the construction and reporting of teaching, administration and research performance in both the Australian and the UK tertiary sectors. His work for the OECD on the management of knowledge and the measurement and reporting of intellectual capital in both the public and private sectors has led to several important large research projects and publications. His research work has been supported in recent years by over \$1,000,000 of external research grants from both national and international funding institutions. In addition, he has received over \$700,000 from various internal university grants.

Mr Chris Liell-Cock
Chief Operations Officer, Sustainable Performance

Chris has over 20 years experience as a senior business executive and as a change management consultant with demonstrated success in developing and implementing strategies and performance improvement programs to rebuild and grow large and medium sized organisations. He has worked for several well-known organisations including IBM, Prudential, Colonial, PepsiCo, and the Commonwealth Bank in senior executive roles initiating, implementing, and driving performance improvement. At the Commonwealth Bank, as Head of Technology and Programs for the Institutional Banking division, Chris was instrumental in converting the worst performing technology division to leading the bank in performance and innovative solutions within 18 months. Chris has consulted for McKinsey & Co and in his own right covering strategy, sales development, project management and change implementation in a variety of industries including financial services, manufacturing, resources, consumer products, entertainment, information technology, hospitality and Government services. Today Chris leads the business, Sustainable Performance, which advises and implements sustainable performance improvements for organisations as a consulting and/or equity partner. He is a leader in the fields of Benefits Realisation and Change Management, and is a regular presenter on these topics. Chris is a qualified B.Com, CIMA, CPA, and MAICD. He is one of three founding members of the Australian Government's Consultative Committee on Knowledge Capital.

Mr Alex Malley
Chairman, Australasian Reporting Awards (Inc.)

Alex Malley is Chairman of Australasian Reporting Awards (Inc.) - an independent not-for-profit organisation supported by volunteer professionals from the business community and professional bodies concerned about the quality of financial and business reporting. Alex has 15 years experience in both community consulting and the tertiary education sectors. His consulting interests and educational perspectives focus on cash flow management and strategy development. He has been a finalist in the University National Teaching Awards. Alex joined the Board in 2002. Alex succeeds John Horder AM who will remain on the ARA Board as Immediate Past Chairman.

The Hon. Dr Brendan Nelson
Minister for Education, Science and Training
Australian Government

Elected to represent the Sydney electorate of Bradfield for the Liberal Party of Australia in 1996, Brendan Nelson was appointed by the Prime Minister to Cabinet as Minister for Education, Science and Training on 23 November 2001. Dr Nelson was previously appointed by the Prime Minister in 1998 as Chairman of the House of Representatives Standing Committee on Employment, Education and Workplace Relations, where he authored three major

reports – the *Age Counts* report into Labour Market Reform for the over 45s, the *Today's Training, Tomorrow's Skills* inquiry into the role of TAFE and the report into Employee Share Ownership, *Shared Endeavours*. Dr Nelson also initiated the Committee's ongoing inquiry into the education of boys. Dr Nelson has been a key contributor on a range of Government policy committees including Health, Communications, Treasury and was Secretary of the Government's Workplace Relations Policy Committee. Prior to his appointment to the Federal Executive as Parliamentary Secretary to the Minister for Defence in December 2000, Dr Nelson was Chairman of the Sydney Airport Community Forum, which interfaces the aviation industry, three tiers of government and Sydney communities planning long-term air traffic management and noise abatement strategies. Dr Nelson is well known for his commitment to the areas of health, medical and social issues including smoking, drugs, Aboriginal health, aged care, youth suicide, human rights and the health effects of unemployment. A general practitioner by training and a graduate of Flinders University in South Australia, Dr Nelson at the age of 35 was the youngest doctor to have ever been elected to the Federal Presidency of the Australian Medical Association (AMA), a position he held from 1993 to 1995. He had previously served as its Federal Vice President and Tasmanian Branch President. In 1995 Dr Nelson was awarded the AMA's highest honour – the Gold Medal for "distinguished service to medicine and humanity". He was further acknowledged in 1995 for his commitment to the medical profession and public health in particular, with an Honorary Fellowship of the Royal Australasian College of Physicians.

Mr Nick Ridehalgh
Lead Partner, Corporate Communications
PriceWaterhouseCoopers

Nick is an assurance partner at PricewaterhouseCoopers, Sydney and leads our corporate communications practice. Nick has been with the firm for 24 years, working in the US, UK, Asia and Australia. His major audit clients are in the telecommunications, technology and E&M sectors. Nick's corporate communications team advises companies on how to effectively communicate with not only the capital markets, but also other stakeholder groups. The team benchmarks communications media, interviews analysts, establishes reporting blueprints, develops, builds and tests internal reporting processes, and designs and drafts reports for companies. Nick has worked with our global ValueReportingT team for several years researching best practice external corporate communications. Nick is regularly cited in the press and regularly presents his views on the need for a simpler and tailored performance based reporting model for Australian companies. Recently Nick has played a hands-on role in designing and drafting 'a shareholder friendly report' with the Australian Institute of Company Directors, an illustrative guide on how to communicate with retail shareholders on the company's performance in 20 pages and in plain English. Nick is a Chartered Accountant (UK and Australia) and a registered company auditor in Australia. He also has an MBA (Executive) from Monash Mt Eliza Business School.

