

## **Intellectual Capital from an HR Perspective**

### **Don't Lose Your Most Important Asset**

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Organizations need to understand the importance of intellectual capital, particularly at this time in terms of our current economic business environment. Intellectual capital is “knowledge” and “experience” that directly contributes to a company’s bottom line, as well as directly contributing to an organization’s survivability and sustainability. Intellectual capital includes knowledge and competencies residing with the company’s employees.

Intellectual capital can include the skills and knowledge that a company has developed about how to make its goods and services. It also includes insight about information pertaining to the company’s history; customers; vendors; processes; stakeholders; and all other information that might have value for a competitor that, perhaps, is not common knowledge. Intellectual capital is therefore, not only organizational knowledge, it is also industry knowledge. It is the combination of both cognitive knowledge and intuitive/experience-related knowledge.

### **Preserving Intellectual Capital**

The problem today in many organizations is employee attrition through layoffs, resignations, retirements, and other forms of employee separation from the company. We would like to ask employers the following question...Are you sure that when the economy sufficiently turns around, you are able to predict if your most valuable employees are about to walk out the door?

Employees have extensive knowledge about their job, the business processes, the data that supports their jobs including how to make things happen, and what works best. Unfortunately, in most instances today their knowledge has not been captured, transferred, or made available to others. A recent Business Week article discusses the importance of identifying, recognizing and preserving intellectual capital. The current unemployment rate across the country has scared working Americans into hanging on to their jobs at all costs. The article goes on to express that employers that do not fully recognize the importance of employees should not count on workers’ loyalty to outlast the recession.

To add to this viewpoint, the Bureau of Labor Statistics reports that the “engagement” or “loyalty” of top-performing employees has dropped by 25% over the past year, largely because people who kept their jobs have been soured by extensive layoffs, cuts and/or elimination of various employee benefit programs, and the significant elimination of promotions. Employers should be mindful that when the job market improves, many of these employees might have become disenchanted with their employer, and will leave their current jobs for new opportunities. Therefore, “Intellectual Capital” is not only today’s challenge, but will most likely become tomorrow’s asset.

## **The importance of implementing Intellectual Capital Processes**

A key challenge today is that employees have tremendous knowledge about their job, the business processes, the data that supports their job and those processes, as well as knowledge of how most effectively to make things happen, and the insight about what works and what does not. Unfortunately, in most situations, they have no means, or incentive, to share their knowledge. i.e., their knowledge has not been captured, transferred, or made available to others. One impact of today’s recession and unemployment situation is that this knowledge will most likely be lost to the organization. A critical challenge is for Human Resources professionals and managers to obtain and store information about:

- √ Core job knowledge of all employees, their experience, and their key skill-sets.
- √ Training - perhaps more important than ever.
- √ Performance - review systems based upon meaningful metrics.
- √ Effective succession planning programs.
- √ Leadership and management development programs.

The successful implementation of new technologies is dependent on many factors including the efficient management of human resources systems and processes. Human Resource Departments are potentially positioned to ensure the success of knowledge management programs, which are directed at capturing and using employees’ knowledge, and by meaningfully implementing an appreciation for preserving Intellectual Capital.

## **The Knowledge Repository**

The answer is a knowledge repository. The value to the organization of such a knowledge repository is almost incalculable. Consider the collaboration and communication opportunities and all network/peer relationships that have been established. The knowledge repository could be an invaluable resource database. The opportunities for problem solving and interactive sharing are intriguing.

## **Employee and Management Training & Development**

The knowledge repository could also be used for training new employees. This repository would be a ready-made reference source when there are problems to be solved. Capturing intellectual capital and the resulting organizational insights could become core and important functions of Human Resources management. At some point, metrics would also be useful to indicate usage, to indicate what is and what is not being accessed, and also to give management a sense of the value of the knowledge repository. The types of knowledge that would be relevant for intellectual capital are business data definitions, business processes, business rules and procedures, specialized technical knowledge, the “fit” with the corporate culture, management styles, organizational history with customers and vendors, and how data flows throughout the organization.

## **Capture Process**

The capture process would include structured interviews that would be specific to each department and functional area within the organization, and specific to the types of knowledge that would be seen as most important. The results of these interviews would then need to be validated for accuracy and usability. The knowledge repository must be organized in such a way as to make it both useful and accessible.

## **Pilot Program for Implementing Intellectual Capital Knowledge**

One pragmatic recommendation for implementing an Intellectual Capital Knowledge process would be to establish a pilot program. This pilot could initially focus on an individual department within the organization. The Human Resources Department would be an excellent choice. The purpose of the pilot would be to evaluate the usefulness of this initiative, to learn from its successes and problems, and to provide a template for the capture and dissemination of knowledge in other departments and functional areas.

This pilot would need a strong sponsor and facilitator. Perhaps this could initially be a senior level Human Resources person. The title of this person, with regard to a pilot program, could be the Chief Knowledge Officer for the organization. To get this off the ground, the participating employees would need to have a high level of buy-in and commitment to this process. The pilot project should be evaluated for the value it provides to the organization. The primary determinant would be the level of access to the knowledge repository. This knowledge repository would need to be effectively maintained and kept current for it to remain valuable.

With the establishment of a pilot program, starting with the Human Resources Department, data would need to be identified and stored in such areas as:

- Benefits administration
- Compensation structure
- Compensation strategies and practices
- Performance Review and Management Data
- Recruiting and Hiring Processes
- Training & Development Programs
- Payroll services
- Human Resource policies and procedures
- Successful business practices
- Workplace safety information
- Data pertaining to all compliance areas.
- Human Resource planning data
- Job Descriptions and Job Questionnaire data
- Equal Employment Opportunity data
- Staffing Data

- Labor Relations data
- Human Resources Management technologies
- An organization's "Culture"

## **In Conclusion**

Even in a business environment that has resulted in extensive layoffs, reduction or elimination of employee development and leadership development programs; reduction or elimination of employee compensation and benefit programs important to keeping top employees, as well as recruiting new talent, it's important that the principles of intellectual capital should remain in clear focus.

The intellectual capital of the organization's stakeholders including the intangible aspects of knowledge of those stakeholders comprising employees, managers, customers, vendors, owners and investors/partners, if properly managed, can be of tremendous strategic importance to managing Human Resources and of critical importance to the success of the organization.

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