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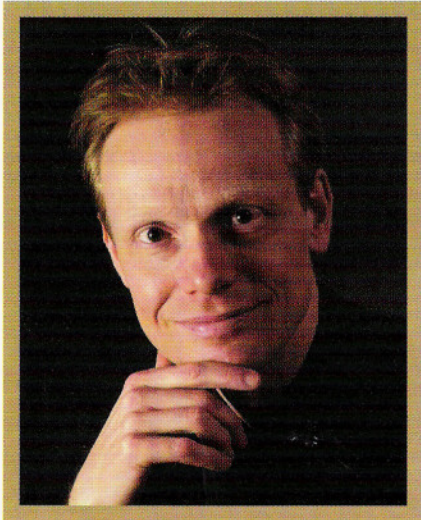
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Intellectual capital is the driver of global competitiveness

By Dr. Daniel Andriessen



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Intellectual capital is the currency of the new millennium

The value of current organizations and industries is increasingly located in intangibles (human capital, structural capital and relational capital) and basically, knowledge has become a factor of production and a main asset. This Intellectual Capital does not appear on balance sheets, but ultimately does have an enormous impact and is basic to match the requirements of knowledge-intensive economies in Asia and Europe. Identifying Intellectual Capital has become critical to a company's overall vision and strategic plan. In the era of the knowledge-based company, extracting and measuring the real value of knowledge and other forms of Intellectual Capital is essential. Extracting, measuring and managing Intellectual Capital has become critical to a company's overall vision and strategic plan and its business performance. The productivity of that

intellectual capital depends on how effectively people share their competence with those who can use it.

The knowledge economy forces industries to move to new business values, new ways of production and new services. The economic landscape has changed significantly during the last decade; globalisation, digital communication, customer service and so on are keywords presently. Intellectual Capital is the currency of the new millennium. Managing Intellectual Capital wisely is the key to business success in the knowledge era.

Different forms of intellectual capital

When we look at the total value of an organisation we can see it consists of the tangible and financial capital that we find on the balance sheet, and a large amount of 'hidden' value of an intangible resource that only partially appears on the balance sheet in the form of goodwill and acquired technology (e.g. patents). This Intellectual Capital is the product of interaction of three different classes of intangibles: human capital, structural capital and relational capital:

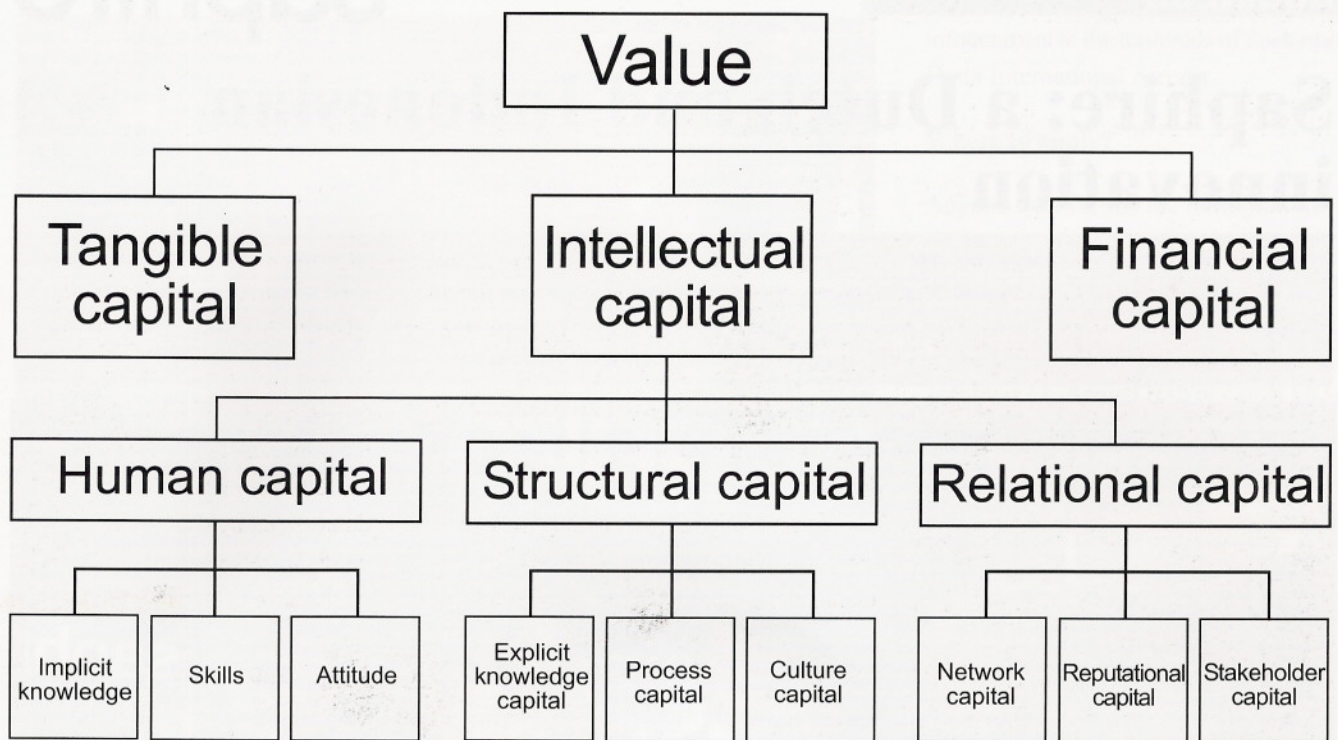
- **Human capital:** This first class represents anything related to the people within the organization, the employees, their tacit knowledge, skills, experience and attitude.
- **Structural capital:** This second class represents the 'tangible' intangibles. Everything of value that stays behind, after the employees have left the organization, like codified knowledge, procedures, processes, goodwill, patents, and culture.

