



Maximise Intangible Resources for Superior Performance

From a balance sheet perspective, intangible assets and resources are largely unaccounted for in traditional performance measurement and accounting. These assets often drive profitability, competitive advantage, innovation and growth to a greater extent than tangible assets. This means that the true value of the organisation is not wholly represented. More importantly, if 'what gets measured, gets done', then intangible assets do not receive proportionate management attention, investment or governance.

In terms of profit and loss, this situation also means some of the most important drivers of business growth and value are not represented. Shareholders in particular want to know how the assets of their investments are being managed, and this is not possible if they are unaccounted for.

Why try to look at what you cannot see?

A 2003 Accenture survey stated 49% of executives thought intangible resources contributed most to shareholder wealth-creation; a further 26% believed tangible and intangible were roughly equal in their contribution.

In the developed economies, roughly three quarters of the workforce is employed in knowledge-intensive work. This work contributes at least half of GDP.

Knowledge-intensive wealth-creation comes from knowledge-intensive resources.

Traditional (accrual accounting) measures of success and performance fail to account for

intangible resources. By focusing on monetary, 'bottom-line' results, organisational leaders may drive short-term and opportunistic behaviour that can lead to catastrophic risk going unnoticed and unaddressed (think Lehman Brothers, Goldman Sachs (to be continued), Enron, Arthur Anderson, WorldCom, Exxon (Valdez), Union Carbide (Bhopal), Hooker Chemical (Love Canal)).

What are your intangible resources?

Globally, many individuals and organisations are grappling with the question of what drives the creation of value in organisations and how to attend and measure that (e.g. Multinational Enterprise (OECD), Global Reporting Initiative (UN), Australian Guiding Principles on Extended Performance Management (SKE), Balanced Scorecard (Kaplan and Norton)).

In terms of intangible assets, the more strategic of these focus their attention in three areas:

Human capital: the skills, attitudes, abilities, competencies and qualities of people in an organisation – the knowledge, experience and expertise they apply to the production of products and services and the operation of organisational processes.

For employees and management alike:

- Diversity (of thought and style, not just gender or ethnicity)
- Innovative capacity
- Learning and development abilities
- Leadership quality
- Management skills
- Educational and work qualifications



- Analytical and problem-solving skills
- Emotional and relational capacity
- Meaning-making capacity/ motivation

Structural capital: the structures, processes, work systems that are developed and used to be productive, effective and innovative – social, cultural and physical infrastructure (e.g. IT, work-flow, meeting regimens, communication practices, media and tools).

- Management and information systems, processes and programmes
- Management philosophy
- Organisational structure
- Organisational culture
- Intellectual property and contracts
- Research and development

Relational capital: the stakeholder strategies and approaches (for suppliers, government, distributors, communities) for creating reciprocal information flow and learning opportunities.

- Company name and brand
- Alliances and partnerships
- Licensing/ franchising
- Government and community relations
- Distribution channels
- Customer relations
- Financial relationships
- Industrial/ employee relationship
- Supplier relations

To create value, Accelerated Evolution deals with complexity.

Organisations are a complex web of interconnected systems.

Accelerated Evolution’s systems view of organisational activity looks at the explicit interconnectedness between the organisation and its environment, at the strategic relationships between individuals and the organisation, and at the unmediated relationships between people in the organisation and the ‘outside’ environment.

Accelerated Evolution helps leaders to fully understand and manage the drivers of value in an organisation, address their intangible resources and the risks to those resources.

This gives leaders a comprehensive organisational performance management, measurement and reporting approach. By strategically managing organisational intangible resources (human, structural, relational), leaders will positively impact financial, social, and environmental outcomes.

Attending to the intangible resources and risks will materially affect commercial outcomes for stakeholder relations, innovation and financial and environmental sustainability.

Strategic Management of Intangibles = Sustain-agility

