

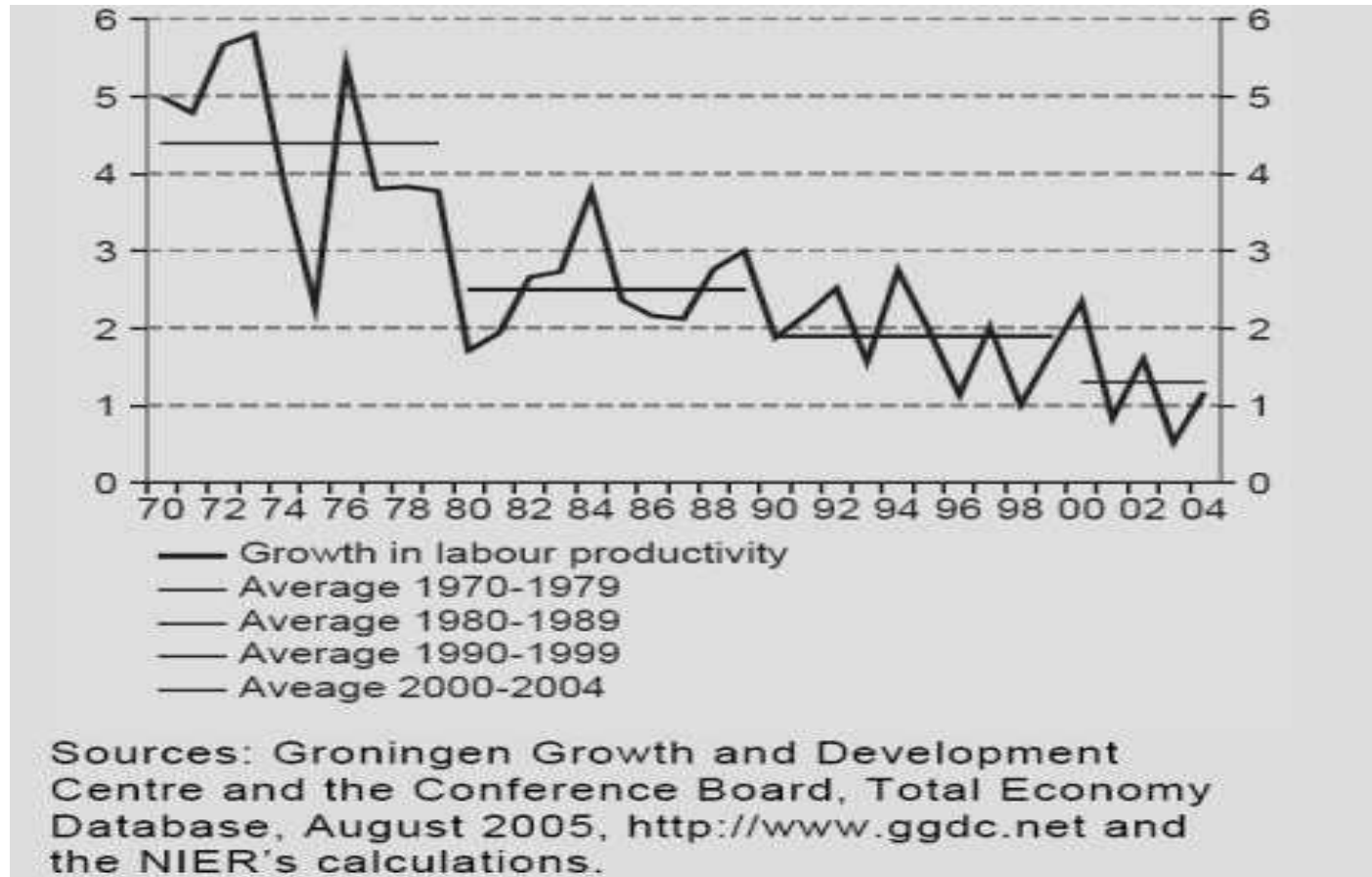


Ante Pulic & Karmen Jelcic: The Productivity In Knowledge Economy



World Conference on Intellectual Capital for Communities
- Third Edition -

Labour Productivity in Europe