Prof Göran Roos
Centre for Business Performance
Cranfield School of Management, UK

Göran Roos is Visiting Professor of Intangible Asset Management and Performance Measurement at the Centre for Business Performance at Cranfield

University, part-time visiting teaching professor at the Helsinki School of Economics/JOKO (Intellectual Capital, Strategy and Knowledge Management) as well as part-time visiting Intellectual Capital Adjunct at Melbourne Business School, Mt. Eliza Centre for Executive Education. Göran was for many years part-time Industrial Professor of Strategy and Internationalisation at the Norwegian School of Management in Oslo. He has been a Visiting Research Associate in technology-based business development at the Institute for Policy Science located at the University of Saifama Campus Kita-Urawa, Japan and in Biotechnology at the Swedish University of Agricultural Sciences in Uppsala, and in Intellectual Capital at Henley Management College. Göran is the founder of *Intellectual Capital Services Ltd.* (London) [a leading think tank on methodologies for the identification, management and measurement of intangibles], and the co-founder of *AssetEconomics Inc.* (New York, London, Melbourne) [an organisation focused on measuring and managing intangibles for shareholder value], *B+ STRATEGY sarl* (Bilbao) [a leading strategy consulting firm] and *Emergent Thinking Ltd* (Melbourne) [a joint venture with the deBono Institute and Spacademy on Strategy from Within]. He is one of the founders of modern intellectual capital science and a recognised world expert in this field. He has worked as a consultant in most OECD countries and has served in management positions in several European and US-based corporations. Göran holds an Advanced Postgraduate Certificate (Management Consulting) from Henley Management College in the UK, an MBA (Strategy) from INSEAD, France and a M.Sc. (Engineering Physics) from Chalmers University of Technology, Sweden. He is the author and co-author of numerous books and articles on Intellectual Capital and Strategy many of which have been given awards. He was named one of the 13 most influential thinkers for the 21st Century by the Spanish business journal "Direccion y Progreso" No 167 in 1999.

Dr Herwig Schlogl
Deputy Secretary-General, OECD, France

Herwig Schögl was appointed Deputy Secretary-General of the OECD in July 1998. He is responsible for Agriculture, Science, Technology, Industry, and Trade issues. Before joining the OECD, Dr Schögl was an economist in the German Ministry of Economics and Deputy Director General for Trade Policy in Bonn. Dr Schögl has more than thirty years of government experience in trade, competition and industrial policy issues. After studying law and economics at Marburg University, Dr Schögl received a PHD in economics in 1969. He became a member of the German Permanent Representation at the European Economic Union in Brussels working on European monetary issues and the internal market. In 1972, Dr Schögl joined the industrial policy division of the German Ministry of Economics. Four years later he took leave of absence to head the economics department at the German-American Chamber of Commerce in New York, then returned to the Economics Ministry in 1980 to become head of the foreign economic affairs division in the industry department. From 1984 to 1996, Dr Schögl headed the Division for Foreign Economic Policy, Export promotion in the German Economics Ministry, and was also in charge of G7 Summit co-ordination for the Ministry and OECD co-ordination in the German government. Since 1996 he has been Deputy head of Delegation to regular bi-lateral economic consultations with the US, Brazilian and Indian governments. He is author of books and articles on competition policy and trade issues.

Ms Jane Treadwell
Chief Information Officer, Government of Victoria

Jane Treadwell commenced as the Victorian Government Chief Information Officer in May 2005 with the responsibility for shaping and driving the strategies and processes that will enable the Victorian Government to exploit the capabilities of information and communications technologies.

Prior to this appointment, Jane was the Deputy CEO for Business Transformation and the Chief Information Officer of Centrelink, one of Australia's largest service delivery organisations. Jane has an eclectic career path, having worked in a range of roles and industries, with a focus on strategic management and organisational change. Her early career roles were in health and human services industries as a health professional and later in service planning, research and administration. The completion of a Masters of Business Administration led to new opportunities in lecturing in Business Studies in the tertiary education sector and as a management consultant with the Office of Public Sector Reform for the South Australian Government. Jane's appointment to the Department of Correctional Services as Director of Strategic Services was her first exposure to information technology amongst various strategic functions that preceded her move to Centrelink in 1998, as Chief Information Officer. Over that time she has been recognised nationally and internationally as a leader in e-business and organisational transformation, and was awarded Outstanding Achievement in the Role of CIO in March this year by JML and The Australian.

Mr Steve Vamos
Managing Director, Microsoft Australia
President, Society for Knowledge Economics

Appointed Managing Director of Microsoft Australia in February 2003, Steve Vamos is responsible for the strategic direction and leadership of the company, which includes overseeing the desktop and server business, consulting and product support services, Microsoft Business Solutions and the Home and Entertainment Division. In this role, Steve focuses on building deeper relationships with Microsoft's stakeholders and meeting the needs and challenges of customers and partners. Prior to his appointment at Microsoft Australia, Steve held the position of Chief Executive Officer at ninemsn, a joint venture between Microsoft Corporation and PBL. During his five years in that role, Steve reshaped the company from start-up to achieving its position as the Australian online media industry leader. Steve also held the position of Managing Director of Apple Computer Australia from 1994 to 1995 and Vice President and Managing Director of Apple Computer Asia Pacific from 1996 to 1998. He was also appointed Vice President of Apple Computer Inc in 1996. Prior to joining Apple Computer, Steve spent 14 years with IBM Australia in a number of sales, marketing and general management positions. As a recognised IT industry leader, Steve continues to serve as a member of the board of directors of the AIIA and ninemsn. He holds a degree in Civil Engineering from the University of NSW. In 2004 and 2005, he has been included in the top five of The Australian Financial Review's listing of the most influential members of the Australian information community.

Mr Warwick Watkins
Director General, NSW Department of Lands

Warwick is currently Director General of the New South Wales Department of Lands, the NSW Surveyor General and Registrar General. The Department of Lands consists of Land and Property Information NSW (tinting, valuation, surveying, and other spatial information); Crown Lands administration and management (land leases and licences, reserves and State Parks and land uses from cemeteries to iconic

development/business sites to tourist and recreation areas); Native Title and Aboriginal Land Claims; Soil Services (soil conservation earthworks and consultancy services), Land Boards and the Emergency Information Coordination Unit (spatial data needs for counter terrorism and emergency services planning, research and consequence management). Warwick has over 35 years of technical, policy and administrative experience in natural resource and integrated land management, land information data and systems and related land titling, mapping, information technology and associated areas. He is also currently Norfolk Island Surveyor General; Pro Chancellor of the University of Technology, Sydney; President of the Board of Surveying and Spatial Information (BOSSI); Chair of the Geographical Names Board (GNB) and Chair of the Australian and New Zealand Land Information Council (ANZLIC), an Advisory Board Member of the ARC Centre of Excellence for Ultra-High Bandwidth Devices for Optical Systems (CUDOS); a Director of the Cooperative Research Centre for Spatial Information (CRC SI); Deputy Chair of the CSIRO Water for a Healthy Country National Research Flagship Advisory Council; Member, National Land and Water Resources Audit Advisory Council; Member, Australian Government's Consultative Committee on Knowledge Capital; and an Honorary Associate of the Graduate School of Government. He has previously held the positions of Commissioner, NSW Soil Conservation Service; Director General of the Department of Conservation and Land Management; Director General, State and Regional Development; Chief Executive Officer, Waterways Authority; and Director General of the Department of Information Technology and Management.

