



Intellectual Capital for Communities
In the Knowledge Economy

Intellectual Capital for Communities in the Knowledge Economy Nations, Regions, Cities and Emerging Communities



World Conference on Intellectual Capital for Communities
- Seventh Edition -

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Assessing Human Capital Risk

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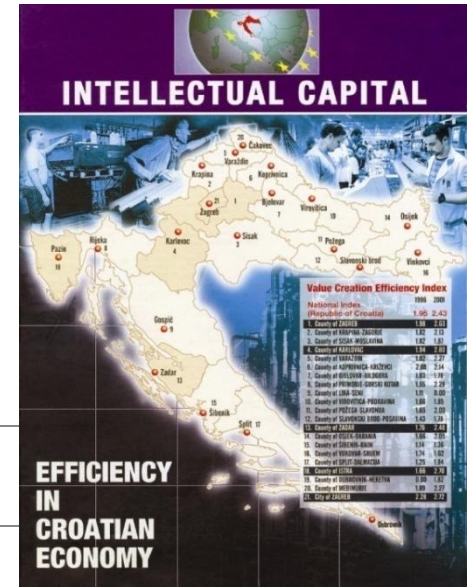
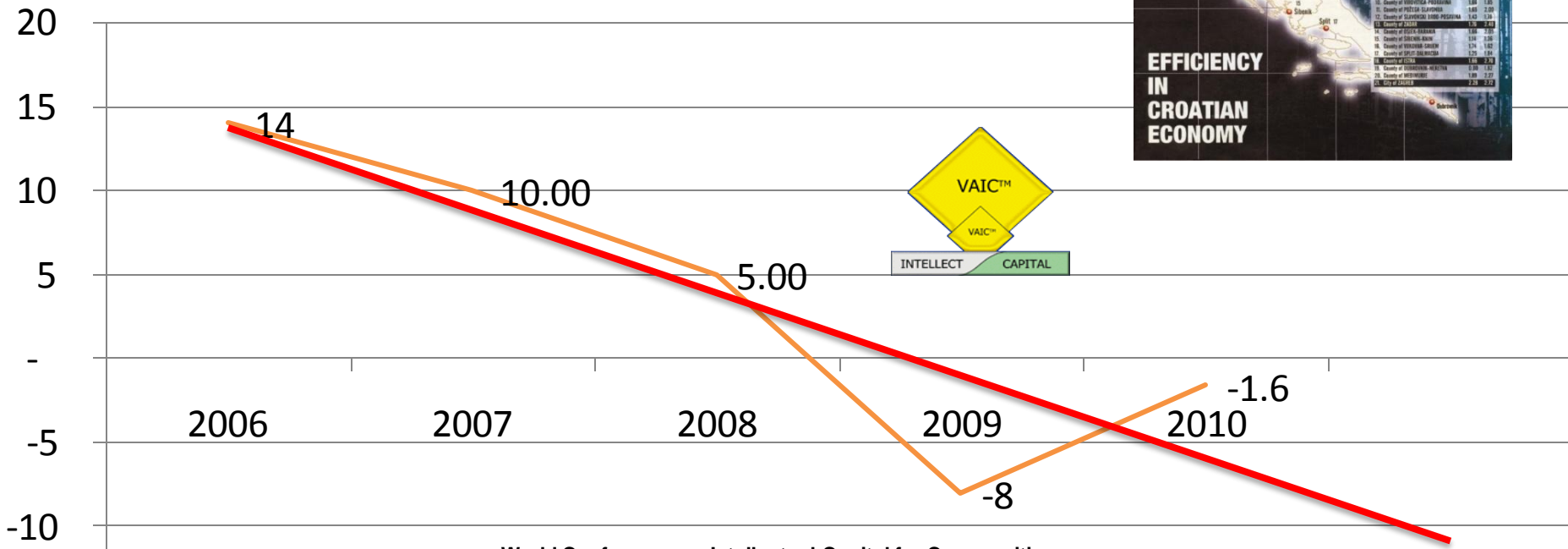
Intellectual Capital Center, Croatia www.vaic-on.net