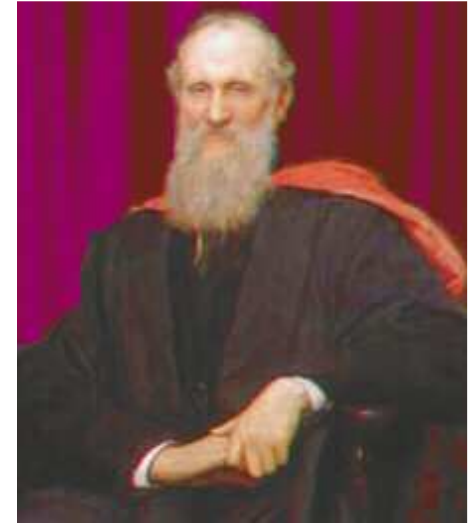


Annual percentage change

Our Approach

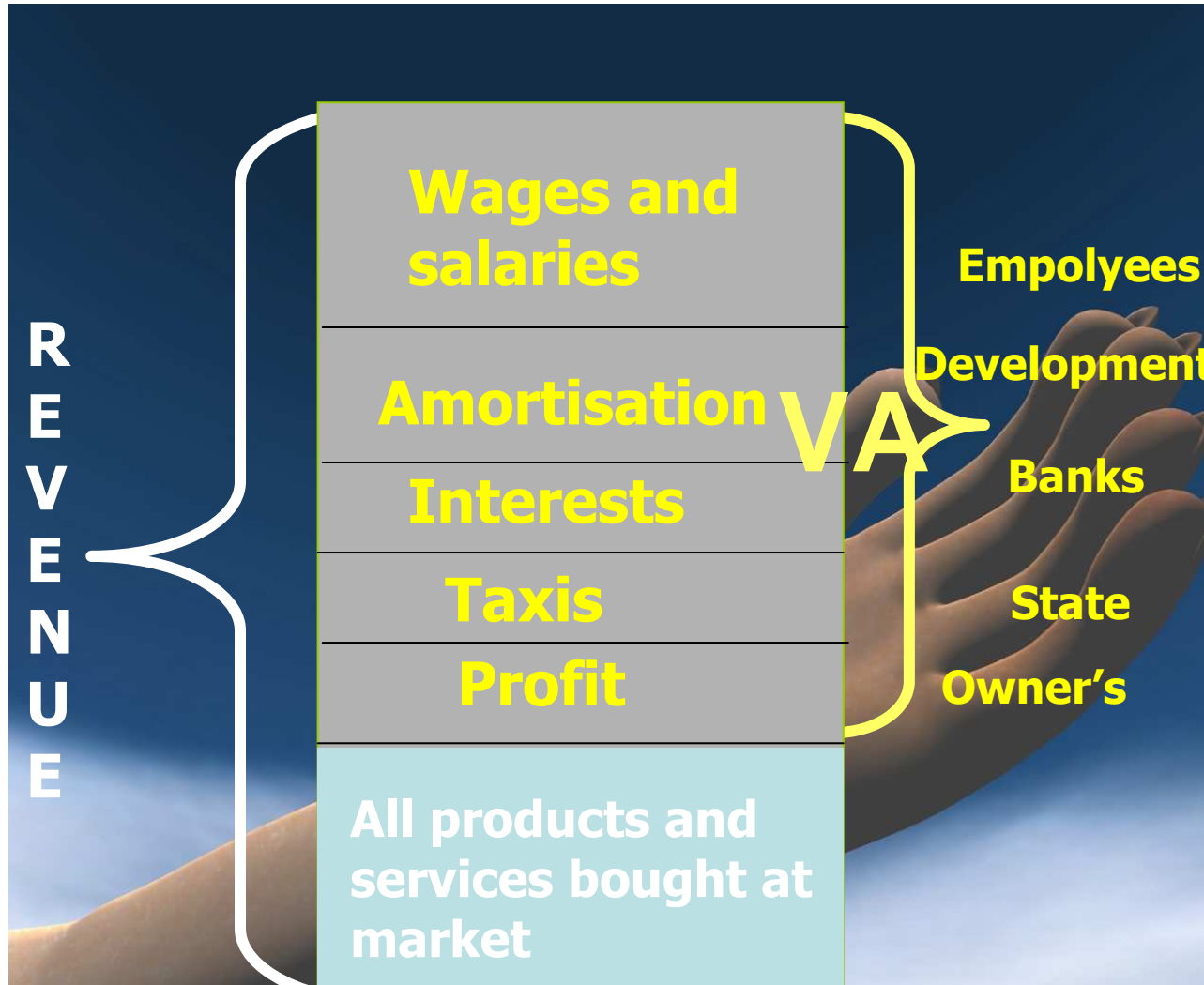
"When you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind.

