

# Intangible Assets-Based Enterprise Management – A Practical Approach

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**Abstract:** *Urgent action is required to include an intangible asset perspective in enterprise management. This is shown by many everyday examples of managers, who aren't able to make informed decisions without such an approach. The mission of this paper is twofold: First, to present a practical approach for changing perspectives of managers and to develop a concepts for a new, enhanced way of enterprise management. Second, to create the foundation for more informed managerial decision-making in situations, where the traditional financial control approach to enterprise management doesn't provide appropriate support. The paper starts with a view on some examples of managerial challenges related to intangible assets. It then presents an approach to enterprise management that integrates the intangible assets perspective and that can better support managers in strategy and performance management and in decision making. It concludes with a brief discussion of the consequences for the leadership and organizational model.*

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## Introduction

What are intangible assets?

Intangible assets or intellectual capital<sup>1</sup> are immaterial resources (not financial assets/financial capital or physical resources such as fixed/current assets) that, as a factor of production, play a fundamental role in the value creation process of an enterprise and that enable it to compete successfully. Intangible assets are usually divided into the following main categories:

- *Human capital:* Employees' individual professional expertise and skills, social skills, entrepreneurial engagement, ability to innovate and respond to changes
- *Relationship capital:* Customer capital (brands, customer relationships, relationships with marketing and distribution partners etc.), other business partner capital (supplier relationships / supplier network, contract manufacturers etc.), and

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<sup>1</sup> The term "intangible assets" is used in this paper with two meanings – integrating the concept of "intangible assets" (with roots mainly in the accounting world) and "intellectual capital" (with roots in the world of knowledge management and based on a dynamic perspective of the enterprise)

relationships with investors and banks/financial service firms and with other important stakeholders (such as environmental pressure groups in the oil industry)

- *Structural capital*: Business infrastructure/processes, working methods, information systems, databases, intellectual property (patents, copyrights, trademarks), organizational design, location advantages, corporate culture

What is enterprise management?

Enterprise management comprises the leadership and organizational concept, and the management processes and tools that enable an enterprise<sup>2</sup> / its management to organize and manage the process of achieving the enterprise's objectives - i.e. to create value added for its stakeholders. It is based on two pillars:

- *The leadership and organizational model*: Mission, values and overall objectives of the enterprise, organization structure and philosophy, corporate and management culture, incentive system and concept, approach to organizational development (focus on social mechanisms and human behavior – increase organizational and people productivity through organizational design, shared values and common goals)
- *The performance management/steering system*: Definition of an explicit strategy, the process of target setting, resource allocation, planning, performance monitoring&forecasting and decision making for corrective actions (focus on performance transparency and on controlling the process of target achievement – increase the capability of the enterprise to achieve its targets through “rational management”)

What is the problem?

The capability of companies to create economic value, i.e. customer value, shareholder value, and stakeholder value, is increasingly dependent on intangible assets – on immaterial resources and production factors. Today, intangible assets are predominantly responsible for a company's<sup>3</sup> capacity to innovate and thus for its capability to create added value in a highly dynamic, highly competitive global business environment and to “make a difference”.

So it is no surprise that companies in all industries are investing more in intangible assets than ever before – with trend values arcing even higher. A clear “symptom” of this is the fact that the gap between market values and book values of corporations has been constantly growing over the last 20 years. As a result, even companies of the “old industries” possess today significant intangible assets (Gu/Lev, 2001, p. 12) – although they are not visible in their balance sheets or internal management accounts and reports.

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<sup>2</sup> The term “enterprise” stands in this paper for an entity, in which investors invest / where ownership is held. An enterprise usually consists of several business units.

<sup>3</sup> The term “company” stands in this paper for an entrepreneurial unit, i.e. for a business unit or for the entire enterprise

And that is the very problem: our enterprise management concepts and control instruments have failed to keep up with this development. They provide a much too narrow angle, and exclude the most important factors of production of our companies and economies of today, which are increasingly knowledge-based and service-oriented: the intangible assets along with their intrinsic production forces and risks.

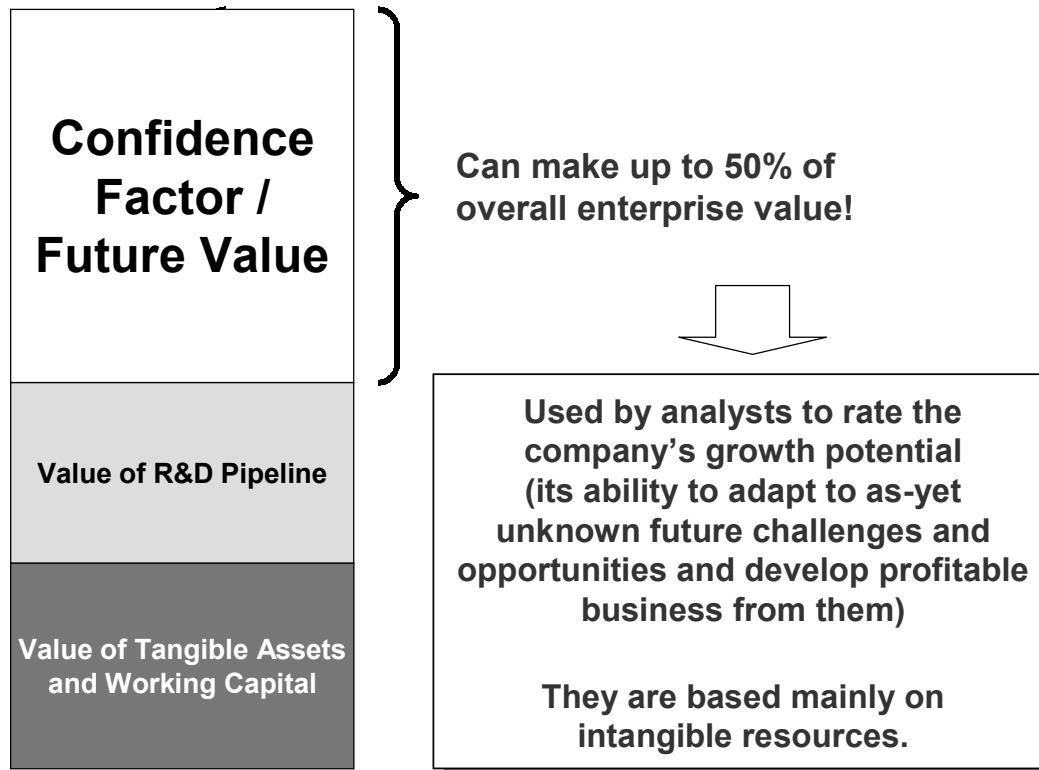
## **Intangible Assets: A Challenge for Enterprise Management**

