

Information about InCaS

“InCaS: Intellectual Capital Statement – Made in Europe“

Background

Know-how represents one of the most important success factor for many organizations. However, this valuable resource is not accounted for any financial statement. How can it be that the most valuable resource is not accounted for?

The influences of a knowledge driven economy are shaping the reality for many companies already: *“Hard production factors such as property, real estate and machines are rapidly losing their relevance...”*, says Jan Hoffman, Senior Analyst of Deutsche Bank Research.. *“Today, competitiveness depends much more on intangible values, such as employee qualification, strategy and business process quality, software, brand image, supplier and customer relationships.”*

Here is a simple example:

Imagine the kitchen of a restaurant

In your balance sheet one could find traditional assets such as your kitchen equipment, your oven and the ingredients which your cook puts into the dishes. However, your employees, such as a three-star chef and his team would probably be listed, as well as the important relationships you have established with selected food suppliers, your unique and tasty recipes, as well as the good experience and working knowledge and collaboration of your kitchen team.



All these factors, however, will determine the success of your work and the added value delivered to your customers. In fact, this unique know-how will considerably influence your ability to deliver a good service and to lower your (process) costs (which will not necessarily mean your guest will actually pay less).

As this example shows, the real value of a company is not accounted for in a traditional balance sheet. Even though lean and reliable work processes, as well as highly satisfied customers may not directly be measurable financially, it is evident: without Intellectual Capital every enterprise would soon be out of business.

Experts estimate that, up to 50% of a company's value is not accounted for in a traditional balance sheet and know-how remains only marginally visible.

InCaS aims to help organisations to identify those immaterial resources that determine a company's success and – to the extent possible – assess and visualise them.

What is the Intellectual Capital Statement (ICS)?

The Intellectual Capital Statement (ICS) is a new way to account for important intangible assets and to make them visible. The ICS is a way to systematically identify, describe, assess and visualise the development of the Intellectual Capital (IC) in your company.

Intellectual capital can be understood as the existing know-how of a firm. Therefore, IC represents the "soft factors" in your company (the knowledge of individual employees and the organisation as a whole). IC is inherent in routines, processes and practices and exists among others in the form of knowledge, relationships and innovation capacity.

Hence, the ICS is a good complement in addition to the traditional, more financially oriented business report. As it outlines the dynamics and inter-relationships of "soft" factors in relation to your business value, it enables a more holistic and future oriented evaluation of your company.

The ICS assesses your company by looking at three different forms of Intellectual Capital:

Human Capital (HC):

Factors that address and describe the entire available workforce of a firm and their interaction (not the individual employees as such). HC looks at factors such as staff qualification, working knowledge, experience, leadership competences, social skills and motivation.

Structural Capital (SC):

Assesses factors related to organisational structures and processes, such as corporate culture, communication, organisation, new product development and manufacturing innovation.

Relational Capital (RC):

Capital that results from (good) relationships with stakeholders, shareholders, business partners, investors, customers, suppliers etc.

To a large extent, those three forms of intellectual capital will influence your daily work, they will have a considerable impact on the speed and reliability of routines and business processes and also determine the quality of a company's services and products. The ICS is an important tool to report to internal, as well as external stakeholders and individuals. Furthermore, developing an ICS you will gain a lot of experience about the strengths and weaknesses of an organisation as well as how to improve your business, building on the use and development of existing intellectual capital.

Experiences:

So far the ICS has been used and successfully implemented by 70 SME in the German pilot project, and 23 have already completed ICS with the support of InCaS: we expect to reach 1000 SMEs by the end of the dissemination phase of InCaS

