

Chapter 15

Development of an Optimization Tool for Intangibles in SMEs: A Case Study from Serbia with a Pilot Research in the Prestige by Milka Company

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ABSTRACT

The purpose of this chapter is to present research findings and address the conclusion that intellectual capital is present, measurable and can be optimized in SMEs. The theoretical part of the chapter presents a review of tools for measuring intellectual capital. By using this concept, SMEs recognize the importance of intellectual capital and accept methods by which they can convert their businesses into knowledge based companies. This approach has evolved very dynamically as changes in business development and intellectual capital continue to develop. The chapter also provides the newly created tool for optimizing intellectual potential in SMEs, tested through a pilot research in an SME, the “Prestige by Milka” company. As it can be seen from the chapter, neglecting intangibles frequently results in suboptimal business development. It is expected that the conclusions and recommendations of this study will reveal possible directions for further development of optimization potential and intellectual capital in SMEs.

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INTRODUCTION

Intellectual capital has become a subject of serious study in the last twenty years. Values not enumerated in the classic financial statements began to be noticed. Scientists and practitioners are seriously researching the concept of intellectual capital management in order to increase its value. They examine the methods for measuring intellectual capital in companies in order to establish measurable targets for stakeholders.

Structural changes in running a business, caused by computerization, globalization and humanization of management processes determine the leading role of intellectual capital in a new economy. For example, the practice of open innovation can produce a leverage effect, focusing the intellectual effort of business entities on the creation of new high technologies. The organization of the “*flow of mental energy*” is also created when using crowd sourcing through powerful software to enable many professionals, often motivated by personal interests to quickly find effective solutions for problems in the company.

Clearly, intellectual capital affects the daily work of the organization, speed and reliability of business processes, but also determines the quality of goods and services. Business success means both material (i.e. profit, growth, income) and intangible (i.e. brand, customer loyalty) results of the organization.

Authors identified these two key questions which can provide more insight into the area of intellectual capital and which represent the core aim of this chapter:

1. How to manage intangible resources, which according to their characteristics are completely different from the tangible resources and are not subject to the basic, currently in effect, economic rules?
2. How to manage intellectual capital if you do not have an adequate system for monitoring and measurement of intangible resources?

It is understood that an intangible resource cannot be evaluated in a traditional way, although the necessity of its evaluation cannot be questioned. Obviously, the financial measures must be complemented with new standards of intellectual capital that will enable the measurement, evaluation, and management of intellectual capital which is in the age of knowledge an essential resource of any company, particularly of small and medium-sized enterprises.

Intellectual capital is an increasingly important part of the overall value of the company. Although not shown in the balance sheet, it is a fact that it has significant value. In fact, invisible capital value often exceeds the value of the visible and stated capital.

Accounting mechanisms have been developed to measure exclusively tangible assets. However, in many companies from advanced economies, intellectual capital reaches up to 90% of the shares of a company. Investors even trade in intangible capital, without having real insight into its value. The challenge facing modern management is certainly finding an accurate model for measuring intellectual capital. Regardless of the importance of intellectual capital, its measurement is still not fully developed.

Therefore, methods for measuring intellectual capital are emerging for the needs of modern organizations whose primary value is knowledge. These are organizations in which knowledge is the most important resource of successful business, which are aware of the existence of an invisible value organization and they want to manage it.

In scientific research circles intellectual capital is discussed by many authors including Brooking (1996), Edvinsson (2002), Sveiby (2007), and Stewart (1997). In the last ten years many new researches

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