While intangible assets are regarded widely as the main value drivers of today's enterprises, the day-to-day live of corporate managers doesn't reflect this fact sufficiently. Many managers are still fully occupied with managing costs, managing the sales pipeline, approving capital investments (solely based on financial plans) and with managing and motivating their people through (traditional) incentive schemes. How to create and strengthen intangible assets in the enterprise's operations and how to leverage intangible assets to boost business performance and to create competitive advantage has not yet become part of common management practice.

On the other hand managers are confronted increasingly with decision that require an intangibles-based approach to enterprise management in order to make sure that these decisions really contribute to value creation and support the long-term survival of the company. But they still do not dispose of the managerial / analytical concepts to support such decision-making in a sufficient way. A clear indication for this is the fact, that most managers are faced with a severe challenge when asked to explain what constitutes the value of their enterprise or how this value can be retained and expanded in future.

### *Examples of managerial challenges related to intangible assets*

The true challenge for management of a pharmaceuticals multinational, for example, is not simply to manage the research and development pipeline and communicate its value development (in the form of discounted cash flows from potential future revenues from new products) to the capital markets – which is difficult enough in itself – but also to handle the premium on enterprise value that financial analysts call the “confidence factor” or “future value”. This confidence factor is the capital markets' reflection of the company's actual or assumed ability to actively shape an unknown future in its own best interests – that is, exploit as-yet unknown market trends (and the accompanied opportunities and challenges) much more effectively than the competition and generate growth (in the form of new and additional business). The confidence factor can amount to up to 50% of the overall enterprise value, and is added on top of the value of existing assets on the books, plus the estimated value of the R&D pipeline (see Figure 1). It is based to a large extend on the company's intangible assets and management's capability to create new value added from them. But how can management deal with it? How does the “confidence factor” affect the reality of day-to-day business, and how can management influence it positively? Without a systematic analysis of intangible assets on hand – particularly in combination with the value of the company's growth options – this question cannot be answered, and management is flying blind.

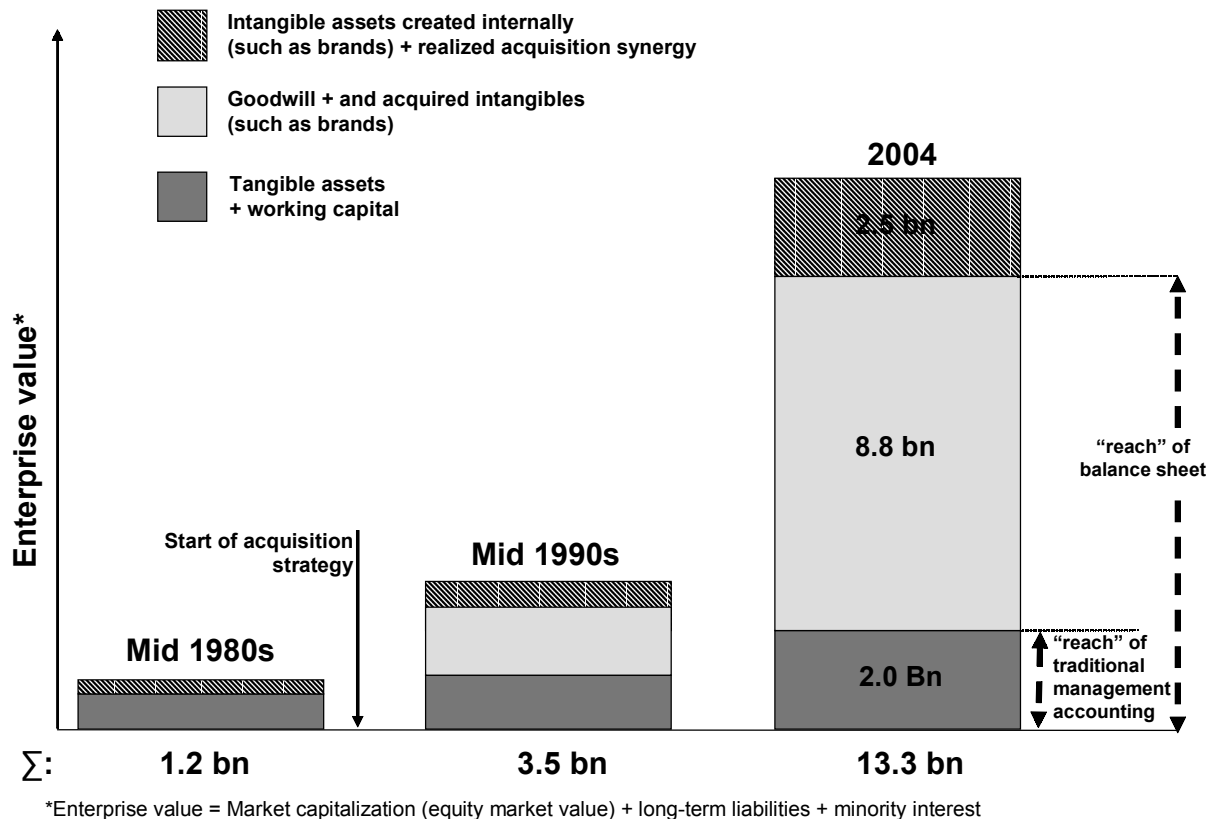


**Figure 1:** Management Challenges faced by a Pharmaceuticals Multinational

Another example comes from the consumer products industry. The company in question, like many of its competitors, began an acquisition strategy in the mid-80s, to both exploit the opportunities presented by globalization and meet the challenges of global consolidation in the industry. Due to the “value gap” (mentioned above) between book value and market value at the acquired companies, a large share of the purchase price (the portion that exceeded the book value of the acquired company) was allocated to goodwill, with the result that, over the years and after a series of further acquisitions, the goodwill values in the corporate balance sheet far exceeded the other documented enterprise values – mainly tangible assets and working capital. Together with concurrent growth in self-created intangible assets, especially brands, the share of enterprise value that exceeds the values of tangible assets and working capital documented in the books has increased to more than 80% of overall enterprise value (see Figure 2). In any rate, the company attempted to make the goodwill values manageable by breaking them down to the divisions and taking this “capital employed” into account in determining the divisions’ financial return or economic profit using the KPI “Economic Value Added” (EVA<sup>4</sup>). However, the company feels that these steps are not enough. Although the divisions have been allocated the goodwill and the associated costs of capital accordingly, the division managers do not have sufficient information