Lord Kelvin: Lecture to the Institution of Civil Engineers, 3. May 1883.



Without numbers it is neither possible to lead knowledge economy nor to increase the productivity of knowledge workers.

Our Numbers: Value Added (VA) and IC Efficiency (ICE)



ICE =

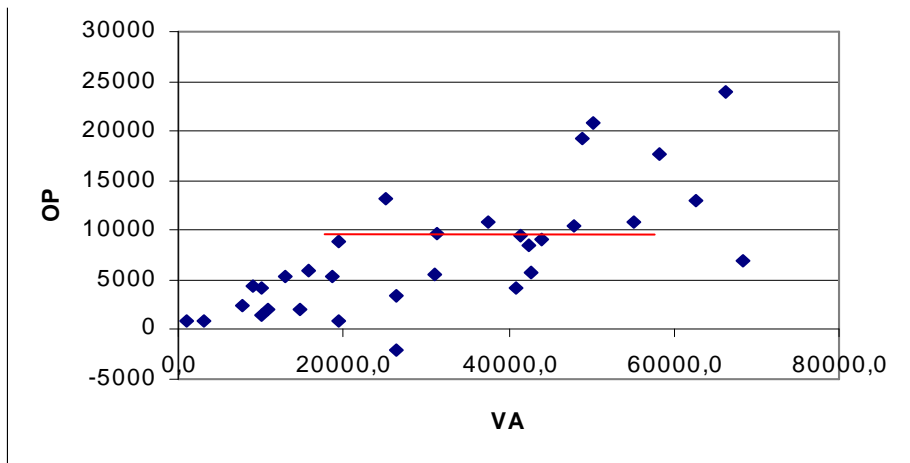




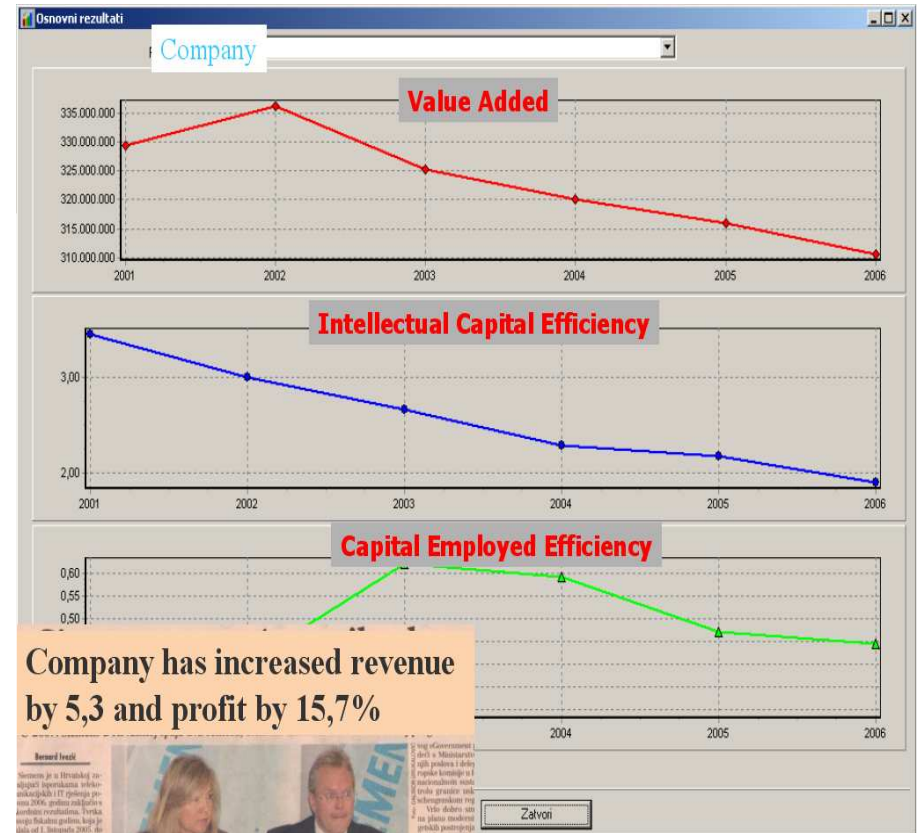
Our experience

In this example management's achievement is questionable:

- a year long decrease in Value added (VA),
- a 50% decrease of intellectual capital efficiency (ICE) and
- a 38% decrease of financial capital efficiency (CEE).



