

Making Intellectual Assets Work:

A Governance Model for Research Universities



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Topics

- General Background
- Making Intellectual Assets Work
- Some Observations

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- General Background
- Making Intellectual Assets Work
- A Governance Model

Trends in Intellectual Asset Management

- The Academic direction:
 - A better academic grounding of the claims made in the field
 - A better linkage to other existing bodies of knowledge.
- The Managerial direction:
 - Easier to use and better grounded tools
 - Higher precision for assisting managers to improve the effectiveness and efficiency with which they structure and extract value from the intangibles at their disposal
- The Regulatory direction:
 - Better, transparent and auditable tools for disclosing intangibles
 - Complements existing financial accounts
 - Acceptable to the accounting and legal profession.
- The 3rd Sector direction:
 - Applying intellectual asset management in not-for-profit organizations, public sector organizations, etc

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Intellectual Asset Is the Driver of Value

Institutions

**Tangible
capital**

***Intellectual
capital***

**Financial
capital**

Human Capital

Structural Capital

Relational Capital

MIT Has Knowledge

Institutions

**Tangible
capital**

***Intellectual
capital***

**Financial
capital**

Human Capital

Structural Capital

Relational Capital

Implicit
knowledge

Explicit
knowledge



Mckinsey Has Skilled Workers

Institutions

**Tangible
capital**

*Intellectual
capital*

**Financial
capital**

Human Capital

Structural Capital

Relational Capital

Implicit
knowledge

Skills

Attitude

Reputation

McKinsey & Company

17 April 2008

Philips Has Intellectual Property

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PHILIPS

McDonalds Has Processes

Institutions

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Skills

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Processes

Reputation



GE Has Pride and Ambition

Institutions

**Tangible
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Human Capital

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Skills

Attitude

Explicit
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Processes

Culture



Nike Does Not Manufacture Shoes

Institutions

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Implicit
knowledge

Skills

Attitude

Explicit
knowledge

Processes

Culture

Networks

Reputation



Intellectual Assets and Growth

- The scale issue:
 - A smaller university works differently than a large institution
 - Dependency of tacit knowledge as opposed to systems and processes is higher in smaller universities than in larger research universities
 - Hence managerial issues are completely different, since managing knowledge embodied in people is fundamentally different to managing systems and processes.
- The growth issue:
 - Larger institutions tend to settle into patterns that are sustainable with further growth
 - Most patterns used by smaller universities must be changed in order to become sustainable on a larger scale
 - Growth problem - reduce dependency on individuals and increasing dependency on processes, systems, brands, information, etc.
- The understanding issue:
 - IC management allows for the understanding of sources of coordination costs that can consequently be reduced

Intellectual Assets and Growth (cont'd)

- The focus issue:
 - IA management allows for an understanding of which intangible attributes are drivers of value in the eyes of different stakeholders
 - Supports focusing on attributes which will generate more value in the eyes of these stakeholders (the "what" question)
 - The effectiveness approach helps understanding of how this should be done (the "how" and "who" question)
- The identification issue:
 - IA Management allows for identifying suitable disclosure structures to minimize uncertainty in the eyes of investors without reducing or risking the existing competitive advantages.
- The valuation issue:
 - IA Management allows for the valuation in a transparent and assurable way of any intangible, or set of intangibles, up to a whole institution structure

Caveat in Implementing IAM

- Wrong focus:
 - Focus on presence of resources ("how much of something do we have?") rather than transformation of resources ("what are we using what we have for & how well are we extracting value from their use?")
 - This is one of the traps inherent in the traditional balanced scorecard approach
- Wrong tools:
 - Use tools & techniques that don't ensure that items identified are complete (i.e. tools that miss something important to the institution) and preference independent (i.e. tools that uses attributes that impact each other or overlap)
 - Outcome becomes unreliable & have no predictive power
- Wrong assumptions:
 - Assuming that everybody values the same thing
 - E.g. assuming that investors share their view on what should be done to improve the institution's value
 - Better approach: balance the need to communicate (by persuading investors to change their view) with the need to perform (giving investors what they want).