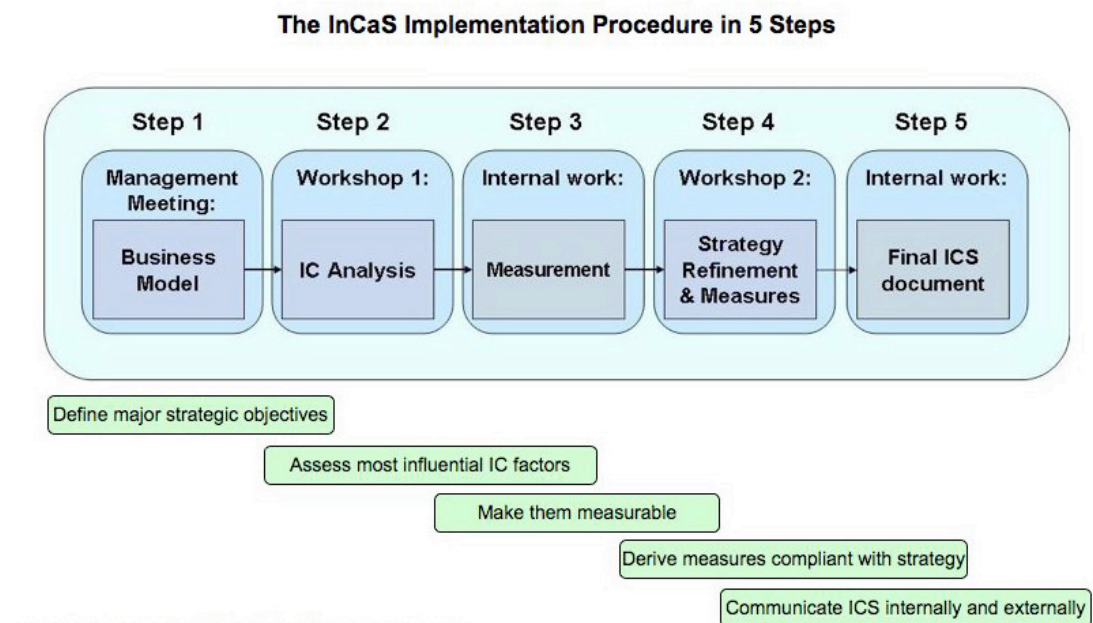
What is InCaS?

InCaS is an acronym for “Intellectual Capital Statement – Made in Europe” which is a project within the European Union’s Sixth framework programme for RTD. An “Intellectual Capital Statement” (ICS), InCaS provides the knowledge management tools and techniques that enable SMEs to detect their intellectual capital, to communicate it via an ICS (Intellectual Capital Statement a report on the use, exploitation and development of Intellectual Capital in a company) and to implement measures that promote its improvement and innovative application. InCaS is co-funded under the European Union’s Collective Research Scheme.

Aims and Procedures in InCaS

The aim of InCaS is to provide Small and Medium Sizes Enterprises (SMEs) with a management tool to assess and visualise intellectual capital. „Intellectual Capital Statement“ (ICS) aims to support SMEs to identify the strengths and weaknesses of Intellectual Capital in order to improve their business and to prepare them for future business and innovation.

The InCaS project will implement the ICs in 5 steps:



Additional important aims of InCaS are:

- To develop and optimise a European ICS Guideline for SMEs
- To develop **InCapedia**: an open, collectively extensible on-line resource on all aspects of IC and ICS
- To develop a standardised and consistent Benchmarking approach for IC
- To develop harmonised and branch-specific ICS modules
- To implement the ICS in 25 pilot companies and to disseminate InCaS among 1000 European SMEs.



The ICS Toolkit

InCaS has developed and validated in practice, as ICS Toolkit which supports many aspects of the ICS implementation procedures, including:

- Definition of the company (key facts and figures, products, clients) and definition of the boundaries of the research (for instance, including or not subcontractors, agents, distributors...)
- Definition of strategic objectives (turnover, profitability, market share, new market segments, geographical implantation, new products...)
- Exploration of the processes in place (products, sales, R&D, management and administration...)
- Definition of success targets (secondary objectives)
- Definition of inhibiting factors as regards the success targets (computing system, motivation, employees' qualification...)
- Systematic qualitative and quantitative assessment and representation of these factors. Definition of their importance for the achievement of objectives.

On the one hand, the ICS can be used as a decision making tool to strategically develop a company. The ICS provides SMEs with an overview on those areas in which the improvement of IC would be most beneficial for their business. Building on the strengths and weaknesses related to Intellectual Capital, it identifies those areas most suitable for organisational improvement and innovation. Among others, this is visualised with a portfolio which could be regarded as a „knowledge map“

On the other hand, soft factors and other important intangible assets may also be communicated to external stakeholders, e.g. to show your business partners and investors the real value of your business or to demonstrate how your company actually innovates, creates value and will continue to do so in the future.

More Information: InCaS on the World Wide Web

You can explore InCaS and its benefits in detail, and contact the key participants in the InCaS Eu Project through the InCaS Website:

www.InCaS-Europe.org

InCaS Project Partners

Project coordination:

Confédération Européenne des Association de Petites et Moyenne Entreprises (CEA-PME), Belgium

Scientific Partners:

- Fraunhofer-Institute for Production Systems and Design Technology (IPK), Germany
- London School of Economics (LSE), UK
- Universidad Politècnica de Catalunya (UPC), Spain

SME consortium:

- Industrial Associations and Groups (IAGs) from five European countries
- in total, 25 SMEs (five in each European core country)
- SMEs of five branches (Manufacturing, Electronics, Retail Trade, Business Services and Information Technology).