<sup>4</sup> EVA is a registered trademark of Stern Stewart & Co., the author of the concept (<http://www.sternstewart.com/>)

in addition to the information about overall performance of their areas of responsibility (ratio of profit to invested capital) that would allow them targeted, active manipulation of the intangible assets and operative processes that use them, to have an active, fundamental impact on the overall/financial performance. The necessary controlling instruments and management concepts to do so simply do not exist.



**Figure 2:** Example of a Consumer Products Multinational

Outsourcing decisions are another example for an area where managers are practically lost without an intangible assets perspective. Many multinationals have created shared service centers for transactional back office task such as in finance & administration. After a few years, when they are fully in operation and have finished to “roll-in” processes like purchase-to-pay, order-to-cash or record-to-report into the shared service center from the local entities in e.g. a region, they typically start to ask some important strategic questions. Here a typical example from the general manager of the European finance shared service center of another consumer products multinational:

- How can we move up the value chain and compete with low-cost sites in India or China?
- Which (low value adding) tasks and processes are possible candidates to be outsourced?

- Which are the tasks and processes we should never outsource, because the related resources and assets (business know-how, human capital etc.) represent our “family silver”?
- How can we identify our family “family silver” and strengthen and leverage it to create value-added in the future?

A fourth example is related to innovation management. Innovation means increasingly not only product innovation but also business model innovation. Business model innovation means that companies redesign, often in a quite radical way, their products and services, but the entire way how they deliver value to their customers. This requires a kind of “creative destruction” concerning the old business model and its processes and assets. Here similar challenges and questions arise for managers like in the example of the shared service center:

- How can we innovate and “destroy” (get rid of) old processes and ways of working and preserve at the same time our most valuable intangible assets that we have created through the old operations?
- What are our valuable intangible assets that we should never give up?
- etc.....

Without a clear analysis and identification of the key intangible assets and their role in the future strategy and value creation process of a company, such decisions cannot be made. This is bad news, because these are important strategic decisions, which determine the future capability of the entity to make a difference, i.e. to compete successfully and to create value added. But traditional business cases based on financial figures and estimations often distract managers from this fact (that these are really strategic decisions) and they hide the real drivers of future performance, simply because financial business cases ignore the intangible perspective.

The good news is that managers are increasingly aware that they cannot answer these questions with traditional management instruments. There are now open for the message that it is impossible to manage the value creation process without integrating intangible assets in the managerial analysis and the management system. As long as the following factors remain opaque:

- about what potential, values and production factors – including intangible assets – a company can dispose of,
- how intangible assets are created in operations,
- how intangible assets can be exploited efficiently in the value creation processes and
- which effects can be achieved with them for customers, shareholders, and other stakeholders, and finally
- which gaps exist between available intangible assets and intangible assets needed to support the successful implementation of corporate strategy and to secure the company’s future and
- which available intangible assets are under-utilized and represent an option to create additional value,

managers in the current enterprise environment will largely continue “flying blind”. They have no possibility to evaluate their (or their company’s) true performance and capability to compete successfully and to survive in the future.

To enable an enhanced way of enterprise management that is able to include active intangible asset management, however, we must completely rethink enterprise management and the theory of value creation of companies. The value creation systems of modern companies differ fundamentally from the old industrial enterprise model. They have very little in common with the production-oriented companies and corporations of the 1920s and 1930s, which developed the basic principles of the traditional enterprise management and financial control approach, which even today – whether consciously or unconsciously – still influence our management thinking, decision-making, and managerial actions.

## **The Transformation from a Tangible Asset-Intensive to an Intangible Assets-Intensive Economy**

In the first half of the 20th century, as the foundations of the traditional management/financial control instruments were developed, intangible assets played a relatively minor role. The market environment back then was characterized by consumer demand for products that was generally greater than the available supply. In the sellers’ market of the time, in which the customers focused on the availability of products at the lowest possible (absolute) price, management concentrated on manufacturing at the lowest possible costs – that is, on internal efficiency. Accordingly, the decisive factors of performance and competition for a company were efficient production and low costs, which primarily created value for customers and shareholders.

