Sample IC Method – Sveiby's Intangible Assets Monitor (IAM)

The original IC method which divided the knowledge-based assets of an organization into these three components:

■ **Competence** (or human capital) – the starting point from which all other IC is derived

■ **External Structure** (similar to customer capital) – value in brands, trademarks, reputation etc.

■ **Internal Structure** (structural capital) – processes, systems etc. which remain intact when people leave the organization.

The key approach of IAM is to develop a balanced set of meaningful indicators in these categories and of the following subcategories – growth, renewal, efficiency and stability/risk. A sample set is shown in the table below:

	COMPETENCE	INTERNAL STRUCTURE	EXTERNAL STRUCTURE
Growth	Number of years' education Level of experience	% of large projects IT investment	Profit/customer Growth in market share Satisfied customer index
Renewal	No. training days / employee Share of sales from competence-enhancing customers	R&D investment as % revenues Number of new processes	Percentage of new customers % of time developing new customers
Efficiency	Value added/employee	Support staff %	Sales per professional Profit per customer
Stability/Risk	Professional turnover Relative pay	Administrative staff turnover 'Rookie' ratio	% large companies Devoted customers (repeat orders) Largest 5 customers' share of revenues

Companies such as Celemi have used this scheme in its annual report. IAM can also be applied to narrower components of IC, such as patents. Sample indicators here would be number of inventions per R&D employee (competence), average age per patent right (internal structure), percentage of patents turned into products (external structure).

Sample Method – The Danish IC Guidelines

The Danish Ministry of Industry sponsored a project for Danish companies to develop IC accounts. Over 100 companies have participated in the scheme. The result is a 112-page document of guidelines as well as accompanying case studies and updated material. Although primarily developed for external reporting, the processes gone through internally in participating organizations led them to a greater understanding of the knowledge assets of their company and how they supported business strategy. Described as a "tool for knowledge management", the framework (see next page) distinguishes inputs (knowledge stocks), processes (value adding activities such as knowledge sharing) and outputs (results). Surrounding the measurement indicators are four elements that are developed in a logical sequence: 1) the knowledge narrative (how knowledge adds value); 2) the resultant KM challenges; 3) action plans; and 4) specific knowledge indicators.

Several companies in the pilot project had not realized at the outset how the process would improve internal dialogue and the understanding of the value of knowledge.