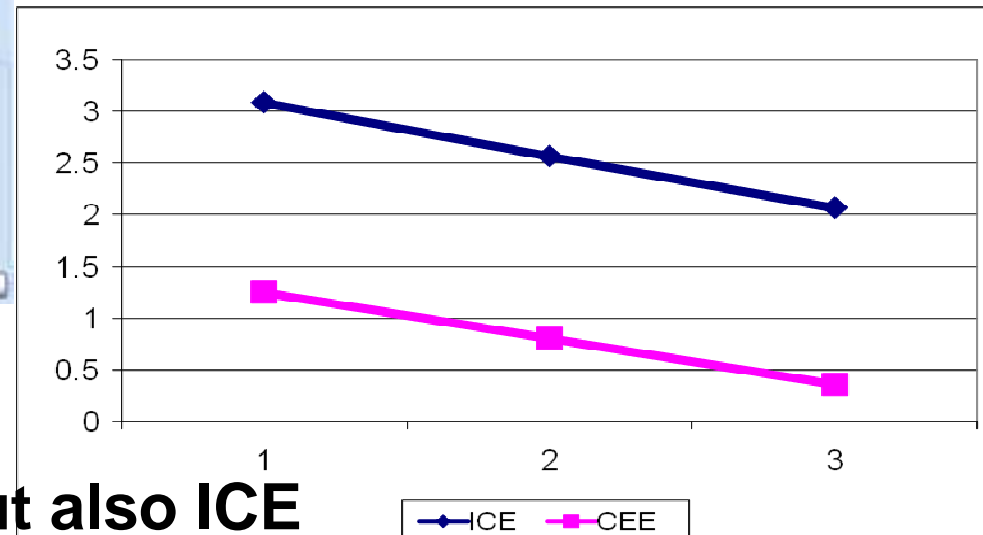
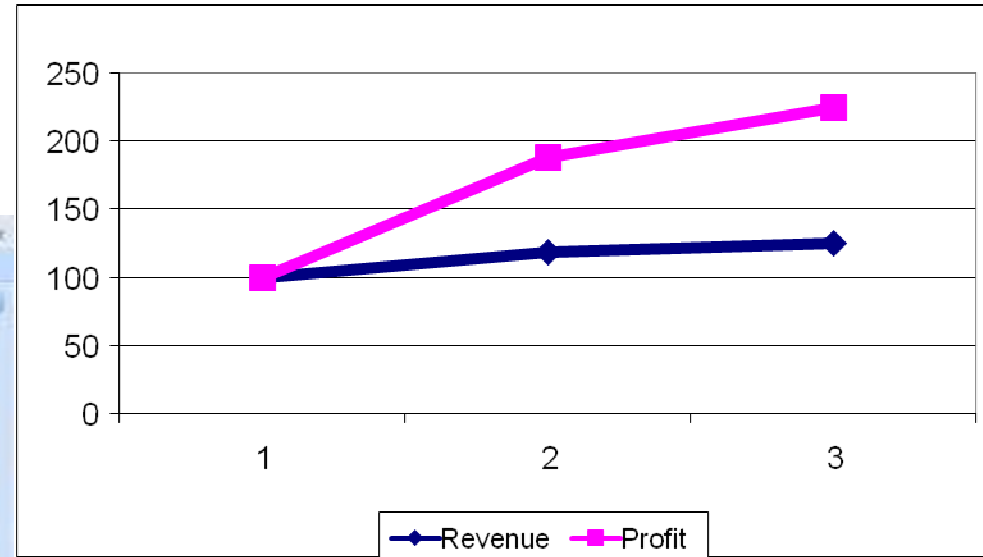
Relation between VA and OP in 700 biggest European companies



The main indicator, operative profit (OP), is used by many managers for decision making, but it is in no relation to value added (VA).