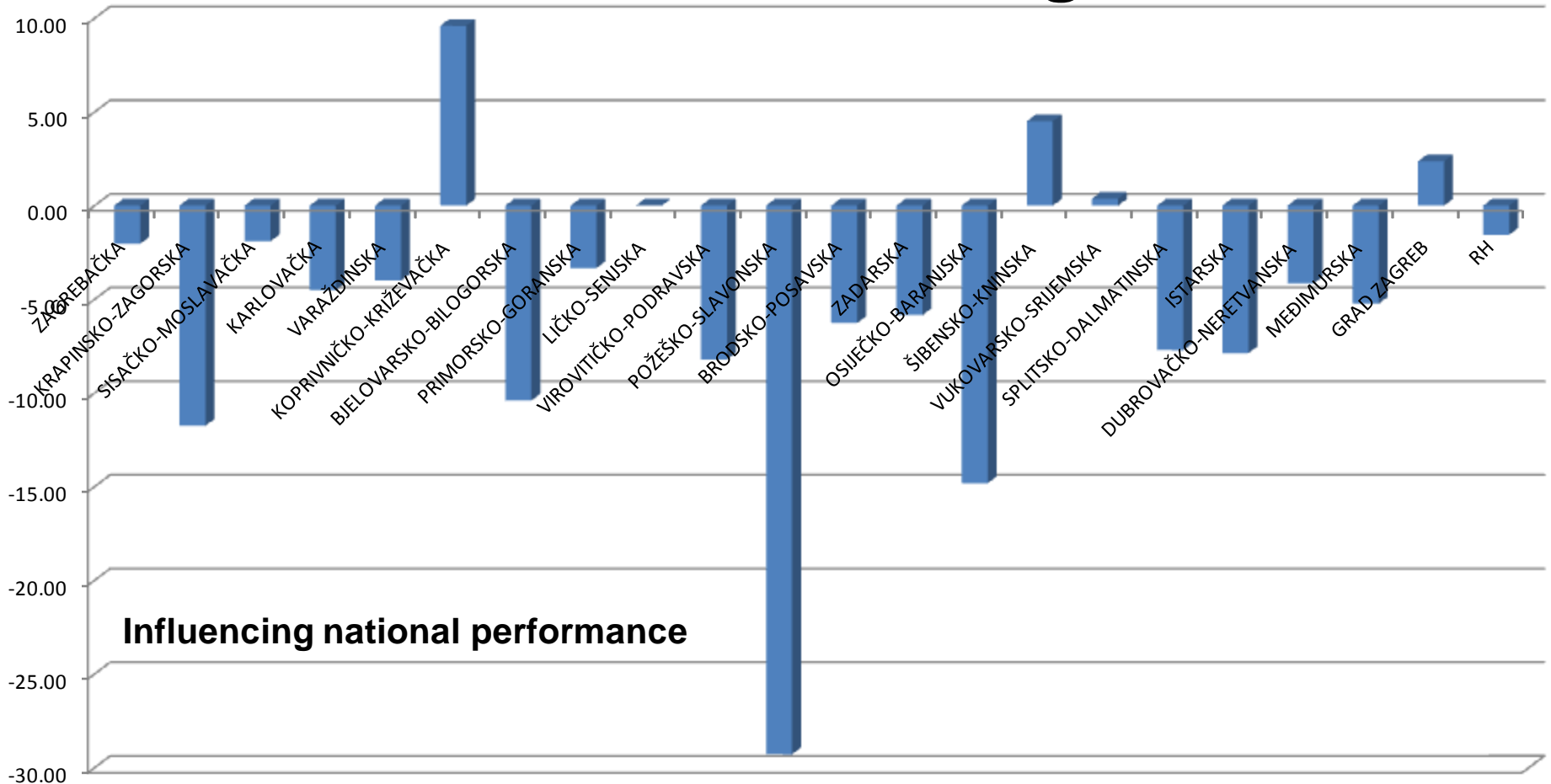
Croatian Economy – Falling Trend

Value Added (VA) in 2010

With regard to 2006, increase of VA has been falling

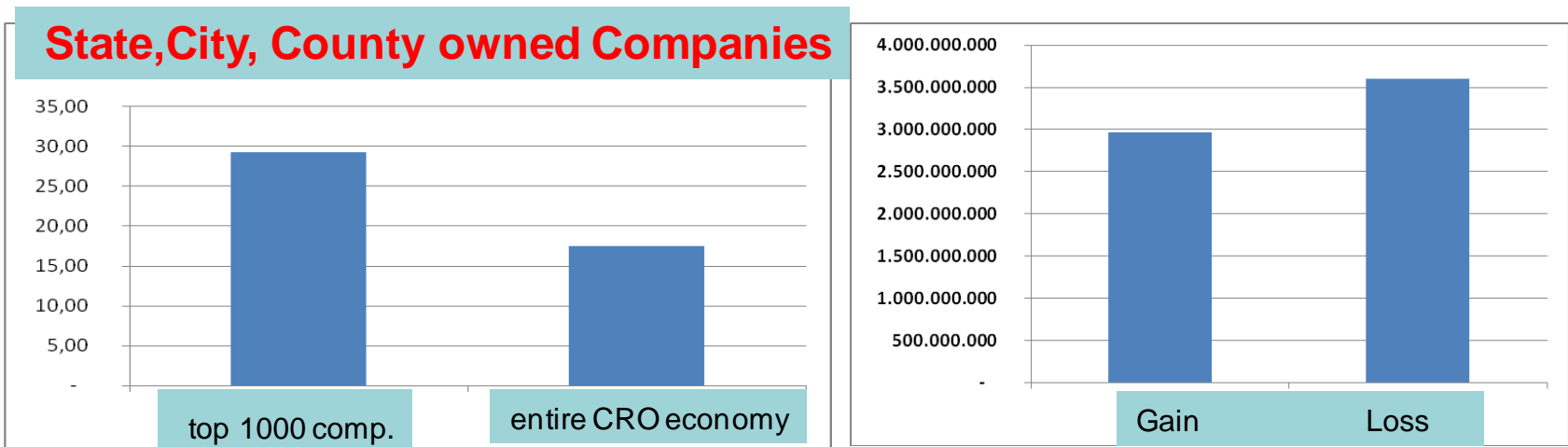


Decreasing Value Creation in most Croatian Regions