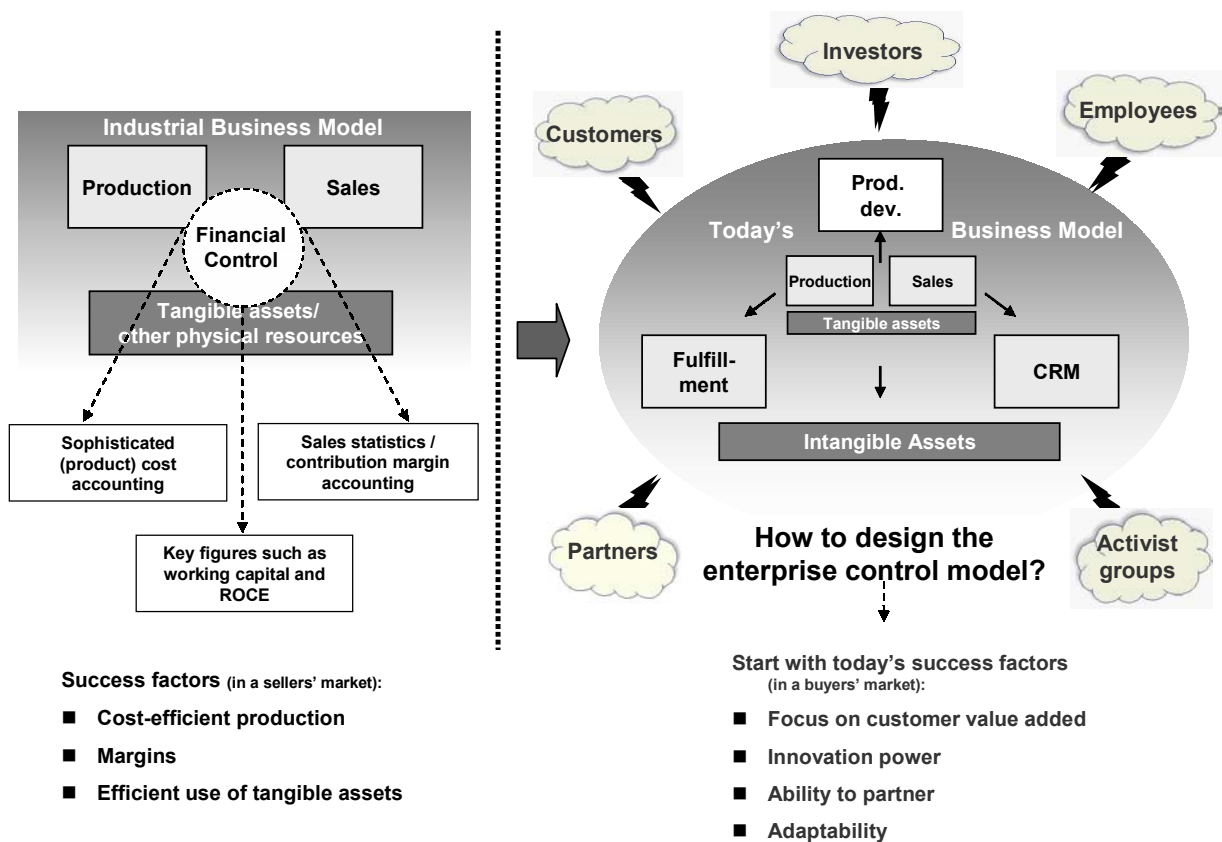
Today’s buyers’ market is much different: at least in the industrialized nations, supply generally exceeds demand. Low costs and the ability to produce efficiently are no longer sufficient as the sole performance factors. When customers have a choice and consumers have enough disposable income, they will not choose a product simply because it has the lowest absolute price. They will choose the product that, from their perspective, provides the best price/performance ratio. A customer will only buy a product or service if it promises to create value added from his or her perspective.

As a result, the sole focus on the efficiency of enterprise management is obsolete. Although efficiency is still important to compete successfully, it is now only a necessary, but no longer a sufficient condition for enterprise success. The decisive factor today is suiting the customer’s taste and, from the customer perspective, setting oneself apart from the competition – in other words, external effectiveness. Companies try to become more effective and set themselves apart from the competition by investing in ongoing innovation – in research and development, in expanding customer relationships and enhancing customer loyalty, in staff training, and in new information technology – continually adapting to changing markets and customer requirements. It is these specific expenditures and activities that create intangible assets, which represent the foundation for this effectiveness from the customer perspective and which constitute a company’s competitive edge.

Incidentally, this context also explains the growing gap between enterprise book values and market valuation. For a majority share of investments in intangible assets is treated as expenses

in accounting, and is not capitalized in the balance sheet. However, the values created as a result – such as an attractive R&D pipeline, and large international customers base, or a famous brand – are indeed included in investor ratings and capital market valuations.

The consequence is clear: we need to change the perspective and have to develop a new concept for enterprise management that takes the new value drivers and intangible resources into account and sheds light on the performance of today's enterprises in creating value added from their extended value creation systems. We cannot use anymore the traditional financial control concepts, because they are based on a different operations model that doesn't reflect reality anymore and that does not support management in identifying and managing the true success factors and value levers of their companies (see figure 3).



**Figure 3:** Different value creation models require different concepts for enterprise management and control, which focus on the real value-adding processes of modern companies

## **A Change of Perspectives: Towards a New Concept for Enterprise Management**

The first place to start with a new management perspective – to develop a concept for enterprise management that go beyond conventional “financial control” and systematically integrate intangible assets – is to extend the resource aspect. Our conventional management tools and enterprise control instruments are all based on an extremely restrictive view of resources: in general, only financial and physical resources (fixed assets and inventories/working capital/net current assets) are considered. That was the focus of the first generation of intangible asset / intellectual capital management approaches: to report on the status of all assets – including the immaterial ones<sup>5</sup>.

The second step is an analysis of the company’s operative value creation processes. This involves answering the following question: How effectively and efficiently does the company/division use the available resources (including intangible assets) in processes that create value? How does the company create intangible assets in operations? How does the company / division create value at all?

And this is the key issue: to understand how value is created and what role which resources play in the process, and how the interplay between resources and business processes works to create a desired outcome in form of value added for customers, shareholder and other stakeholders. It requires, and that is the third step, a complete and extended view on the performance of a company or operation, i.e. on value created – from a customer perspective, from a shareholder / financial perspective and regarding other intangible results.

Working backwards from this third perspective, we are now able to evaluate in the business processes perspective how which processes are creating performance and value added, and finally, in the resource perspective, which are the most important resources used in the business processes (see figure 4).

This approach allows it to understand the complex process of value creation – how a company is transforming its invested financial capital in non-monetary resources and assets (tangible and intangible), how these assets are used in and strengthened through operations, and how the company is finally creating customer value and financial results. The degree of the effectiveness of the value creation processes is reflected in what economists call the total factor productivity of the whole system “enterprise”. A high total factor productivity is an indication that the enterprise is likely to “perform” and generate over average shareholder value in the future (Lev/Daum, 2004).