- **Relational capital:** This third class represents the relationship with customers, suppliers and other external stakeholders. The value of customer capital is mainly determined by the extent to which an organization is able to maintain confidence in its reputation.

Impact of intellectual capital on businesses

The growing importance of intellectual capital for businesses has a huge impact on companies that need to compete on a global basis. Let me give you a couple of examples. Global competition forces companies to become unique, not only locally but globally. This uniqueness is never the result of tangible of financial capital but always the effect of access to intellectual capital: knowledge, technology, relationships with customers, etc. To become competitive on a global basis companies need to invest in the development of their intellectual capital through R&D, innovation, education, networking, marketing or branding. Traditional barriers of access to industries vanish. With limited financial and human capital one can create a global, multibillion dollar company. Google is founded on two people with a simple idea and a very good search algorithm. With intellectual capital, competition can come from behind unexpected corners.

The growing need for intellectual capital offers a huge opportunity to make money, not from selling products, but from selling intellectual capital itself. Companies like Coca Cola and Harley



Davidson make money from licensing their brand. IBM earns over billion US dollar a year from licensing out technology. As Intellectual Capital becomes the most important driver for business, a main challenge becomes how to protect it. Unfortunately Intellectual Property Rights only provide limited protection and are extremely costly to defend.

Nowadays almost any company can become involved in infringement of IP rights. For example, an European survey showed that 75% of major European business had to deal with a trademark infringement in the last three years. Another area of IP infringement is that of counterfeiting which many companies are tackling. Companies in the music, software and publishing industry struggle more and more to defend their IP rights against illegal copying. Scanning for infringements has become a major task for every big firm with a substantial IP portfolio. For smaller firms this is almost impossible, plus, when they discover that a major firm is infringing an IP right the costs to take legal action are often beyond their financial means.

In addition companies need to watch out

for violating the intellectual property rights of other companies. For most of smaller companies this is however an impossible task. With over 120,000 patent applications a year it is unfeasible to check whether your new invention is not violating somebody else's patent without bringing in expensive legal advice.

The nature of the workforce is changing with the traditional laborers being replaced by knowledge workers. These knowledge workers are true professionals that are trained to solve unique problems using their personal expertise and judgment. However, as many managers nowadays discover, knowledge workers are not that easy to manage as the traditional laborers. This requires new organizational structures and management styles.

Intellectual capital in education

INHOLLAND University of professional education, based in Amsterdam, The Netherlands, has taken the initiative for a Sustainable Program on Intellectual Capital Education (SPICE). We found that the topic of

intellectual capital has not been addressed in education at an undergraduate and graduate level. This 2-year project will create a curriculum to better prepare undergraduate students, as well as teaching staff and executives and middle managers in industry, for the knowledge economy. The project will introduce Intellectual Capital as a new subject field into the curricula of the partner institutions in Asia and Europe and its stakeholders in industry. Partner institutions now include University of Minho (Portugal with campuses in Braga and Guimaraes) and **Bina Nusantara University (Indonesia-Jakarta with different campuses in the Jakarta area)**. ■

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