Intellectual Capital Management
Professor Al-Ali

24 Hours Take Home Exam
Fall 2002

Please read the following instructions carefully:

1. You may freely brainstorm and discuss the exam questions with your colleagues.
2. Your answer should be written individually and independently.
3. Type your answer with 1.5 lines space, in Times New Roman font pt 12.
4. Use your exam number.
5. Follow the line/page limits. Your answer to Section A **should not exceed twelve pages**.

Good Luck

Section A – Assignment Question (60 marks 85% of grade)

You are hired by Ms. Skeptic Head, VP of X business unit in a major company (X stands for the industry, which may be any of the following: chemical, computer (hardware), software, automobile, consumer products, business consulting, biotech, telecommunication, entertainment). On the day you are retained Ms. Head defines the parameters of the project as follows:

> "Wherever I go there is talk about 'intellectual capital'- in business magazines, in executive meetings, in the CEO's speeches, and professional conferences. Amazingly all of them are saying the same thing: if you can properly manage and leverage intellectual capital then you have beaten a way to success. I look at how they define it and it does not seem any thing more than the same old business assets – the skillful people we have, the way we do things and have done things, and our intellectual property. But when I hear remarks that I should incorporate intellectual capital management in my daily operations and include it as part of my strategic planning for the business unit as a whole, I start wondering how. My main concern is how to adopt the right definition for intellectual capital of my business unit so that I don't undercapitalize it in any form it comes in, and then

how to define the right approach for each. Most importantly I need to be able to systematically manage intellectual capital. What I need from you is the following:

- First, I want you to clearly articulate what is intellectual capital and intellectual capital management for my business.
- Second, I want you to devise an overall IC (intellectual capital) strategy that I can adopt, align and combine with my business strategy.
- Third, I need you to define for me how to implement such strategy at the various stages. And I want this to include the various steps I have to complete and the practices I have to adopt."

Write a report to Ms. Head addressing her three concerns. In your answer:

1. Define what X is by choosing the industry you prefer. Use your **general** knowledge of the industry (as covered in the various business cases) to determine the main intellectual capital that drives value in that industry. Use this to provide Ms. Head with a working definition of intellectual capital.
2. Assume that Ms. Head has limited resources and can only implement one of the CICM stages to the full. Explain to her which stage should this be by devising an IC strategy that addresses her needs. In doing so decide first what should be the source of competitive advantage in her business – in your opinion.
3. Limit your detailed outline of the steps and practices that are needed to the stage you choose under #2 above, provided you briefly explain what the other stages pertain to, and their significance in a comprehensive program.

<u>Section B - Short Answer Questions (10 marks – 5 marks each)</u>

Please answer the following questions in 4 to 6 lines:

1. Identify & explain two features or dynamics of the new economy that makes it necessary for an organization to implement ICM to gain a competitive advantage in the new economy.

2. Briefly describe the basic principle underlying the Skandia Navigator.