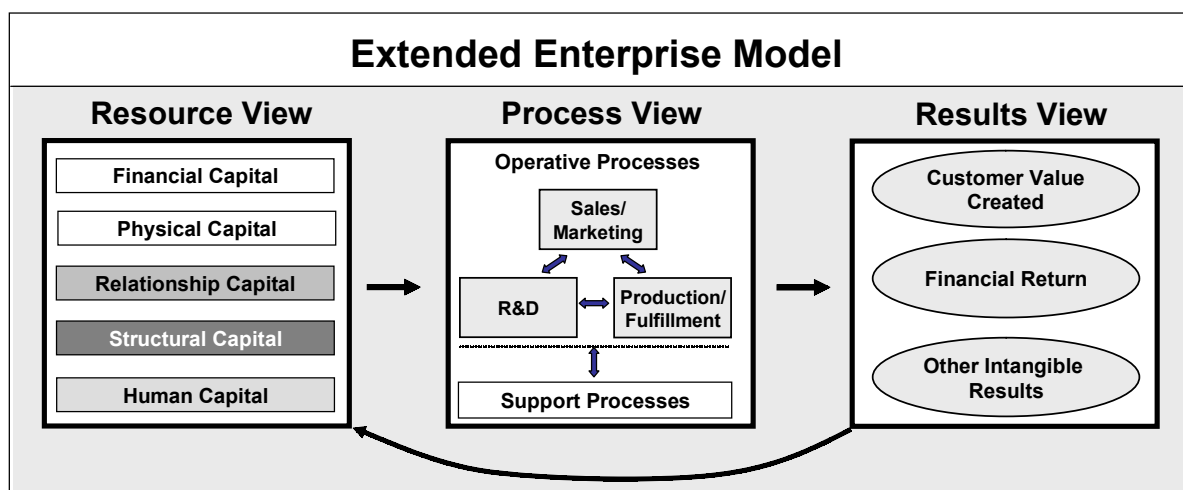
To optimize the total factor productivity of an enterprise requires a comprehensive view on the entire value creation process and system. Its configuration and the quality of business processes determines, how well an enterprise is able to transform input (resources) in output (value added for customers and revenues/financial returns) and how well it is able, as a kind of by-product of

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<sup>5</sup> Examples for such first generation concepts are: the “Intangible Assets Monitor” developed by Karl-Erik Sveiby (Sveiby, 1997, p. 195 ff), the „Skandia Navigator“ and the „Skandia Supplement Reports“ developed by Leif Edvinsson for Skandia in the 1990s (Edvinsson/Malone, 1997, and Skandia, 1998)

the process, to strengthen intangible assets and/or create new ones, which are important for the future development of the enterprise and for preserving its competitive power. This extended enterprise model creates a different view and makes the economics of today's enterprises better transparent than the model underscored by conventional management and financial control-based approaches and thus helps to get a systematic grasp on the actual value drivers and value creation processes.

Ultimately, controlling the value generation process also requires suitable reporting instruments, which have to provide information on the following in equal measure: the status of all relevant *resources*, the status of the *value creation processes* (effectiveness in establishing future potential, efficiency in resource management), and the overall effectiveness – that is the financial and intangible *results* of the entire value creation system from the relevant stakeholders' perspective. This requires a suitable enterprise reporting model that can map all three views (see Figure 4). Without it, it will not be clear how effectively a company converts its invested financial capital into non-monetary resources and potential, which in turn are used by business processes to generate revenue or reduce costs. Only then does it become possible to optimize the full range of value-creating processes and continuously improve the enterprise total factor productivity.



### Key Characteristics:

- Based on a comprehensive resource model (incl. intangibles)
- Integrating the process perspective (value creating processes)
- Defining and measuring results in a multidimensional way (subjective, qualitative & objective, quantitative/financial)

**Figure 4:** An Extended Enterprise Model Is Needed as the Foundation for a Suitable Leadership Model and Control System

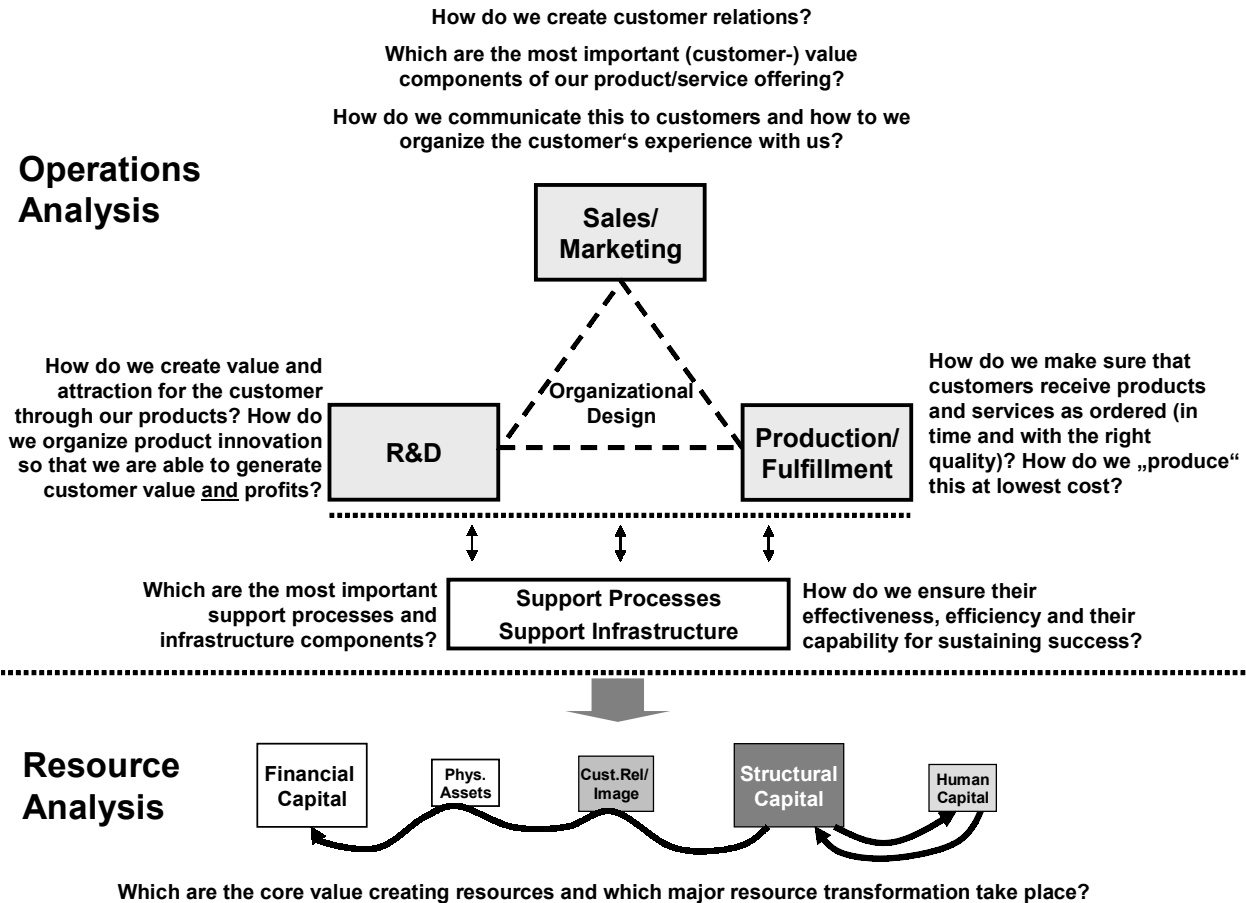
## Understanding and Optimizing Enterprise Performance

