Managing Intangible Assets

Sveiby (1997) designed an intangible assets monitor after realizing the importance on non-financial indicators in the evaluation of the performance of firms. Twenty years earlier, Caves & Murphy (1976) had suggested the inclusion of intangible assets in franchising agreements. The challenge has always been how to convert intangible assets into tangible outcomes (Kaplan et al., 2004). An intangible asset is an asset that lacks physical substance; in contrast to physical assets, such as machinery and buildings, and financial assets such as government securities (Webster & Jensen, 2006). An intangible asset is usually very hard to evaluate. Examples are patents, copyright, franchises, goodwill, trademarks, and trade names (Webster & Jensen, 2006). The general interpretation also includes software and other intangible computer based assets; these are all examples of intangible assets. Intangible assets generally—though not necessarily—suffer from typical market failures of non-rivalry and non-excludability (Webster & Jensen, 2006).

Intangible assets may be one possible contributor to the disparity between "company value as per their accounting records", as well as "company value as per their market capitalization" (Lev & Daum, 2004). The intangible assets of a company are normally difficult to assess as they do not appear in financial reports and accounting books. In the United states, for instance, Research and Development (known also as R&D) is considered to be an intangible asset (about 16 percent of all intangible assets in the US) but R&D expenses are recorded as current expenses for both legal and tax purposes (Bureau of Economic Analysis, 2013). There are suggestions that for personal income tax purposes, some costs with respect to intangible assets must be capitalized rather than treated as deductible expenses (Donaldson, 2007). Taxpayers sometimes engage in tax strategies such as income-shifting or transfer pricing (Organisation de coopération et de développement économiques, 2013)

Nevertheless, there is an increase in recognition of the contribution of intangible assets in long-term GDP growth (Corrado, Hulten, & Sichel, 2009). Hussi & Ahonen (2002) have noted that intangible assets comprise generative and commercially exploitable assets and the possible future threats of the company. Generative intangible assets comprise human capital, internal and external structures while commercially exploitable assets comprise cost efficiency, Intellectual Property Rights, customer capital, expanding markets and management trust (Hussi & Ahonen, 2002). Henceforth, managing intangible assets implies identifying the primary intangibles of the organisation and determining their relationships with other intangible through integration and striking the right balance between various types of intangibles (Hussi & Ahonen, 2002).

Schoemaker & Jonker (2005) are of the view that contemporary organisations are network organsations and that in these types of organisations talent, social capital and identity are crucial for success. Work nowadays is providing service(s), organising based upon a mix of people's talents, social capital and information and communication technology (ICT) (Schoemaker & Jonker, 2005). Contemporary organisations are talent intensive organisations and when organisations transform towards a higher degree of talent-intensity, the nature of the exchange-relationship between the organisation and the individual changes (Schoemaker & Jonker, 2005). Unlike the traditional bureaucratic organisations of the mass production era which were based on antagonism between labor and capital, Schoemaker & Jonker (2005) suggest that the organisation and the individual have become mutually interdependent. In order

to perform, the organisation has become dependent on the talents the individuals possess. At the same time the individual needs the organisation – a work community – in order to develop and use his or her talents. (Schoemaker & Jonker, 2005), The relationship between an individual and the organisation needs to be (re)shaped on the basis of reciprocity (Schoemaker & Jonker, 2005). This creates new contexts where networks of people constitute social capital (Schoemaker & Jonker, 2005).

In this context, organisations become community of work where each individual had a sense of self-identity unlike the mass productions era where workers are considered as anonymous cogs in a machine ((Schoemaker & Jonker, 2005). Managing intangible assets leads to a systematic process of de-bureaucratisation. De-bureaucratisation has been summarized by the author as follows:

The Process of debureaucratisation (From Mechanics to Cybernetics)

Type of Organisation	**Bureaucratic**	**Informated**
Structure	**Pyramid**	**Network**
Emphasis	**Internal Workings to achieve equilibrium**	**Internal and External environment to adapt to change**
Model	**Closed Entities**	**Open System**
Layers of Hierarchy	**Many**	**Few or None**
Management Method	**Command and Control**	**Interaction**
Workforce	**Uniform** **Semi-skilled**	**Diverse** **Knowledge workers**
Values	**Rigidity;** **Discipline;** **Compliance** **Competition** **Warfare**	**Flexibility** **Adaptability** **Openness to Learning** **Collaboration** **Trust**
Location	**Physical Place**	**Physical and Virtual**
Results Areas	**Functional Specialties (Departments)**	**Cross-Functional Teams**
Performance Criteria	**Outcomes**	**Processes**
Strategy	**Cost cutting;** **Competition**	**Adaptation to Change** **Collaboration (including outsourcing and strategic alliances)**
Inspiration	**Mechanics**	**Cybernetics**
Decision-Base	**Power and Ownership**	**Knowledge**
Organisational Principle	**Division of Labour**	**Integration/Networking**

Debureaucratization is supported by a change in corporate culture:

(1) From hierarchies (pyramids) heterachies (networks)
(2) From organisations as stable closed entities to organisations as dynamic open systems;
(3) From competition to collaboration;
(4) From warfare to trust and mutual support;
(5) From focusing on ownership and power to focus on knoweldge.
(6) From universality (tendencies to standardize products and procedures) to transversality (creating value through temporal cross-functional teams)
(7) From making and selling products to sensing and responding to customer needs

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