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SELECTION OF INTELLECTUAL CAPITAL MANAGEMENT STRATEGY

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This article deals with the selection of intellectual capital management strategy. The attention is paid to the structure of intellectual capital, which consists of human capital, customer capital, process capital, intellectual property, intangible assets. The algorithm of selection of intellectual capital management strategy was created by author.

Keywords: *competitive advantages, intangible assets, intellectual capital, knowledge economy, knowledge-oriented organization, management, strategy selection.*

Introduction.

Intellectual capital gives opportunity to enterprises to create valuables and to provide competitiveness of either individual firms or economy at a whole in the reality of global competition. The main function of the intellectual capital is to fasten income growth in some degree owing to formation and realization of necessary knowledge system for the company. Knowledge system provides highly efficient economical activity in its turn.

An increasing number of organizations can be identified as knowledge intensive, for example, consulting firms, law firms, software developers, and similar organizations operating in the service sector that are totally reliant on their intellectual capital for the success of their business. However, all organizations require intellectual capital if they are to operate effectively and maintain sustainability [1].

Analysis of recent researches and publications. Transition to new stage of civilization development has facilitated the research of intellectual capital phenomenon. Ukrainian and foreign scientists paid much attention to this matter. Thus, P. Druker introduced «working knowledge» term, and asserted later on this knowledge as major economic resource, as distinguished from capital, natural

resources or labour force. A. Marshall also prefers knowledge, considering it as the most powerful engine of production. The research of knowledge as the source of development was performed by such foreign scientists as W. Petty, G. Becker, M. Blaug, K. Griffin, E. F. Denison, R. Crawford, F. Machlup, T. Stewart, W. Hudson, T.W. Schultz, A. Smith, D. Ricardo, J. S. Mill, K. H. Marx and others. In their papers they moved from separate aspects of worker productive factors consideration to integral research and development of human capital concept, its intellectual constituent, and labour force formation and usage dependence from social and economical conditions. Famous domestic scholar S.M. Illyashenko analyzed the approaches to determining the structure and methodology for assessing intellectual capital in his paper. K. Wiig investigated integration of intellectual capital and knowledge management.

Previously unsettled problem constituent. Despite the huge number of academic papers, which are devoted to the intellectual capital management, the issue of its strategy selection is still unresolved.

Main purpose of the article is to develop the algorithm of selection of intellectual capital management strategy of the enterprise taking into account its current level.

Results and discussions. Today's best strategic thinkers are those who are strategically "bilingual" – able to think in terms of strategies that ensure the optimal, effective leveraging of the traditional tangible assets, and simultaneously the highly differentiated strategic deployment of the new intangible intellectual capital assets. The intangible asset leader does the following: studies the history of strategy, understands, and can articulate the differences between industrial/manufacturing era strategies and intangible intellectual capital asset strategies; thinks strategically about the central problems of the enterprise; advances and defends strategically sound strategies that use intellectual assets when they offer a superior solution; gets involved in strategic planning and joins the strategic conversations within the company; grows out of functional discipline management into executive leadership [2, p. 16].

The intellectual capital structure is presented on fig. 1 according to Skandia's intellectual capital model. Skandia, the Swedish insurance company, has developed this model. It and shows the relationships between the different areas which comprise intellectual capital.

In Skandia's model intellectual capital consists of several entities facets which may be defined as follows [3, p. 401]:

– Human capital consists of competence and capabilities of the employees. When an enterprise educates its employees, it increases its human capital. (In a free society the enterprise cannot own, only rent, its human capital.)

- Structural capital consists of the results of intellectual activities in data and knowledge bases, documents, etc. Skandia suggests, "Structural capital is what is left after the employees have gone for the night."
- Customer capital consists of the value of the enterprise's relationships with its customers.
- Organizational capital consists of embedded knowledge assets in the process and innovation areas.
- Process capital consists of the enterprise's value creating processes such as its organizational structure, management practices, systems and procedures, infrastructure computer systems and the like.
- Innovation capital consists of both explicit knowledge and hard-to-identify intellectual assets such as a positive culture.
- Intellectual property consists of documented and captured knowledge such as innovations, operational practices, patents, technology, educational programs, corporate knowledge bases, and designs and specifications of products and services.
- Intangible assets consist of the value of positive culture, community image, etc.