Dr Ian Watt
Secretary, Department of Finance and
Administration, Australian Government

Dr Watt has been Secretary of the Department of Finance and Administration since January 2002. He was previously Secretary of the Department of Communications, Information Technology and the Arts. Prior to that, he was Deputy Secretary of the Department of the Prime Minister and Cabinet and Executive Coordinator of the Economic, Industry and Resources Policy Group until March 2001. Dr Watt was First Assistant Secretary of Economic Division, Department of the Prime Minister and Cabinet, between March 1994 and November 1996. Prior to that he was Minister (Economic) at the Embassy of Australia in Washington for two-and-a-half years. He completed the Advanced Management Program at the Harvard Business School from September to November 1999. Dr Watt is the current chair of the OECD Working Party of Senior Budget Officials.

Dr Ian Woods
Senior Research Analyst, Sustainable Funds
AMP Capital Investors

Dr Woods is the Senior Research Analyst for the AMP Capital Investors Sustainable Funds, Australian Equity Team. Ian's prime role is assess the intangible assets of Australian companies, associated with environmental, social and governance issues, identifying the link with company financial performance and engaging with Australian companies in the areas of corporate social responsibility and sustainability. Ian's particular focus has been in considering how the issues of sustainability and CSR relate to financial investment and the investment risks associated with climate change. Ian's background is in environmental and risk consulting both in Asia/Pacific region and Europe, working with most of the large companies Australia and the UK. Since joining AMP Capital in December 2000, Ian has been instrumental in the further development of the sustainability assessment process used by the SRI teams of Henderson Global Investors (previously owned by AMP) and AMP Capital. He has a PhD in Chemical Engineering from the University of Sydney, a Masters of Environmental Law and recently finished an MBA at AGSM.

Appendix 3 – Sponsors' Profiles



Australian Government

Department of Finance and Administration
Australian Government Information
Management Office

Better Services, Better Government

The Australian Government Information Management Office (AGIMO), Department of Finance and Administration (Finance), is working to make Australia a leader in the productive application of information and communications technologies to government administration, information and services.

AGIMO fosters efficient and effective use of information and communications technology (ICT) by Australian Government departments and agencies. It provides strategic advice and leadership in activities relating to the application of ICT to government business.

Maximising government benefits from ICT investments

AGIMO acts as a catalyst for change in government to improve the delivery of services and achieve long-term efficiencies by using the enabling capabilities of ICT. The application of new technology, combined with changes to existing processes and practices, enables government policies, programs and services to be connected in ways that support both the increasing demand for multi-agency and whole-of-government responses the needs of citizens.

AGIMO works across all tiers of Australian government to maintain and develop Australia's position as a world leader in the use of ICT in government. It provides leadership in government-wide ICT strategy, standards, and technical architecture, and security and resilience issues in the use of ICT.

In cooperation with other government bodies, AGIMO manages international contacts and represents Australia in world forums on ICT related issues.

Whole-of-government focus

AGIMO's responsibilities include:

- supporting the Information Management Strategy Committee (IMSC), the Chief Information Officer Committee (CIOC), as well as the Cross-Jurisdictional Chief Information Officers' Committee (CJCIOC)
- working with government agencies to develop standards to integrate services across agencies
- promoting improved government services through technical interoperability and integration of business processes across government jurisdictions
- measuring use and satisfaction of citizens and business with e-government services
- leading the development of new approaches for the discoverability and distribution of government products
- developing and enhancing government e-procurement processes
- managing whole-of-government telecommunications arrangements
- promoting clear citizen engagement strategies
- identifying and promoting the development of ICT infrastructure necessary to implement emerging Australian whole-of-government strategies
- managing the FedLink system, to enable secure government online communications
- developing e-Government authentication frameworks for verifying electronic communications
- managing Gatekeeper, the Government's system for certifying digital signatures
- managing online and printed directories, whole of government websites and guidance for the online use of the Australian Government brand.



Converting global issues into business opportunities

Global Access Partners (GAP) is a proactive and influential network which initiates high-level discussions at the cutting edge of the most pressing commercial, social and global issues of today. Through forums, conferences, missions and advisory boards, we facilitate real and lasting change for our stakeholders, partners and delegates, sharing knowledge, forging progress and creating input for Government policy.

GAP promotes Australia's capacity to find novel solutions to the challenges facing the global community, and translates these innovative solutions into business opportunities. We focus on practical economic outcomes for Government and Business, and offer a landmark opportunity for those involved in the GAP process to discuss Australia's future in a high powered environment.

Moving from rhetoric to action

GAP's reputation for excellence is founded on its strong record of successful high-level national and global initiatives covering a wide range of industries and issues.

In seeking to foster the links between Government, Business, Industry and Academia, GAP has developed its unique model of an interactive multidisciplinary task force. Each GAP project, be it a national round table or an international symposium, constitutes the beginning of a process. One of the major outcomes is the formation of Australian Government Consultative Committees, which work to ensure the recommendations flowing from each GAP initiative become reality.

"Any survival is the result of cooperation"

Global Access Partners is part of the TCG® Group of Companies – an Australian-owned group of independent, mutually supportive private enterprises. We have been in the business of building businesses for over 30 years.