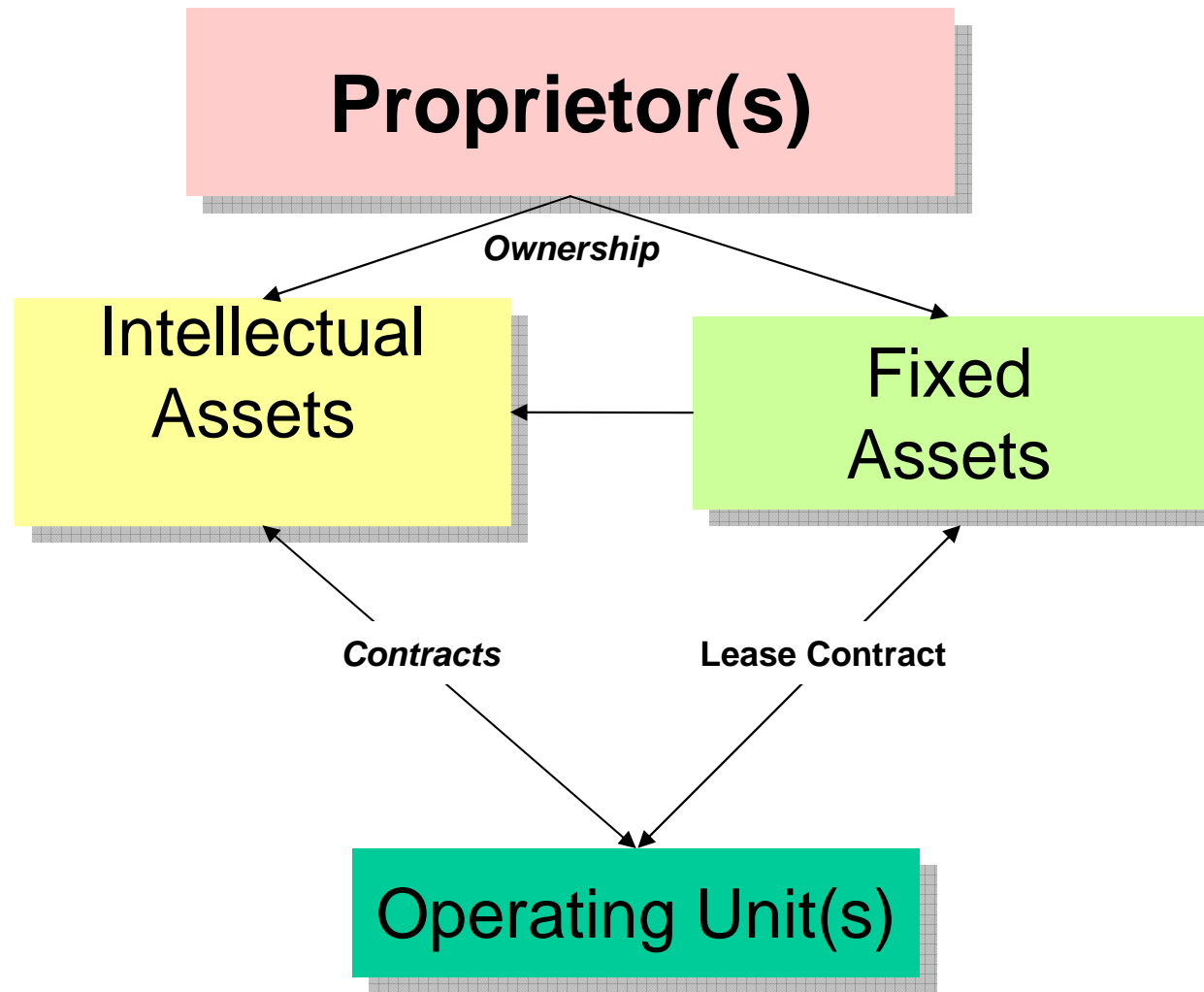
Cultural Influence

- IAM is believed to be culturally dependent:
 - More rapidly accepted in areas with longer time horizon and a higher focus on intangibles as a basis for business
 - In Scandinavia, a culture where businesses traditionally have had a longer time horizon and an "engineering" bias with its high emphasis on R&D
 - In countries where the tradition of business is in transaction thinking and shorter time horizons, IAM tends to be very slow to take root
- Moreover, institutional culture also have a great influence:
 - The art is to implement different "institutional speeds" at the layers of the organization
 - Faster speed at the top, and gradually slowing down as we go to the lower layers of the institution