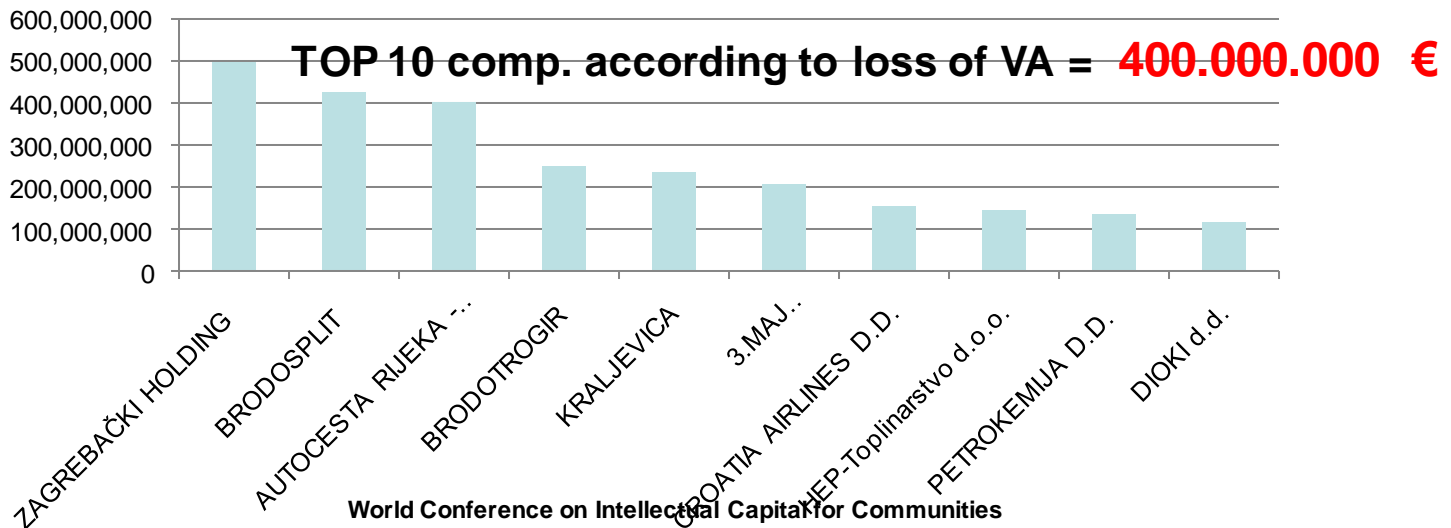


Influencing national performance

“Black Hole” of Croatian Economy



Their share in overall value added of CRO economy

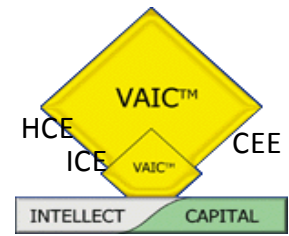
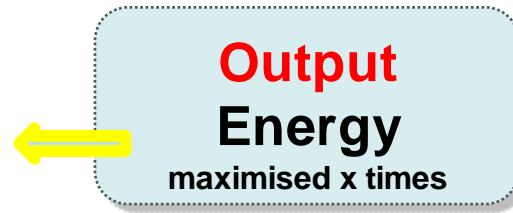