GAP INITIATIVES

2007

- *Virtual Opportunity Congress IV: Identity Management*

2006

- *GAP Forum on Commercialising Nanotechnology*
- *GAP Congress on Wellness and Ageing*
- *GAP Forum on Leveraging Networks in Business*

2005

- *GAP Congress on Knowledge Capital*
- *Australian National Consultative Committee on Electronic Health*

2004

- *GAP Forum: Better Health Care Through Electronic Information*
- *Australian National Committee on Business Building Sustainable Cities*
- *GAP Forum on Ecological Sustainability*
- *OECD Ministerial and Business Symposium: SMEs Competing in a Knowledge Economy, Istanbul*
- *Australian National Consultative Committee on Security and Risk*

2003

- *Virtual Opportunity Congress III: Security and Risk*
- *GAP Forum on Informatics in Biology and Medicine*
- *Australian Government Consultative Committee on Knowledge Capital*
- *Australia/Central Europe Entrepreneurial Study Mission*

2002

- *Vendor Management and Outsourcing Forum*

Microsoft®

Founded in 1975, **Microsoft** (Nasdaq "MSFT") is the worldwide leader in software, services and solutions that help people and businesses realise their full potential. Although Microsoft is well known as one of the world's leading software companies, our business is really about people.

It's about our employees, who create innovative software that empowers millions of people around the world. It's about our customers, who do amazing things with the tools we provide, and our partners, who use our products and platforms to build their own successful businesses. And it's about our investors, who continue to put their faith in our company.

As a successful global corporation Microsoft believes we have a responsibility to use our resources and capabilities to make a positive contribution to the countries in which we live and work. We believe strongly that corporate responsibility is a cornerstone of effective business and productive community relationships.

In Australia we work in partnership with governments, industry and community stakeholders to help realise the goals and aspirations of Australians. Locally, Microsoft Australia employs more than 600 people across several business units providing a wide range of products and services including Windows®, Microsoft Office® and Xbox®, as well as online services through ninemsn our joint venture with Publishing and Broadcasting Limited (PBL).

Microsoft is a committed and responsible industry partner aiming to foster a thriving technology industry in Australia. We are leaders of, and advocates for, interoperability; a safe and secure computing experience; and the protection of intellectual property for Australian and international businesses.

Technology partnerships affect many sectors of the Australian community. Microsoft partners with all levels of government in Australia to help promote positive public policies and to provide advice and solutions across a wide range of the public sector's activities. Microsoft technologies and services enable government agencies and departments to maximise their technology investments, streamline operations and deliver better services to their constituents.

Information Communication Technology (ICT) investment plays an important part in the Australian economy. A community of more than 20,000 businesses employs 145,000 people and generates income of more than A\$24.3 billion annually. Microsoft plays an important role providing technology, investments and partnerships to drive the growth of this leading sector. The company's success depends in large part on its relationship with the thousands of independent Australian technology businesses – software developers, system integrators, resellers and consultants – that help deliver Microsoft technology to customers. Since 2000, Microsoft has invested more than A\$20 million to support 14,000 Australian businesses as partners, suppliers and investors in leading-edge technology. These Australian businesses generate revenue in the billions of dollars each year from solutions built on our software platforms.

Our passion to do well in business is matched by our desire to do carry out positive work in the community and Microsoft Australia takes great pride in being able to help Australian businesses, governments and communities benefit from the global growth in technology. We are proud of our contribution to Australia on both a social and economic level.



Established in 1920 as Queensland and Northern Territory Aerial Services Limited, **Qantas** is Australia's leading domestic carrier and one of the world's premier long haul airlines.

Qantas is also one of Australia's most recognised brand names, with a reputation for excellence in safety, operational reliability, engineering and maintenance, and customer service.

The Qantas Group's Flying Businesses are Qantas, Regional Airlines (QantasLink and Jetconnect), Australian Airlines and Jetstar. Domestically, Qantas, QantasLink and Jetstar operate nearly 5,000 flights a week serving 62 city and regional destinations in all states and mainland territories. Jetconnect also operates more than 250 domestic flights a week for Qantas within New Zealand. Internationally, Qantas and Australian Airlines operate more than 600 flights a week, offering services to 83 international destinations (including codeshare services) in 40 countries in Asia-Pacific, Americas, Europe and Africa.

Qantas is continuing to invest in new aircraft, aircraft enhancements, product and service initiatives. The international Business Class, featuring Skybed, a state-of-the-art, cocoon-style sleeper seat, is now installed on all 3 class B747-400 and A330-300 aircraft and will be progressively introduced on 2 class B747-400 aircraft on selected routes from April 2005 until January 2006.

Domestically, Qantas continues to offer the most extensive network of any carrier. CityFlyer services between major capital cities have been tailored to meet the needs of the business traveller and QuickCheck self-service kiosks are streamlining the check in process for customers at Sydney, Melbourne, Brisbane, Perth, Adelaide* and Canberra* Airports.

Over the past 5 years, Qantas has invested heavily in its fleet, taking delivery of B747-400ER, B747-800 passenger aircraft, Airbus A330-200s and Airbus A330-300s. The centrepiece of the Group's future fleet plan remains the Airbus A380. For Qantas, this twin-deck aircraft will carry 501 passengers in a three-class configuration, provide greater opportunities to expand capacity at slot constrained airports around the world and allow Qantas to introduce the next generation of inflight products and services to customers. Qantas has ordered 12 Airbus A380 aircraft, the first of which is scheduled for delivery in April 2007.

Qantas is proud to support Global Access Partners and wishes to extend its best wishes for the continued success of the Congress.



VICTORIAN GOVERNMENT LEADERSHIP ON INNOVATION

"Innovation and creativity are essential in a global economy where knowledge is the key to competitiveness."

Worldwide, innovation is now recognised as the single most important element in a successful modern economy. The Victorian Government has long supported innovation for this reason. Innovation is not only about technology. Innovation is about people. It is about making sure we use ideas, technology and knowledge to give all Victorians a higher standard of living, more satisfying and rewarding jobs and a better environment in which to live, work and raise their families.

Victoria stands at an exciting threshold, well placed to become a leading innovation economy. It has great strengths in innovation: world-class research institutions; strong business expenditure on R&D; a competitive business environment; a robust education and training system; a highly skilled, educated and diverse workforce; efficient modern infrastructure; and high investment in ICT.