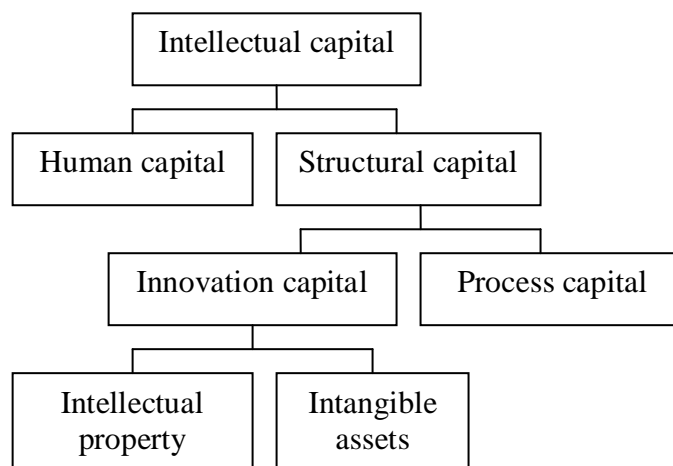


Fig. 1. Intellectual capital structure [5,6]

Progressive managers consider intellectual capital management and knowledge management to be vital for sustained viability. Recent practices support this notion and have provided important approaches and tools. Intellectual capital focuses on renewing and maximizing the enterprise-wide value of intellectual assets. Knowledge management supports intellectual capital management by focusing on detailed systematic, explicit processes and overlap and synergy between. Intellectual capital management and knowledge management, and advanced enterprises pursue deliberate strategies to coordinate and exploit them. They create balanced intellectual

capital portfolios that they implement with knowledge management approaches and tools.

Progressive managers have recognized that the enterprise's viability depends directly on [3, p. 399]:

1. the competitive quality of its knowledge-based intellectual-capital and assets; and
2. the successful application of these assets in its operational activities to realize their value to fulfill the enterprise's objectives.

There is considerable overlap in the scope of intellectual capital management and knowledge management. There are, however, major differences between their foci and perspectives, and this is not an artificial distinction. Intellectual capital management (ICM) focuses on building and governing intellectual assets from strategic and enterprise governance perspectives with some focus on tactics. Its function is to take overall care of the enterprise's intellectual capital.

Knowledge management (KM) has tactical and operational perspectives. KM is more detailed and focuses on facilitating and managing knowledge-related activities such as creation, capture, transformation and use. Its function is to plan, implement, operate and monitor all the knowledge-related activities and programs required for effective intellectual capital management.

