Voluntary disclosure of intellectual capital in New Zealand annual reports and the “hidden value”

Abstract

Purpose

The paper’s purpose is to describe the extent and type of voluntary disclosure of intellectual capital (IC) in New Zealand, and to test for a relationship between “hidden value” (difference between firm’s market and book value), and its relationship to voluntary IC disclosure in the annual reports of New Zealand companies. The study aims to incorporate the effect of revaluations and growth expectations.

Design/methodology/approach

Content analysis of 70 publicly listed New Zealand firms, and database retrieval of independent variable data. Correlation and regression analysis is undertaken.

Findings

Only revaluing firms show a significant positive relationship between their levels of hidden value and their voluntary disclosure of IC and its components of external and internal structure. Explanatory power is increased when an interaction term involving hidden value and growth expectations is introduced.

Research limitations/implications

Further developments in the growth expectation and market value measures are suggested. A need for qualitative interviews is identified in order to further develop theoretical explanation of the observed relationship.

Practical implications

This paper may help external users assess levels of IC in revaluing firms.

Originality/value

The study extends the work of Brennan by increasing the sample size, quantitatively recognising the impact of revaluations and growth expectations, providing a discussion of the theoretical underpinnings for the proposed relationships, and by utilising reliability testing in the content-analysis process, several measures of hidden value and IC disclosure, and statistical testing.

Keywords

Intellectual capital Disclosure Market value New Zealand

Citation


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