The Victorian Government's Innovation Economy Policy makes Victoria one of few places in the world to develop a comprehensive and detailed innovation policy and give it a central role in driving economic growth and development. It aims to drive innovation across the Victorian economy by improving Victoria's performance in six key areas:

1. Building an educated and highly skilled workforce
2. Becoming a leader in knowledge creation and innovation
3. Developing linkages, clusters and networks to become a more integrated and networked local economy
4. Fostering high levels of enterprise formation and business growth
5. Becoming a globally focused and internationally integrated economy
6. Creating a business environment and infrastructure base that facilitates business success

The Innovation Economy Policy builds on Victoria's existing strengths and advantages by focusing on five strategic capabilities: Information and communications technologies (ICT); Biotechnology; Design; New manufacturing technologies; Environmental technologies.

Focusing on these capabilities gives Victoria its best prospects for:

- Accelerating the development of an innovation economy.
- Identifying and supporting distinctiveness
- Using our resources strategically

The Government is committed, through the *Growing Victoria Together* statement, to making Victoria a more Innovative State – where innovation will lead to thriving industries and high quality jobs. Through its Innovation Economy Policy it will continue to respond to the challenges of a changing world economy. The Government will continue to look 'over the horizon' at emerging technologies and trends, and reassess Victoria's policies in response to these new challenges.

It has established bodies such as the Innovation Economy Advisory Board and the Office of the Chief Information Officer to assist in the delivery of this goal by advising and challenging the Government in the future development and implementation of its innovation and information policies.

The Victorian Government is pleased to be supporting the GAP Congress on Knowledge Capital because we recognise that the ability to measure knowledge, innovation and creativity is important for building a Victorian economy that is innovative, internationally competitive and globally connected – an economy that can generate new opportunities from the changing world economy for all Victorians.



Australia's First Bank

Westpac began trading on 8 April, 1817 as the Bank of New South Wales with a single office in Macquarie Place, Sydney, in the then British colony of New South Wales.

We changed our name in 1982.

- We have branches and affiliates throughout the Pacific region and maintain offices in key financial centres around the world
- As at 31 March 2005 the Westpac Group employed approximately 26,890 people (full time equivalents) in Australia and around the world
- As at 31 March 2005, Westpac Banking Corporation had global assets of \$254 billion
- Westpac is ranked in the top 10 listed companies by market capitalisation on the Australian Stock Exchange Limited (ASX)
- For the half year to 31 March 2005, the Westpac Group's net profit after income tax was \$1,325 million
- About 233,000 people and institutions in Australia and overseas are shareholders in Westpac
- Westpac concentrates its activities in Australia, New Zealand and the Pacific Islands. Westpac merged with Challenge Bank in Western Australia in 1995, Trust Bank New Zealand in 1996, and Bank of Melbourne in Victoria in 1997

Westpac's operations comprise five key areas of business, through which we serve around 8.2 million customers. These five business areas are:

- Business and Consumer Banking includes deposit taking, transaction accounts, credit cards and other lending. We are a major home loan provider and also meet the finance needs of business customers with a turnover of up to \$20 million. Investment, superannuation and general and life insurance products are also sold through our branch network
- Wealth Management comprises our asset accumulation, investment management and life insurance operations in Australia and New Zealand. Wealth Management designs, manufactures and services financial products to enable customers to build, manage and protect their wealth. These products include managed investments, life insurance, superannuation and discount broking. We also provide custody and settlement services to institutional customers and fund managers
- Westpac Institutional Bank (WIB) provides financial services to the corporate and institutional customer base, assisting and advising in the management of cash, funding, capital and market risk for companies and institutions in Australia and New Zealand
- New Zealand Retail provides a full range of retail and commercial services to customers throughout New Zealand. It is the leading provider of banking services to small to medium business and is the banker of the New Zealand government

Pacific Banking provides a full range of deposit, loan, transaction account and international trade facilities to personal and business customers.

Appendix 4 – List of Delegates

The Hon. Eric Abetz

Special Minister of State
Liberal Senator for Tasmania
Australian Government

Dr Bronte Adams

Principal, Dandolo Partners Pty Ltd

Prof Carol Adams

Professor of Accounting
School of Business,
Faculty of Law and Management
La Trobe University

Mr Graeme Addicott

Valuer General, Northern Territory

Mr Renn Barker

Senior Speech Writer
Department of Innovation,
Industry and Regional Development
State Government of Victoria

Ms Sue Barker

Victorian College of the Arts

The Hon. Neil Batt AO

Director, Australian Unity

Mr Christopher Bell

CEO Leadership Consortium

Ms Tricia Berman

General Manager
Innovation Policy Branch
Department of Industry, Tourism and
Resources, Australian Government

Mr Keith Besgrove

Chief General Manager,
Information & Economy Division
Department of Communications,
Information Technology & the Arts
Australian Government

Mr Mark Bezzina

Executive Director
Society for Knowledge Economics

Dr Derek Binney

Chief Knowledge & Technology Officer
CSC Australia

Ms Christina Boedker

Knowledge Management Solutions,
School of Accounting, UNSW

The Hon. John Brumby MP

Treasurer of Victoria
Minister for State and Regional Development
Minister for Innovation, State of Victoria

Mr Ian Caddy

Senior Lecturer, Lead of Program - IS,
Course Co-ordinator – BBA Offshore School of
Management, University of Western Sydney

Mr Patrick Callioni

Division Manager, Australian Government Information
Management Office, Department of Finance and
Administration

Mr Simon Carter

Project Manager - Knowledge Systems,
Colliers International

Prof Andrew Christie

Director, Intellectual Property Research
Institute of Australia (IPRIA)

Ms Helen Christon

Manager Corporate and Government Sales
Qantas Airways

Mr Jason Clark

Information City Victoria

Mr Michael Coomer

Group Executive, Business & Technology Solutions &
Services, Westpac Banking Corporation

Mr Malcolm Crompton

Managing Director, Information Integrity Solutions

Dr Xavier Csar

Innovation Adviser
Minister for State & Regional
Development, Minister for Innovation,
State Government of Victoria