A possible approach to initiate this change of perspective and change in management thinking is to start with an intangible asset-based analysis of the existing value creation system of the enterprise or a business unit. This will provoke the necessary debate in the management team, supporting the development of the new school of thought.

The aim of the as-is analysis of the value creation system is to identify the resources (including intangible assets) at the company/in the business unit that create value, and reveal their role in the value creation system – where they are used as input, in which processes they are used (and how their transformation occur), and what the output is.

The first step consists of a so-called *operations analysis*, which examines operative business from three dimensions:

1. *Customer relationship management*: this is about a value analysis from the customer's perspective. The objective is to identify the value/product components and the processes and resources that create customer value added and competitive advantage.
2. *Fulfillment*: This is about an analysis of the processes, resources, and procedures (production-, service- and supply-chain-processes) a company uses to fulfill its "promise" to the customer and to deliver a quality as promises at lowest cost.
3. *Research and development*: This involves analyzing the procedures (product development process) with which the company develops and "configures" new products and services in order to create new customer value and maximize attractiveness/differentiation and profitability.

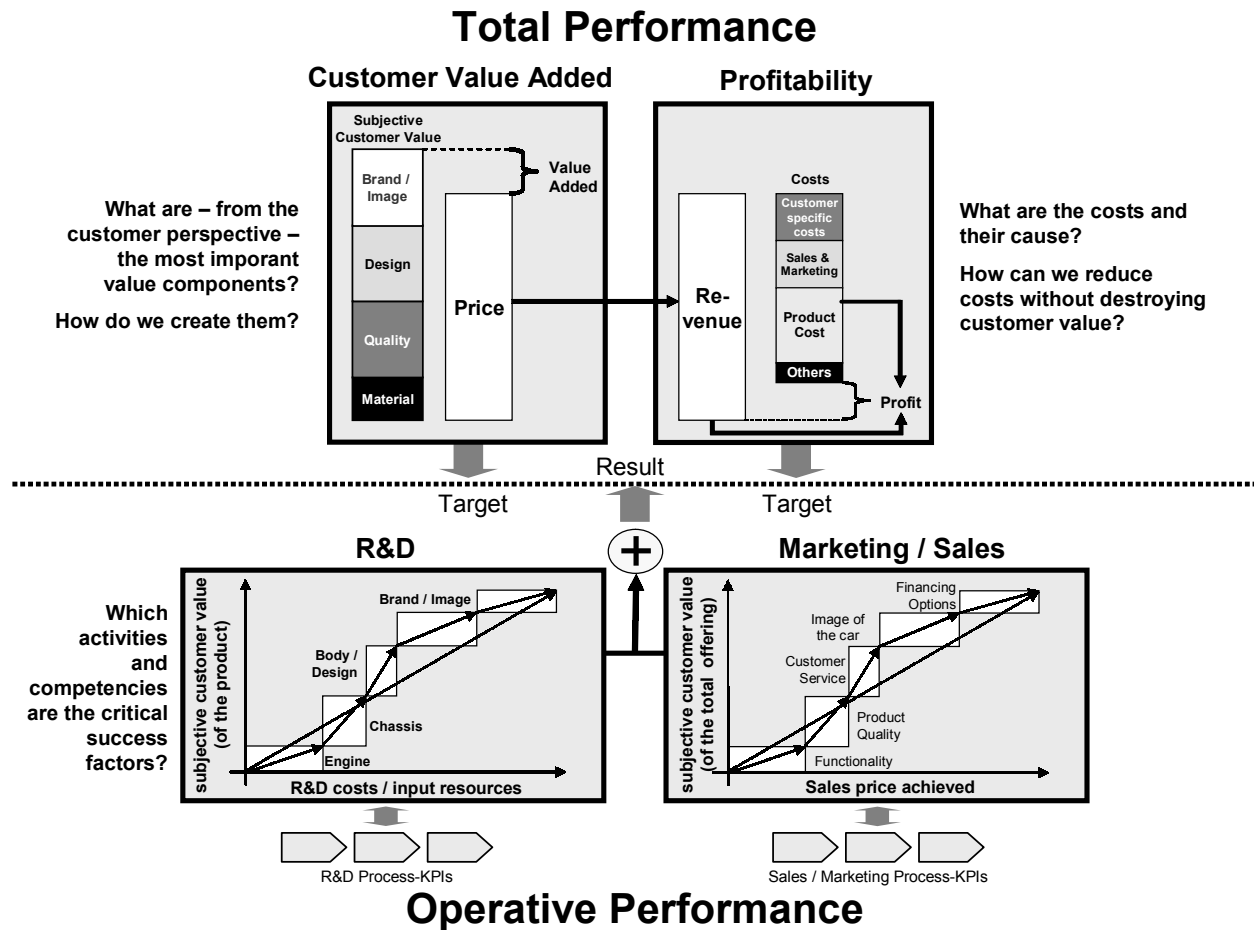


**Figure 5:** The operations analysis and resource analysis expose how the company “works” operationally to create value for customers

This operations analysis is accompanied by an analysis of the most important support functions/processes and of the support infrastructure. Based on the operations analysis, the *resource analysis* identifies the primary resources and analyses the transformation processes between the various resources.

