

Intellectual Capital Monitor

The Intellectual Capital Monitor is a performance management instrument in which the intangible assets are structured in a 3 by 3 matrix. Like other performance management models, it helps to translate strategy into action and it makes results transparent in all relevant areas. The power of the Intellectual Capital Monitor is its simplicity, which makes implementation very easy.

Roots

The Intellectual Capital Monitor is mainly based on the ideas of Karl Erik Sveiby, although it combines elements of both Sveiby's *Intangible Assets Monitor* as well as Edvinsson's *Skandia Navigator* and the *Balanced Scorecard*.

Taxonomy

One of the main merits of the intellectual capital movement is the development of a taxonomy of the intangible assets of organizations. Comparison of several intellectual capital models shows us that many of them are based on the same classification.

Comparison intellectual capital models

	Intangible Assets Monitor (Sveiby)	Skandia Navigator (Edvinsson)	IC-index (Roos)	Balanced Scorecard (Kaplan en Norton)
Employees	Individual's competences	Human Capital	Human Capital	Learning & Growth
Organization	Internal Structure	Organizational Capital	Infrastructure Capital	Internal processes
Customers	External structure	Customer Capital	Relationship Capital	Customers

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Windows

The main elements of the Intellectual Capital Monitor are based on the taxonomy of the above instruments. Together these three windows represent the intellectual capital of the organization.

1. **Employees**
This window represents the people within the organization, the employees, their tacit knowledge, skills, experience and attitude. Human capital per definition represents the most important part of the intellectual capital. It is hard to copy, and thus provides the organization with competitive advantage.
2. **Organization**
This window represents the 'tangible' intangibles. Everything of value that stays behind, after the employees have left the organization, like codified knowledge, procedures, processes, goodwill, patents, and culture.
3. **Customers**
This window represents the relationship with customers, suppliers and other external stakeholders. The value of customer capital is mainly determined by the extent to which an organization is able to maintain confidence in its reputation.

Perspectives

Each of these three windows can be looked at, from three different perspectives. A well defined Intellectual Capital Monitor consists of a combination of indicators from all three perspectives.

1. potential (present)
This perspective gives an indication of the present power of an organization. It provides an overview of the main assets, like the number and qualifications of employees, the characteristics of the customer base, etc.
2. renewal (future)
This perspective gives insight into the future power of an organization. To maintain or strengthen its present power, organizations should invest in its potential continuously. Examples of indicators in this perspective are investments in education, in reputation or in organizational processes.
3. utilization (past)
This perspective shows the extent to which the organization made its intangibles productive during the past period. Examples of indicators are the value added per employee, the proportion of fee-earners related to support staff, the hit-ratio.

The Intellectual Capital Monitor

The windows and perspectives are combined in a 3 by 3 matrix. Implementation of this monitor means filling the fields with appropriate performance indicators.

Intellectual Capital Monitor

	Employees	Organization	Customers
Potential			
Renewal			
Utilization			

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Indicators

Performance indicators are derived from organizational goals (usually through critical success factors). They do not represent objective valuations, but indicate the direction of developments. They can be either financial and non-financial.

Communication

The Intellectual Capital Monitor helps organizations to translate their strategy into operational terms. It makes intangible assets as tangible as they can get. However, the Monitor is not a goal in itself, it should provoke people to evaluate the course of events, draw conclusions and take actions accordingly.

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