Mr John C Dumay

CEO Progressive Business Management Pty Ltd

Mr Simon Edwards

Manager, Government Affairs, Microsoft Australia

Mr Alex El-Debel

Product Line Manager, Valuation and Advisory Services,
Australian Valuation Office

Mr Rob Elliott

National Manager
Australian Institute of Company Directors

Mr Richard Fabricius

Senior Consultant, Hewitt Associates Pty Ltd

Ms Maria Fernandez

Chief of Staff, Office of the Minister for Education, Science
and Training, Australian Government

Mr Giuseppe Fiore

Director General, Consip SpA

Dr Anne Fletcher

Principal Consultant
Growing Your Knowledge

Mr David Fox

Policy Adviser
CPA Australia

Mr Peter Fritz AM

Chair Australian Government
Consultative Committee on Knowledge
Capital, Group Managing Director,
TCG Group, Managing Director,
Global Access Partners

Mr Dennis Furini

CEO Australian Computer Society

Mr Andrew Gale

President, Institute of Actuaries Australia

Mr Bill Godfrey

Bill Godfrey & Associates

Prof James Guthrie

Professor, Faculty of Economics and Business
University of Sydney

Ms Michele Hallifax

Financial Controller, Information City

Mr David Hanna

CEO, Innovation Economy Advisory Board,
State Government of Victoria

Mr Graham Harding

General Manager,
Crown Lands, NSW Department of Lands

Ms Judy Hartcher

Business Policy Adviser, CPA Australia

Ms Samantha Herron

Manager - Corporate Communications
Microsoft Australia

Mr Bruce Hills

Head of Risk, Business Technology
Solutions and Services
Westpac Banking Corporation

Mr Andrew Hirst

Assistant Media Adviser to the Hon. Dr
Brendan Nelson MP, Office of the Minister
for Education, Science and Training,
Australian Government

Dr Steve Hodgkinson

Deputy CIO for Victoria
Office of the Chief Information
Officer, Department of Premier and Cabinet
State Government of Victoria

Mr Richard Dixon Hughes

Managing Director, DH4 Pty Ltd

Prof Andrea Hull

Director, Victorian College of the Arts

Mr Michael Inglis

Tax Barrister

Mr Stan Jeffery

Managing Director, ICGS

Ms Sonya Kim

Project Officer, Service Delivery
Australian Government Information
Management Office, Department of
Finance and Administration

Ms Julie King

Senior Policy Officer, Office of the Director General,
NSW Department of Lands

Mr James Kirby

Editor, The Eureka Report

Ms Janine Kirk

Executive Director, Committee for Melbourne

Mr Laurence Lock Lee

Principal Knowledge Management
Consultant, Computer Sciences Corporation

Mr Andrew Leslie

Risk Manager Reporting and
Analysis, Westpac Banking Corporation

Mr Chris Liell-Cock

COO Sustainable Performance Pty Ltd

Mr Robert Liong

Head of Business Architecture
Services, Westpac Banking Corporation

Mr Peter Lowe

CEO, CPA Australia

Mr Alex Malley

Chairman, Australasian Reporting Awards (Inc.)

Ms Leanne McDonald

Communications & Relations Manager
Intellectual Property Research
Institute of Australia (IPRIA)

Mr Paul McDonald

Executive Director, CEDA - Committee for
Economic Development of Australia

Ms Karen McGillivray

Manager, Investment Analysis & Reporting Program
Support - Business Support, Department of Innovation,
Industry & Regional Development
State Government of Victoria

Mr Des Mooney

Deputy Director General,
NSW Department of Lands

Mr Andreas Mossberg

Programme Officer
IKED - International Organisation
for Knowledge Economy & Enterprise
Development

The Hon. Dr Brendan Nelson MP

Minister for, Education, Science and Training,
Australian Government

Mr George Pappas

Chairman, Committee for Melbourne

Mr Des Pearson

Western Australian Auditor-General
Office of the Auditor General for
Western Australia

Mrs Annick Phillipsz

Manager - Policy and Liaison
Office of the Innovation Economy
Advisory Board, State Government of Victoria

Mr Les Pickett

Former Head, United Nations Staff College

Ms Lina Pietromonaco

Project Officer
Office of the Chief Information
Officer, Department of Premier and Cabinet
State Government of Victoria

Ms Tamara Plakalo

Editor, MIS Magazine, Fairfax Business Media

Mr Michael Potter

Director of Economics & Taxation,
Australian Chamber of Commerce
and Industry

Ms Elizabeth Prescott

Director, PriceWaterhouseCoopers

Mr Jarmal Richard

Principal, jdrlegal Pty Ltd

Mr Nick Ridehalgh

Partner, PriceWaterhouseCoopers

Prof Göran Roos

Centre for Business Performance
Cranfield School of Management, UK

Dr Herwig Schlögl

Deputy Secretary General, OECD, France

Dr Brian Scott

Chairman, Management Frontiers

Mr Jeremy Smart

Analyst, Office of the Chief Information
Officer, Department of Premier and Cabinet
State Government of Victoria

Mr Andrew Smith

Head of International Operations
Westpac Banking Corporation

Dr Ken Standfield

Chairman, International Intangible
Management Standards Institute

Mr Brad Stansfield

Media/e-government Adviser to Senator
the Hon. Eric Abetz, Special Minister of State
Australian Government

Mr Brian Stonebridge

Manager Interoperability
Australian Government Information
Management Office, Department of
Finance and Administration

Ms Leanne Taylor

Regional Manager South Crown Lands
NSW Department of Lands

Mr David Teller

Deputy Director, Committee for Melbourne

Mr Guy Tessier

Assistant Section Manager –
Organisational Performance
Department of Family and Community Services
Australian Government

Ms Jane Treadwell

CIO State Government of Victoria

Dr Les Trudzik

Director, The Allen Consulting Group

Mr Matthew Tukaki

Managing Partner - Head of
Government Policy, Sanseman Government

Mr Steve Vamos

Managing Director, Microsoft Australia

Mr Warwick Watkins

Director General, NSW Department of Lands

Dr Ian Watt

Secretary, Department of Finance and Administration,
Australian Government

Dr Elizabeth Webster

Associate Director, Intellectual Property Research
Institute of Australia

Mr Tim Williams

Senior Advisor, Corporate Responsibility & Sustainability,
Westpac Banking Corporation