The operations analysis and resource analysis expose how the company “works” operationally to create value for customers, which resources are used to do so, and how the individual transformation processes between the resources are designed (see figure 5).

This is leading to the *analysis of the capability of the enterprise to create sustaining performance*. It is based on the results gained from the operations analysis and resource analysis. It tries to make the true economic performance transparent and manageable, which in today’s buyers’ markets is based on two success factors: first, the ability to create subjective customer value, and second, to generate satisfying financial returns from a shareholder perspective.



**Figure 6:** The analysis of the capability to create sustaining performance is showing how the total performance (customer value + financial performance) is created through the operational processes and what the operational value and performance levers are (Daum/Bretscher, 2004)

A simplified example of a car manufacturer is illustrated in Figure 6. Here, the process areas R&D and Sales/Marketing (skipping production/fulfillment for simplification) are first analyzed separately by using the concept of Vector-Based Performance Measurement (Daum/Bretscher, 2004b), and the factors influencing their respective performance capability are determined. Both areas are then examined in combination: While the decisive factor in the R&D area (that we wish to optimize) is the productivity of the deployed resources (R&D expenditures, tied human resources/experts that are no longer available for other areas, etc.) in relation to the created subjective customer value, the decisive factor in Sales and Marketing is the company's ability to transform the generated customer value into corresponding sales prices and volumes. To do so, the customer value generated in R&D and production has to be communicated successfully to the customer, so the customer can recognize it prior to the purchase decision. These two factors determine the company's ability to achieve the necessary (high) prices and volumes.

As soon as the operations-, resource- and sustaining performance capability analysis is finished, we have a foundation for defining a suitable performance measurement system that helps – in form of a multidimensional, multitier performance balanced scorecard or in form of a Tableau de

Bord (Daum, 2005, and Daum, 2003, 251-297) – to successfully control and optimize overall performance.

At the same time we have created the foundation for an extended strategic planning process that can recognize and utilize in a systematic way intangible assets and intangible production factors. It has two objectives (Daum, 2004a, pp 19-21):

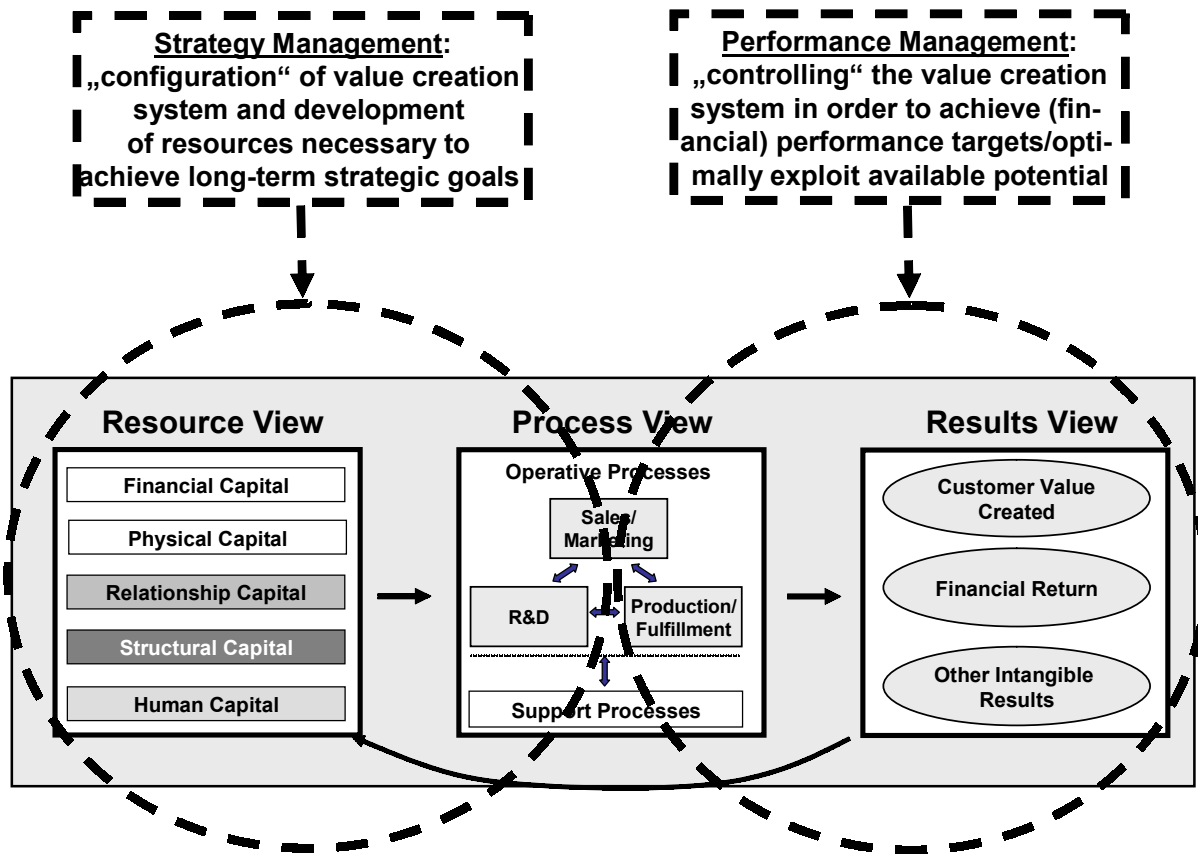
- *First*, to identify those intangible assets that are required to achieve the enterprise's strategic objectives and to initiate, if necessary, the corresponding development programs (analysis of "strategic readiness")
- *Second*, to put already available intangible assets that haven't been used so far to the most productive use for value creation, growth and to generate additional financial returns and customer value (analysis of "hidden value creation potential")

In most cases, it is the intangible resources that harbor the greatest untapped potential for improving performance and to generate growth. But most companies are still not accustomed to subjecting their intangibles (in contrast to their physical and financial capital) to a regular "inventory" and analysis of their potential benefit in a given or potential future value creation system configuration.