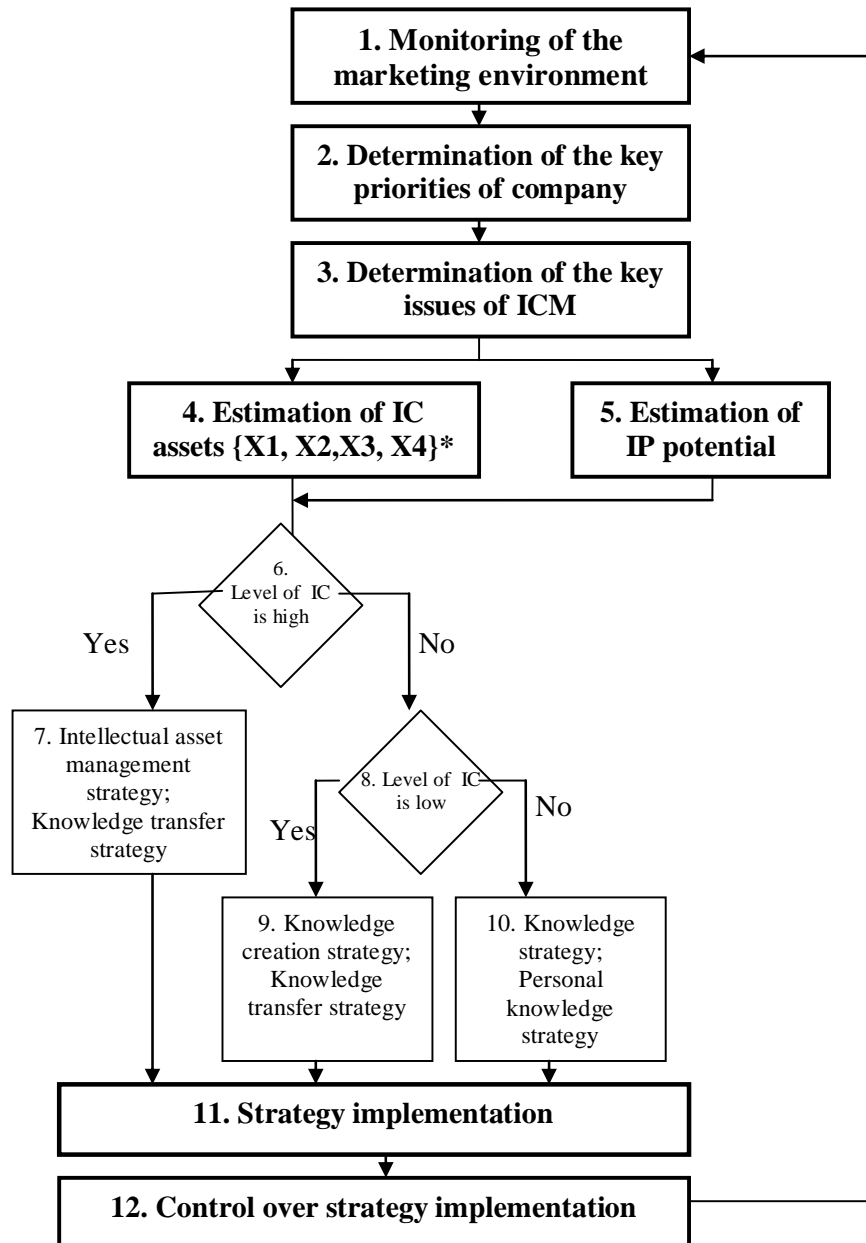
In particular, the two initiatives complement each other in addition to having important overlaps. As discussed later, they need to be closely integrated to prevent conflicts and to maximize effectiveness.

Now let consider the process of ICM strategy selection (fig. 2).

The first step is Monitoring of the marketing environment. To spot trends and other signals that conditions may be in flux, marketers must continually monitor the environment in which their companies operate.

Next step – determination of the key priorities of company – means what goals have to be achieved. These goals might have already been strategically planned by CEOs (Chief Executive Officers). After it we need to determine our key issues of ICM. It can be increase in profits, knowledge development, design of innovations, the formation of a positive image, increase market share, access to new markets, and so on. According to these tasks, strategy selection occurs, taking into account the existing level of intellectual capital.

Then we need to estimate IC assets. This may be accomplished by using different methods, for example, K.E. Sveiby's approach that distinguishes 25 methods, subdivided into 4 categories. These methods include qualitative and quantitative assessment. Other methods were examined and suggested in the paper [9]. It is important on this stage to identify unrealized opportunities, videlicet intellectual potential. If the company has it, it should be realized in strategies.



* X1 – human capital; X2 – process capital; X3 – intellectual property; X4 – intangible assets

Fig. 2. The algorithm of selection of intellectual capital management strategy [developed by author]

Strategy implementation is phased process. It is necessary to adopt the system used for the intellectual capital management of the organization on this stage. This system defines: what departments will be responsible for what, and what information systems are needed to monitor the implementation of the strategy, what retraining of employees will be required, etc.

And the last one, but not the least, is the control and strategy revision. The main objectives of ICM control as follows: definition of what parameters and how to check; assessment of the state of the controlled object in accordance with accepted standards, regulations or other benchmarks; elucidation of the causes of deviations, if any are to be opened as a result of the assessment; implementing adjustments, if it is necessary and possible.