Mr Neil Williams

Department of Transport
and Regional Services,
Australian Government

Dr Ian Woods

Senior Research Analyst, Sustainable Funds
AMP Capital Investors

Mr Terry Wright

Strategist, Office of the Chief Information
Officer, Department of Premier and Cabinet
State Government of Victoria

Dr Anne Wyatt

Faculty Member, Department of Accounting and
Business Information Systems, University of Melbourne

Appendix 5 – 'The Melbourne Protocol'

<p style="text-align: center;">The Australian Society for Knowledge Economics Inc. PROTOCOL FOR THE MANAGEMENT, MEASUREMENT AND REPORTING OF KNOWLEDGE ECONOMICS Melbourne, 4 November 2005</p> <p>1. BACKGROUND</p> <p>The objective of the Australian Society for Knowledge Economics Inc. is to assist organisations and national economies to improve productivity and performance through the better management of knowledge and innovation.</p> <p>Part of the charter of the Society is to lead the way in assessing, developing and implementing guiding principles for the management, measurement and reporting of knowledge intensive resources, be they human, structural and relational.</p> <p>The Society will instigate a series of activities (e.g. guiding principles; communities of practice; professional certification; research and creating strategic links with similar organisations internationally) to raise public awareness of knowledge and innovation and to lead the way for enhanced management practices.</p> <p>2. WHAT ARE THE GUIDING PRINCIPLES?</p> <p>The Guiding Principles are intended for the strategic management of knowledge intensive resources and will allow for financial and non-financial measurement across all industries in public, private and third sector organisations. The Principles describe a management process, which enables organisations to identify, analyse, measure, manage and report knowledge intensive resources.</p> <p>The Guiding Principles provide opportunities for advancing national and organisational productivity and performance through the better management of knowledge and innovation. One benefit, amongst many, is an improved capacity of leaders and managers to reflect on how they manage, utilise and develop knowledge intensive resources.</p> <p>The Guiding Principles will evolve as feedback from practical experience dictates.</p> <p>3. THE MELBOURNE PROTOCOL FOR KNOWLEDGE ECONOMICS</p> <p>The aim of the Melbourne Protocol is to endorse the Australian Society for Knowledge Economics Inc. that is committed to advancing national and organisational productivity and performance through the better management of knowledge and innovation. The value to signatories thus lies in supporting the development of enhanced capacity to conceptualise the role, functioning and effects of managing knowledge and innovation.</p> <p>4. WHAT IS TO BE DONE?</p> <p>We, the signatories of the Melbourne Protocol, commit to support the above mentioned activities of the Society for Knowledge Economics. The activities will be developed through dialogue, evaluation and active industry participation by members and the signatories of the Melbourne protocol.</p> <p>Signed on this <u>4th</u> day of <u>Nov.</u>, 2005</p>

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Eric Abetz <small>(Name Signature)</small>	Australian Government <small>(Organisation)</small>	
Peter Frith <small>(Name Signature)</small>	Bank for Social Change <small>(Organisation)</small>	
Steve Varnas <small>(Name Signature)</small>	MICROSOFT AUSTRALIA <small>(Organisation)</small>	
Warwick Collier <small>(Name Signature)</small>	NSW Department of Education and Training <small>(Organisation)</small>	
HEIL BATT <small>(Name Signature)</small>	Australian Quality <small>(Organisation)</small>	
Brian Scott <small>(Name Signature)</small>	Management Futures P/L <small>(Organisation)</small>	
BRUNO ADAMS <small>(Name Signature)</small>	DANBOLD PARTNERS P/L <small>(Organisation)</small>	
Alex Mackay <small>(Name Signature)</small>	Australian Reporting Agency <small>(Organisation)</small>	
JARMA RICHARD <small>(Name Signature)</small>	JURLEGAL <small>(Organisation)</small>	
Ali El-Dabal <small>(Name Signature)</small>	Australian Education Office <small>(Organisation)</small>	
Des Murray <small>(Name Signature)</small>	Funds NSW <small>(Organisation)</small>	
Christine Bell <small>(Name Signature)</small>	LEADERSHIP ORGANISATION <small>(Organisation)</small>	
Brian Nelson <small>(Name Signature)</small>	AUT AUT MINISTER EDUCATION, SKILLS, TRAINING <small>(Organisation)</small>	
Maria Fernandez <small>(Name Signature)</small>	Australian Government <small>(Organisation)</small>	
J. Rafael RODRIGUES <small>(Name Signature)</small>	DNA Pty Limited <small>(Organisation)</small>	
PARISH COLLINS <small>(Name Signature)</small>	Australian Government <small>(Organisation)</small>	
John Ormrod <small>(Name Signature)</small>	CSC <small>(Organisation)</small>	
GIUSEPPE FIORE <small>(Name Signature)</small>	CON SIP S.p.A <small>(Organisation)</small>	