Our solution for labour productivity fall

Traditional indicators



New indicators

Not only revenue & profit but also ICE

Increasing Productivity by Focussing on Intellectual Capital

**transition into
knowledge
economy (KE)**

PIENIC

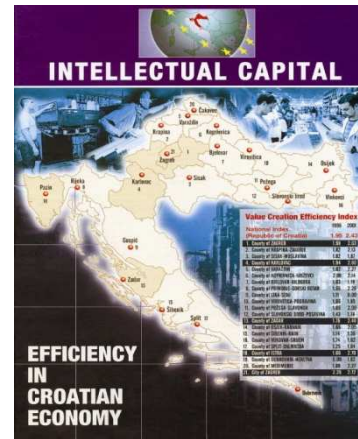
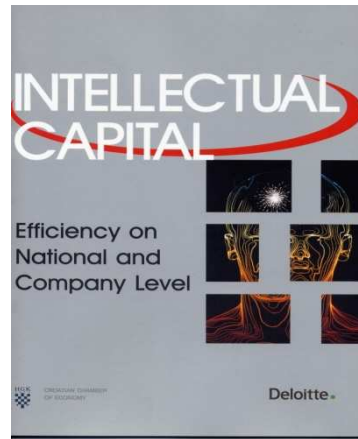
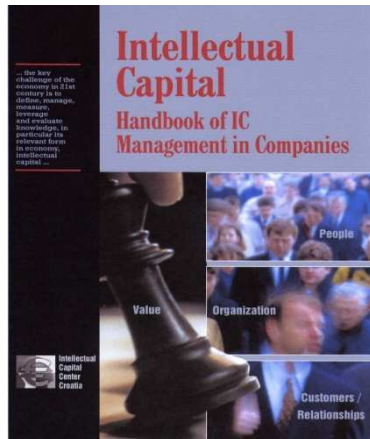
MINISTARSTVO GOSPODARSTVA, RADA I PODUZETNIŠTVA
MINISTRY OF ECONOMY, LABOUR AND ENTREPRENEURSHIP



Program of “Increasing Efficiency of National Intellectual Capital” (PIENIC)

Business and political management must be familiar with:

- a) What are the characteristics of “Knowledge Economy” ?
- b) Which are the key economic success factors ?
- c) What is the role of knowledge/intellectual capital?
- d) Which indicators do reflect economic reality ?



PIENIC – Croatia nationwide
Start: Oct. 2005
End: December 2007

Over 60 companies from various sectors (production, research, service) & ownership structure (private and state owned) & size (big, MS)

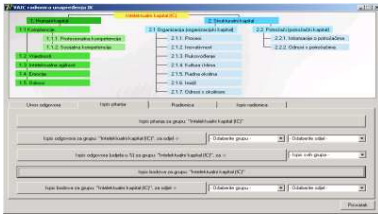
www.vaic-on.net

Steps of PIENIC in Companies

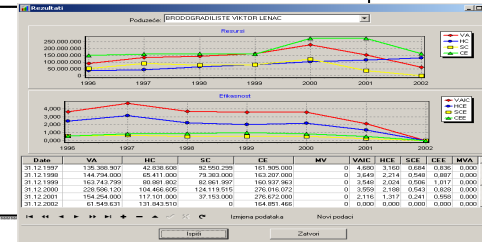
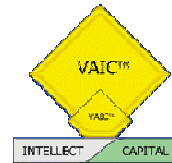
5. Transformation into *value-oriented business*: thinking more about how to create value and less of how to cut costs



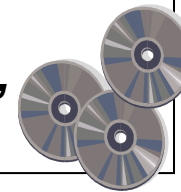
4. IC assessment – PIKA™ software 2
Questionnaire of 260 IC- related questions
 (20 pax: management / IC team / key employees)



3. Measuring business success
software 1: use + results interpretation + benchmarking, inside comp.



2. Awareness creation and education
team and top mgmt: lectures, literature, studies,



1. Formation of IC Teams
3-6 people : HR, finance, other experts
operate beyond organizations borders



Features + Benefits of PIENIC

- **Cheap** (50% paid by Croatian Ministry of Economy)
- **Fast** (1 month, depending on dynamics of realisation)
- **Simple** (no preparations, data collecting, pre knowledge)
- **Explicit focus on value creation**, in particular on value added (VA) and efficiency of value creation (VCE) - in addition to cost control
- Treatment of **intellectual capital as key factor** (equal to fin. Capital)
- **Education** on knowledge economy (KE) & the role of knowledge and intellectual capital (IC) in this context
- Implementation of **new management and measuring tools** (**PIKA™ and VAIC™ software**), which are helpful in increasing value creation ability & efficiency of IC
- **Intellectual capital teams** as internal consultants and drivers of corporate change

Conclusion

With support of the Ministry of Economy, Croatia, this concept, based on VA and ICE, has been implemented in over 60 companies.

In all companies efficiency was increased by 5 – 10%. How?

Simply:

- by starting measuring what was not measured before – productivity of knowledge work,
- by focusing on management of intellectual capital
- by increasing capability & efficiency of value creation