By managing intellectual assets and knowledge appropriately, the employees, and the enterprise as a whole, will be in position to act intelligently-the basic requirements for sustained competitiveness, success, and viability.

Karl Wiig highlighted five basic knowledge-centered strategies [3, p. 400]:

1. Knowledge strategy as business strategy emphasizes knowledge creation, capture, organization, renewal, sharing, and use in all plans, operations, and detailed activities to provide the best possible knowledge available at each point of action.

2. Intellectual asset management strategy emphasizes enterprise-level management of specific intellectual assets such as patents, technologies, operational and management practices, customer relations, organizational arrangements, and other structural knowledge assets. Management's task is to renew, organize, evaluate, protect and increase the availability and marketing of these assets.

3. Personal knowledge strategy emphasizes personal responsibility for knowledge-related investments, innovations and competitiveness, renewal, effective use and availability to others of knowledge assets within each employee's area of accountability. The objectives are continually to build knowledge and to apply the most competitive knowledge to the enterprise's work.

4. Knowledge creation strategy emphasizes organizational learning, basic and applied research and development, and motivation of employees to innovate and capture lessons learned to obtain new and better knowledge, which will provide improved competitiveness.

5. Knowledge transfer strategy emphasizes systematic approaches to transfer (i.e. obtain, organize, restructure, warehouse or memorize, repackage for deployment and distribute) knowledge to points of action where it will be used to perform work. This strategy includes knowledge sharing and adopting best practices.

To pursue these strategies, organizations undertake specific programs and activities, provide supporting infrastructure capabilities, and sometimes create incentives to motivate individual employees, teams, and even departments and business units to cooperate with the new objectives.

Strategies, mentioned above, can be used by companies as a variant in our selection process.

Conclusions and further researches directions. Intellectual capital, and knowledge are the most important assets of most enterprises – and managers are starting to realize it. These assets represent the enterprise's future potential.

Intellectual capital elements appear in many forms. Consequently, there are numerous approaches to building and embedding these assets for further use and to capitalize on their value for the benefit of the enterprise. In all these situations, however, it is crucial to ascertain that the assets are used as intended-and particularly that they do not become 'dead assets'. In most instances, ascertaining sustained renewal and profitable use requires implementing supportive infrastructure capabilities and very importantly, targeted motivators and incentives. Only when these capabilities are in place will the enterprise capitalize effectively on its knowledge resources. Stimulation of knowledge economy development requires a special state approach. Knowledge management opens up a wide range of perspectives, both for individuals and for society in general. The algorithm of selection of intellectual capital management strategy can help CEOs to choose the optimal strategy and effectively leverage their intellectual capital. Further areas of research are the mechanisms of reproduction of intellectual capital.

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ВИБІР СТРАТЕГІЇ УПРАВЛІННЯ ІНТЕЛЕКТУАЛЬНИМ КАПІТАЛОМ

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У статті розглядається підхід до вибору стратегії управління інтелектуальним капіталом. Увага приділяється структурі інтелектуального капіталу, який складається з людського капіталу, клієнтського капіталу, процесного капіталу, інтелектуальної власності, нематеріальних активів. Автором розроблено алгоритм вибору стратегії управління інтелектуальним капіталом.

Ключові слова: *конкурентні переваги, нематеріальні активи, інтелектуальний капітал, економіка знань, знання-орієнтована організація, управління, вибір стратегії.*

ВЫБОР СТРАТЕГИИ УПРАВЛЕНИЯ ИНТЕЛЛЕКТУАЛЬНЫМ КАПИТАЛОМ

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В статье рассматривается подход к выбору стратегии управления интеллектуальным капиталом. Внимание уделяется структуре интеллектуального капитала, который состоит из человеческого капитала, клиентского капитала, процессного капитала, интеллектуальной собственности, нематериальных активов. Автором разработан алгоритм выбора стратегии управления интеллектуальным капиталом.

Ключевые слова: *конкурентные преимущества, нематериальные активы, интеллектуальный капитал, экономика знаний, знания-ориентированная организация, управление, выбор стратегии.*