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Mark Bezzina <small>(Name, Signature)</small>	Society for V&E <small>Organisation</small>	
Les Jelicic <small>(Name, Signature)</small>	THE ALLIANCE CONSULTING GROUP <small>Organisation</small>	
Simon Conway <small>(Name, Signature)</small>	Macquarie <small>Organisation</small>	
Olga Bodnova <small>(Name, Signature)</small>	Global Access Partners <small>Organisation</small>	
Lina Petromonaco <small>(Name, Signature)</small>	Victorian Govt <small>Organisation</small>	
STAN JEFFERY <small>(Name, Signature)</small>	SAICGS M&A <small>Organisation</small>	
LES PICKETT <small>(Name, Signature)</small>	Pacific Rim Consulting Group <small>Organisation</small>	
Annick Phillips <small>(Name, Signature)</small>	Victorian Govt <small>Organisation</small>	
Brian Stonebridge <small>(Name, Signature)</small>	AGIMO <small>Organisation</small>	
GRANHA MARKING <small>(Name, Signature)</small>	LANDS NSW <small>Organisation</small>	
Prof. James Guthrie <small>(Name, Signature)</small>	The Sydney Uni. <small>Organisation</small>	
TANIA BORMAN <small>(Name, Signature)</small>	DEPT. INDUSTRY <small>Organisation</small>	
MICHAEL INGUS <small>(Name, Signature)</small>	TAX BARRISTER <small>Organisation</small>	
Andrew Leslie <small>(Name, Signature)</small>	WESTAC <small>Organisation</small>	
Catherine Fritz-Kalish <small>(Name, Signature)</small>	Global Access Partners <small>Organisation</small>	
Keith Beagrove <small>(Name, Signature)</small>	DCITA <small>Organisation</small>	
JASON CLARK <small>(Name, Signature)</small>	Information City <small>Organisation</small>	
Jane Treadwell <small>(Name, Signature)</small>	CIO, Victorian Govt <small>Organisation</small>	

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<u>Dennis Fukiwi</u> <small>(Name) (Signature)</small>	<u>ANZSIANIAN COMPUTER SOCIETY</u> <small>(Organisation)</small>	
<u>Ken Strandveld</u> <small>(Name) (Signature)</small>	<u>INTERNATIONAL INSTITUTE FOR MANAGEMENT INSTITUTE</u> <small>(Organisation)</small>	
<u>Chris Liell-Cook</u> <small>(Name) (Signature)</small>	<u>Sustainable Performance</u> <small>(Organisation)</small>	
<u>Matthew Tuhaki</u> <small>(Name) (Signature)</small>	<u>Carerra Governmental</u> <small>(Organisation)</small>	
<u>Caran Ross</u> <small>(Name) (Signature)</small>	<u>ICS</u> <small>(Organisation)</small>	
<u>Christina Buehler</u> <small>(Name) (Signature)</small>	<u>UNSW</u> <small>(Organisation)</small>	
<u>AUNE FLETCHER</u> <small>(Name) (Signature)</small>	<u>Growing Your Knowledge</u> <small>(Organisation)</small>	
<u>TAMARA PLAKAWO</u> <small>(Name) (Signature)</small>	<u>Society for Knowledge EC</u> <small>(Organisation)</small>	
<u>NEIL WILLIAMS</u> <small>(Name) (Signature)</small>	<u>DEPT. OF TREASURY + ECONOMIC SERVICES</u> <small>(Organisation)</small>	
<u>SONYA KIM</u> <small>(Name) (Signature)</small>	<u>AGPSO, DEPT OF FINANCE</u> <small>(Organisation)</small>	
<u>BELLE HILLS</u> <small>(Name) (Signature)</small>	<u>WESTPAC</u> <small>(Organisation)</small>	
<u>Rob ELLIOTT</u> <small>(Name) (Signature)</small>	<u>AICD</u> <small>(Organisation)</small>	
<u>NICK RIDENHALL</u> <small>(Name) (Signature)</small>	<u>PRINCE ALBERT'S COLLEGE</u> <small>(Organisation)</small>	
<u>John Durney</u> <small>(Name) (Signature)</small>	<u>Stony University</u> <small>(Organisation)</small>	
<u>SHARON CARTER</u> <small>(Name) (Signature)</small>	<u>COLLIERIES INTERNATIONAL</u> <small>(Organisation)</small>	
<u>DES PATERSON</u> <small>(Name) (Signature)</small>	<u>ANZSIBANK AU VA</u> <small>(Organisation)</small>	
<u>JANE KING</u> <small>(Name) (Signature)</small>	<u>Committee for Melbourne</u> <small>(Organisation)</small>	
<u>Daniel Teller</u> <small>(Name) (Signature)</small>	<u>Committee for Melbourne</u> <small>(Organisation)</small>	

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<u>Andrew Gale</u> <small>(Name, Surname)</small>	<u>UNIVERSITY OF BALLARAT</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>STAN JEFFERY</u> <small>(Name, Surname)</small>	<u>NSW DEPT OF LANDS</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>LEANNE TAYLOR</u> <small>(Name, Surname)</small>	<u>AUSTRALIAN VALUATION OFFICE</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>GRACEY POWICOTT</u> <small>(Name, Surname)</small>	<u>CPA AUSTRALIA</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>JUDY HARLACHER</u> <small>(Name, Surname)</small>	<u>NSW DEPT OF LANDS</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>JANE KING</u> <small>(Name, Surname)</small>	<u>WESTPAC BANKING Corp</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>ROBERT LONG</u> <small>(Name, Surname)</small>	<u>B. H. Gardiner & Assoc.</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>BILL GODFREY</u> <small>(Name, Surname)</small>	<u>TRICENTRAL HOUSE GROUP</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>ELIZABETH PRESLOTT</u> <small>(Name, Surname)</small>	<u>LAAS, Vietnam</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>DAVID HARRIS</u> <small>(Name, Surname)</small>	<u>Dept Property + Community Serv</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>GUY TESSIER</u> <small>(Name, Surname)</small>	<u>DAVID, Victoria</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>KAREN MCCULLOUGH</u> <small>(Name, Surname)</small>	<u>IRCO AUSTRALIA</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>ANDREW HALLIDAY</u> <small>(Name, Surname)</small>	<u>CPA AUSTRALIA</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>DAVID FOX</u> <small>(Name, Surname)</small>	<u>Dept of Finance Admin</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>[Signature]</u> <small>(Name, Surname)</small>	<u>Information Integrity Solutions</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>Malcolm Crompton</u> <small>(Name, Surname)</small>	<u>TREASURER OF VIC</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>J. B. Kennedy</u> <small>(Name, Surname)</small>		
<u>ROBERT TROSCIOUS</u> <small>(Name, Surname)</small>	<u>HEWITT ASSOCIATES P/L</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>
<u>KAREN LACKLACE</u> <small>(Name, Surname)</small>	<u>Computer Services Corp</u> <small>(Organisation)</small>	<u>[Signature]</u> <small>(Signature)</small>