

THE CEO AGENDA 3

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As you perform your CEO role, it is imperative that in addition to developing controls over your agenda, whether personal or professional, you investigate the aspects of your firm's asset management and your persona.

Intellectual Capital is one of the most critical management ideas we will be challenged by over the coming years. This idea is rich and deep, has economic implications, resource allocation relevance, and is a determinant of the decisions to make over the following years. The essential elements of the idea are that your organization's tangible assets – cash (flow), infrastructure, and all balance sheet items – are by far less valuable and are much easier to replace than the intangible assets not reflected on the books, annual reports, or other financial representation of your activities. These include “hard” intangibles like patents, copyrights, databases, and software, but most importantly, include “soft” intangible assets such as skills, expertise, loyalties, cultures, and competencies. These are known as knowledge assets – intellectual capital – that is what determines long-term sustainable success or failure.

Intellectual capital and knowledge management combined with an innovative look at the future are the essential stronghold builders of the future of every successful CEO in recent years. Our future will be driven by the growing intensity of the knowledge economy magnified by the information age capabilities. This requires an understanding of the new rules and the new ways of doing business... This conditions the

priorities of your agenda and the time you spend with your colleagues or family.

The knowledge economy is based on three columns:

- Knowledge is what we buy, do, and sell.
- Knowledge assets have become more important than financial or physical assets.
- To prosper in this new economy and successfully exploit these vital assets of the company, we need a new language, fresh management techniques, new business strategies, and fresh talent.

You, the CEO, must manage your agenda in a way that will allow your organization, by way of example, from your team to “shift the competitive advantage from hard assets to intangible assets.” Doing so requires courage and a pioneer’s spirit. It requires that you, the CEO, gear your priorities, actions, language, topics, and talent search in a way that is aligned with the company's future value.

What knowledge is embedded in your company? What is the knowledge reflected in? How will it be assessed in the future? What is the market expecting? Knowledge makes physical objects lighter. It makes communication faster. It allows us to build virtual assembly lines and electronic prototypes. Knowledge becomes an export product, and we buy it to solve problems and take advantage of opportunities. Does your agenda reflect that? Do you capitalize on these opportunities? Do you have a team to do it with? Does your family understand its value and meaning?

To triumph with the management of knowledge assets, you must pay particular attention to reflect the content of the agenda around the following three items:

- Human Capital: The skill and knowledge of the people; this influences selection, retention, and separation
- Structural Capital: Patents, process improvement, database, networks, and most importantly, innovation drivers
- Customer Capital: Relationships and networks with customers and suppliers at all levels and all distribution hierarchies

These intangible capital elements reflect at least 60% of the market value of a corporation. The knowledge becomes the differentiating asset. We need new management techniques and fresh attitudes to ascertain the value of these assets.

Our management approach, the way we deal with our priorities, people, and structures respond to outdated models and circumstances. In the knowledge economy, we are still learning. However, to be successful, you must be daring and start somewhere. Combine your talent and access to external talent to assess new approaches that allow you to write the book of your organization's knowledge management approach as a unique competitive culture. Suppose you stay caught up as an individual who manages his professional and personal agenda to the tune of old music. In that case, you will be energized and remembered, and your company will have to play a complex and very costly catch-up game. Find the tangible knowledge assets, develop a knowledge intensity (for example, the expenditure on innovation as a percent of revenue, percentage of sales from new initiatives; the percentage of knowledge workers – professionals, senior management and technical engineering and scientific staff- the thinkers; per capita training expenditure) scale and regularly relate it to profitability. If this will guide your agenda, you will be an innovative and forward-looking successful CEO.

It would be best to choose the speed by which you move and the impact of your legacy.

Some of this material comes from “The Wealth of Knowledge” by T. Stewart.