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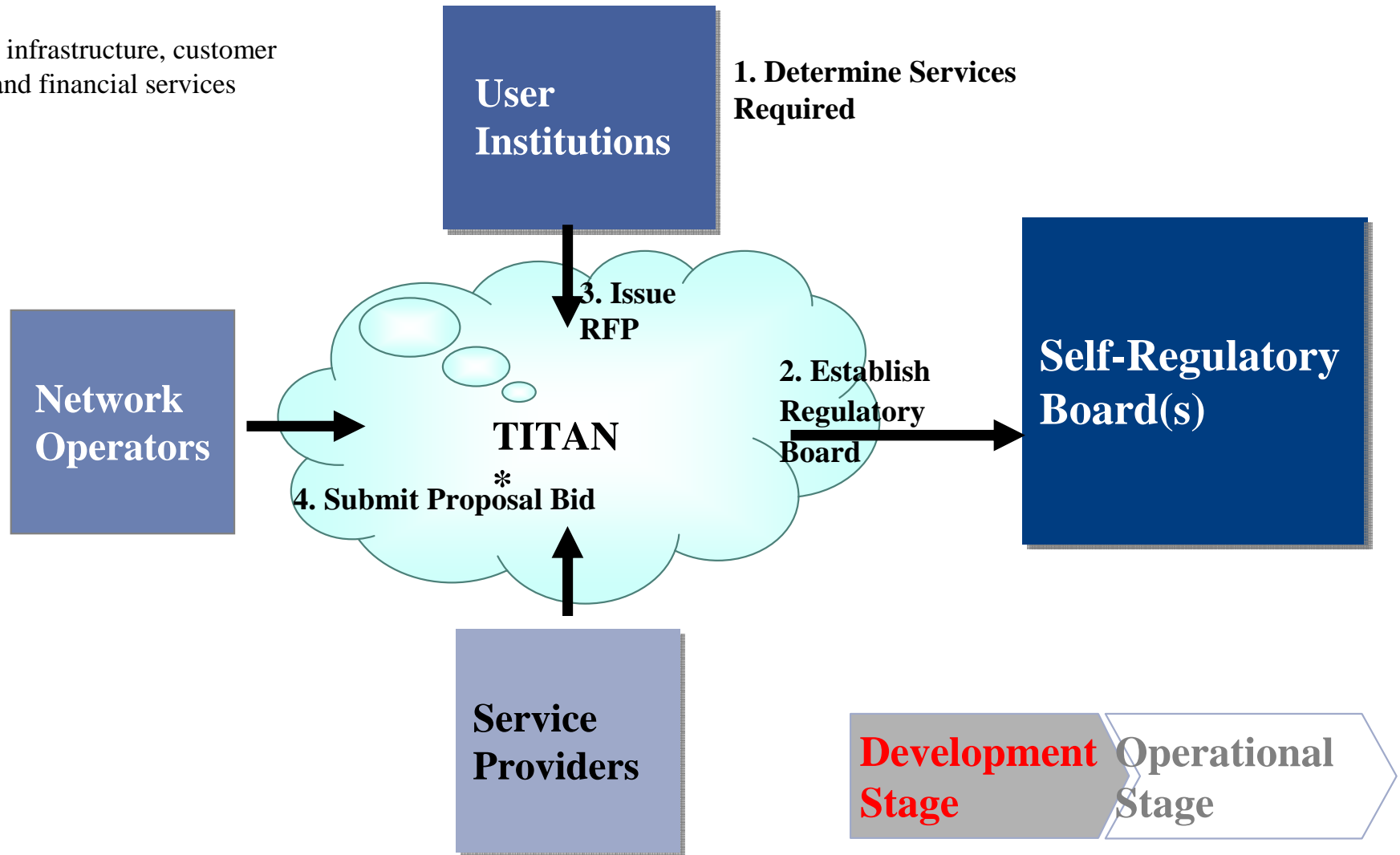
A Governance Model



