An Overview of Intellectual Capital (IC) Models for SMEs

Ramón Sanguino Galván, Department of Business Administration, University of Extremadura, Badajoz, Spain
Tomás M. Bañegil Palacios, Department of Business Administration, University of Extremadura, Badajoz, Spain

ABSTRACT

The growing importance of the intangible Economy involves the publication of a growing number of models. Nevertheless, we have observed that there are no generally accepted models for measuring Intellectual Capital in organizations. In recent years, several have been proposed, with a number of similar aspects, but differing with regard to their complexity and adaptability. In this sense, our main original contribution when measuring Intellectual Capital is related to comparing and assessing the different existent Guidelines in SMEs, unlike previous published papers. At the same time, SMEs, as an important part of the business network, should be alert to the political, social, technological and economic changes occurring in their environment. In recent years, these changes have been associated with two key factors for their competitiveness: the information technology and the knowledge. The purpose of this paper is to present and compare some of the most recent and significant contributions from researchers to the field of the measurement and management of intangibles in SMEs.

Keywords: Comparative Study, Family Business, Intangible Capital, Intellectual Capital Statements, Small and Medium Enterprises (SMEs)

INTRODUCTION

Historically, the earliest forms of organization of commercial and industrial activity constituted an extension of the family system. However, the existence and economic significance of these businesses has given little concern for a long time. In the scientific research field, industrial countries have been the first to assess the economic role of the family businesses. Although some initial works can be identified in the mid-twentieth century, it is not until the early ‘80s when its study is intensified.

At the same time, attention has been drawn to the growing importance of the intangible Economy by the publication of a growing number of models. Nevertheless, we have observed that there are no generally accepted models for measuring Intellectual Capital in organizations. In recent years, several have been proposed, with a number of similar aspects, but differing with regard to their complexity and adaptability.
Family businesses, as an important part of the business network, should be alert to the political, social, technological and economic changes occurring in their environment. In recent years, these changes have been associated with two key factors for their competitiveness: the information technology and the knowledge (Feltham, et al, 2005).

Researches in the area of knowledge-based view suggest the importance of transferring the tacit knowledge, networking, social capital, passion and entrepreneurship through generations and how these transfers mean competitive advantages for family firms (Navarro de Granadillo, 2008). In fact, the ability to manage knowledge is currently regarded as the greatest strength in achieving competitiveness. But changes are required in the traditional functions, such as selecting personnel based on the needs of the business, technical and form it managerially to develop skills and abilities in terms of organizational changes and market, as well as compensation to motivate staff to better productivity (Añez & Nava, 2009).

Knowledge Management is a very recent management tool, which, although it has been greatly discussed in the business world, still does not have a significant number of organizations with a formally implanted management program, especially in SMES.

The results of different studies carried out by consultants, university researchers and innovative companies have materialized in different guidelines for classifying, measuring and reporting on intangibles. Nevertheless, considerable confusion still exists between the concepts used, the practices recommended and the final Intellectual Capital Reports obtained.

All these studies follow the line of introducing supplementary information, external to the company’s financial condition, basically a new “information layer” using “narrative reports.” The concept of “value reporting” effectively follows the line of complementing the traditional annual statement of accounts (balance sheet, profit and loss account and management report) with information on intangible assets and non-financial indicators.

Many authors have developed studies to explain and create formulas to manage knowledge, proposing new concepts and tools for the analysis. The empirical studies on this issue are scarce, especially quantitative studies (Navarro de Granadillo, 2008). And even existing studies on knowledge management in family businesses are fewer.

In this way, we need to develop theoretical arguments and empirical research to each dimension of knowledge management, because, as we have mentioned above, this is a very complex construct and underdeveloped in family businesses field.

Our main objectives in this research consist on

- Performing a comparative study among well-known IC models and
- Presenting most significant international guidelines which contributed to develop such models.
- Recommend some reports for SMES in order to inform about their intangibles to stakeholders.

The next subheading talks about the importance of SMEs, and of course, of Family Business, for the world Economy. Then we explain all the international Intellectual Capital (IC) models and some of the most importance and significance Guidelines for Measuring Intangibles. A comparative study about the main variables of these Guidelines is done more in depth. The article finishes with some future trends and the conclusions for the governance bodies of the companies.

**Background**

In an effort to find instruments capable of “capturing” the real value of a company, many academics and professionals have started to develop models and measurements to quantify and visualize intangibles, directing their attention in particular to a new type of report called Intellectual Capital Reports (also known as Intellectual Capital Statement).