In contrast, if the the strategic planning/strategy management process (goal: create/expand potential for the future) and the performance management process (goal: control short term performance) build on an extended enterprise management framework as described above, they complement each other in forming the foundation for the capability to create sustaining enterprise performance (see Figure 7)<sup>6</sup>.

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<sup>6</sup> A detailed case study that illustrates the above presented concept of operations and resource analysis and analysis of the capability of the enterprise to create sustaining performance as well as the possible outcome for improving strategy and performance management can be found in Daum, 2004a, pp. 21-34.



**Figure 7:** Strategy management and performance management build on the expanded enterprise management model and complement each other in forming a foundation for the capability to create sustaining enterprise performance

## Understanding and Optimizing Leadership and Organizational Performance

The purpose of “leadership” and “organization” is to create value added from human resources, by influencing the behavior of individuals and by enabling individuals to work together in ways so that the outcome of their collaborative work is larger than the sum of the work they can perform individually outside the organization.

The above described new view on an enterprise make its true economics transparent and therefore also opens the perspective for a new and fresh view on a company’s leadership and organizational model. This is important, because the different economics of the value creation systems of today’s companies also change the economics of labor and as a consequence, companies have to change the way they treat their workers and the way they are organized.

In contrast to the old days, when companies mainly created value through industrial manufacturing, today, value added from human resources comes not any more from efficient

manual labor, but from effective brainwork and knowledge work. But knowledge work is ruled by different economics. As a result, companies require today not only different skills and a lot of knowledge from their human capital, they also have to organize the work of their knowledge workers and the collaboration among them and with customers and business partner differently. And they have to change the way, how managers manage their people.

The traditional hierarchical with top down model is not effective any more in an environment, where the boss knows very little from the work of his or her expert-subordinates. Also the traditional way of defining and measuring labor (“labor = work hours”) become irrelevant, when the purpose of labor is not to spend a specific time on a job or task, but to achieve a certain qualitative outcome for a customer: a client values the work of a consultant not according to the amount of hours it has taken the consultant to accomplish his work, but according to the (qualitative) results the consultant has achieved for the customer. The same applies to a software developer: his or her productivity is not dependent in the first place on the number of code lines created per time unit, but in the attractiveness of the created software for potential customers.

This requires organizations that are working not on the basis of “command and control”, but where employees have autonomy so that the organization as a whole is able to react much faster and quasi automatically, in a self-controlled way, to changing customer needs and can anticipate new market trends and prepare for them. Then leadership is turning into a key role, because common goals and shared values are the only way to create the alignment and collaboration in a self-controlled environment.

And this has far reaching consequences for enterprises and raises a lot of important questions:

- How to organize and create leadership and define common values?
- How to develop new leaders?
- How to treat employees and how to design the principles for manager-employed relationships?
- How to organize work and how to split an organization into a team-structure that supports effective and efficient work?
- How to design effective incentive systems that do not contradict with the economics of knowledge work and with the economics of the company’s value creation system?
- How to organize HR development?
- How to design information systems that support effective knowledge work and team work and collaboration (internal and external)
- etc...

These aspects are at least as important and determine equally the total factor productivity of today’s enterprises as the design of the management control and steering systems. Interestingly this applies also to manufacturing – an area that was long dominated by the traditional industrial model of labor division and tayloristic management principles. Toyota is a good example how a company is able to boost its overall productivity in manufacturing by finding new ways in leadership, organizational design and employee management that allow a more effective combination of its more autonomous human capital with its production and automation

technology. At Toyota they call this “autonomation” or “automation with a human touch” (Daum, 2004a, p.28).

## Conclusion

Urgent action is required to include an intangible asset perspective in enterprise management. This is shown by the everyday examples described at the start of this paper, which exist in similar form at many modern companies. Managers aren’t able today to make informed decisions without such an approach.

A lot has been written and said in the last one and a half decades about the relevance of intangible assets for enterprise management. Many concepts to support an intangible assets-based approach to enterprise management have been developed over the years. Now we have to become practical and that has

- *first*, to start with a thorough analysis of the existing value creation system of a company, i.e. it has to start with the context in which managers act in their day-to-day work and which they want to better understand, and
- *second*, we have to use the gained insights to better support managers in dealing with some of the decision challenges they face everyday.

Both steps require cross-departmental collaboration and skills development. Companies that wish to manage their intangible value drivers have to facilitate collaboration across different user departments and hierarchy levels. Specifically, controllers have to deal far more with qualitative factors when developing and implementing new methods for measuring success. In turn, this requires close collaboration with other areas such as HR and Marketing. At the same time, staff in the Human Resources and Marketing departments has to acquire more business and finance know-how.

This might make it possible to address some of the challenges and solve some of problems described initially this paper. For example:

- *A pharmaceutical company* that combines knowledge from marketing and sales& distribution partners with knowledge about the technological risks and options of the product development process and with financial knowledge might be better able to optimize its R&D portfolio. In addition, it might be also better prepared to identify and leverage possible growth options in the market by linking them with its internal options represented by its intangible assets in order to generate growth that even beats the expectations of financial analysts (beating the “confidence factor”).
- *A consumer product company* that is able to combine the knowledge of its marketing people with the knowledge of its controllers and financial experts might be better able to leverage its existing brands and to make better decisions concerning investments in advertisements, because it begins to understand the dynamics and the true economics of advertisements and its value levers (example: a consumer product company that is currently engaged in a project that brings

marketing and finance people together to create a prototype a simulation model to support better advertisement investment decisions)

- *The manager of a finance shared services project*, who is able to combine the knowledge and expertise of controllers (that calculate the business case and the “hard” savings) with the expertise and knowledge of people who understand the social dynamics in a change management and organizational development project, might be better prepared to identify the company’s real knowledge and human assets in the area of finance & administration and to create value beyond the usual basic cost savings realized through process automation and consolidation (example: a European company that has done this quite successfully)

In all these cases it becomes obvious, that success is based on the intelligent combination of different domain knowledge in order to find the optimal combination of an effective leadership model and organizational design with an effective steering and control system design that support rational strategy management and performance management that take intangible assets into account. And if that has been accomplished, also the foundations are created for better communicating the capabilities and the potential of an enterprise to the general public and to financial analysts in order to help them to better understand the value creation potential of the enterprise.

### **About the author**

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