NeXT, a TITAN-based Structure

***Note:**

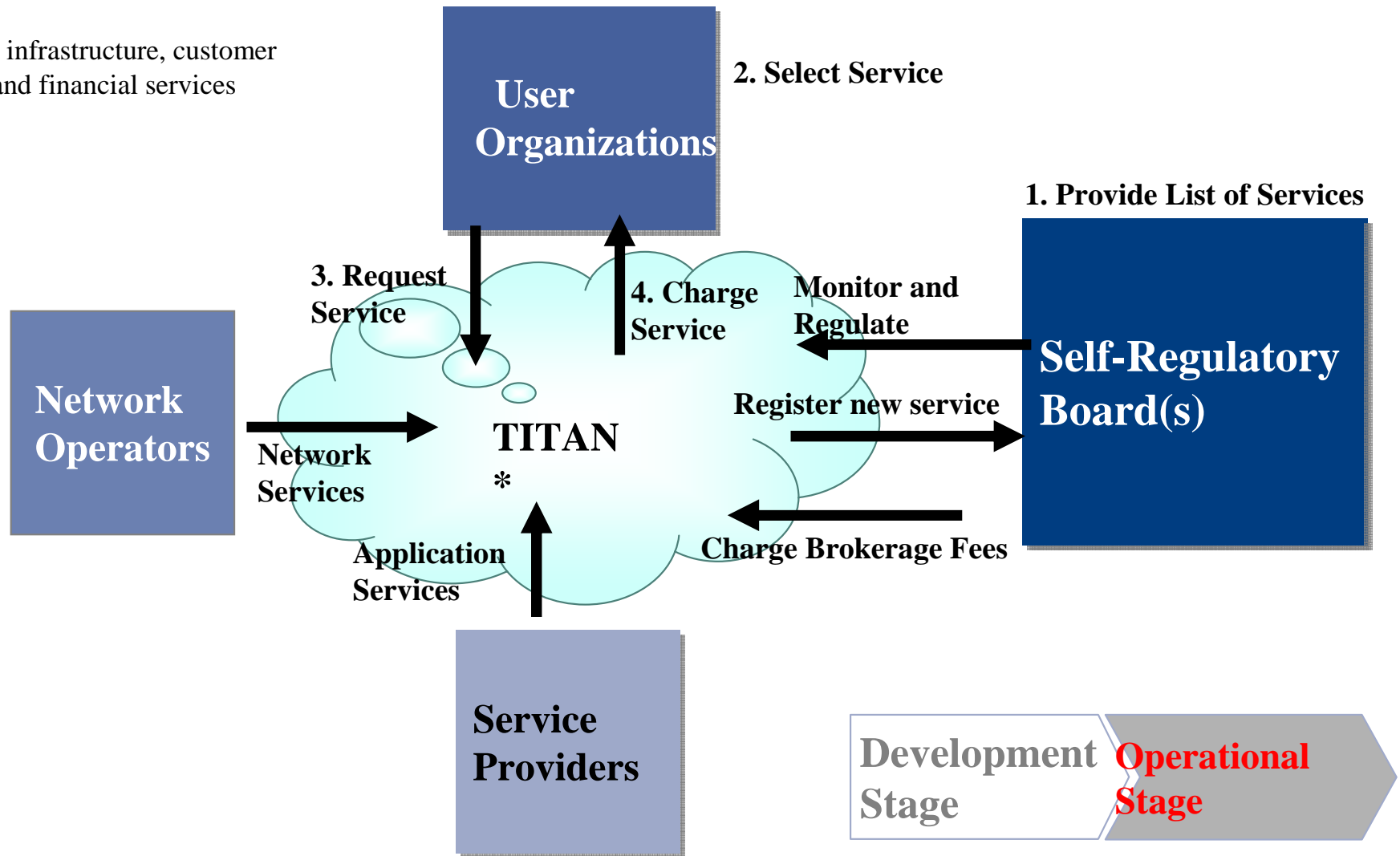
Includes infrastructure, customer service and financial services



Users Select Services & Pay on Usage

***Note:**

Includes infrastructure, customer service and financial services



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Thank You

Making Intellectual Capital Work:
A Strategy for Corporations

Thank You