Intangible:

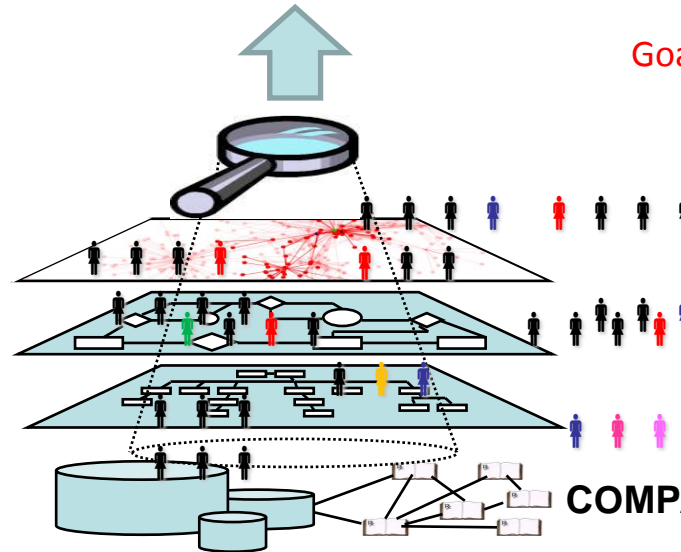
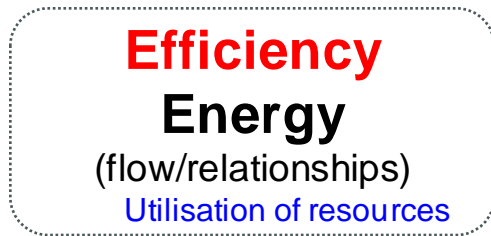
Benefits for stakeh., pos. image, satisfied C, value added for C.

Tangible: money, assets.

(VA, profit, cash flow, revenue)

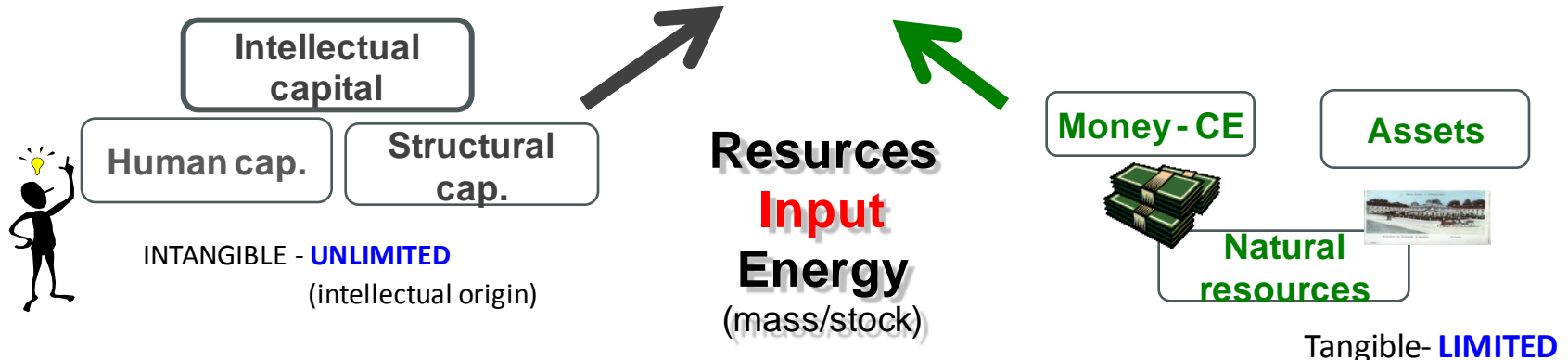


Goal: Optimal utilisation of resources



Exchange & transformation of energy with goal: value creation

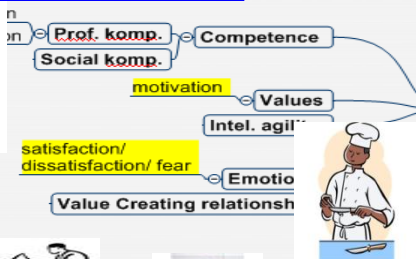
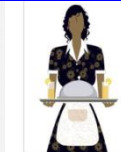
(interaction between: HC/HC HC/SC HC/CC - CE & OTHER)



IC - Greatest Opportunity for Improvement of Value Creation & Efficiency

Implementation of intellect/knowledge into:

- business organisation
- business processes
- products/services
- management of resources
- relationships with : customers /stakeholders

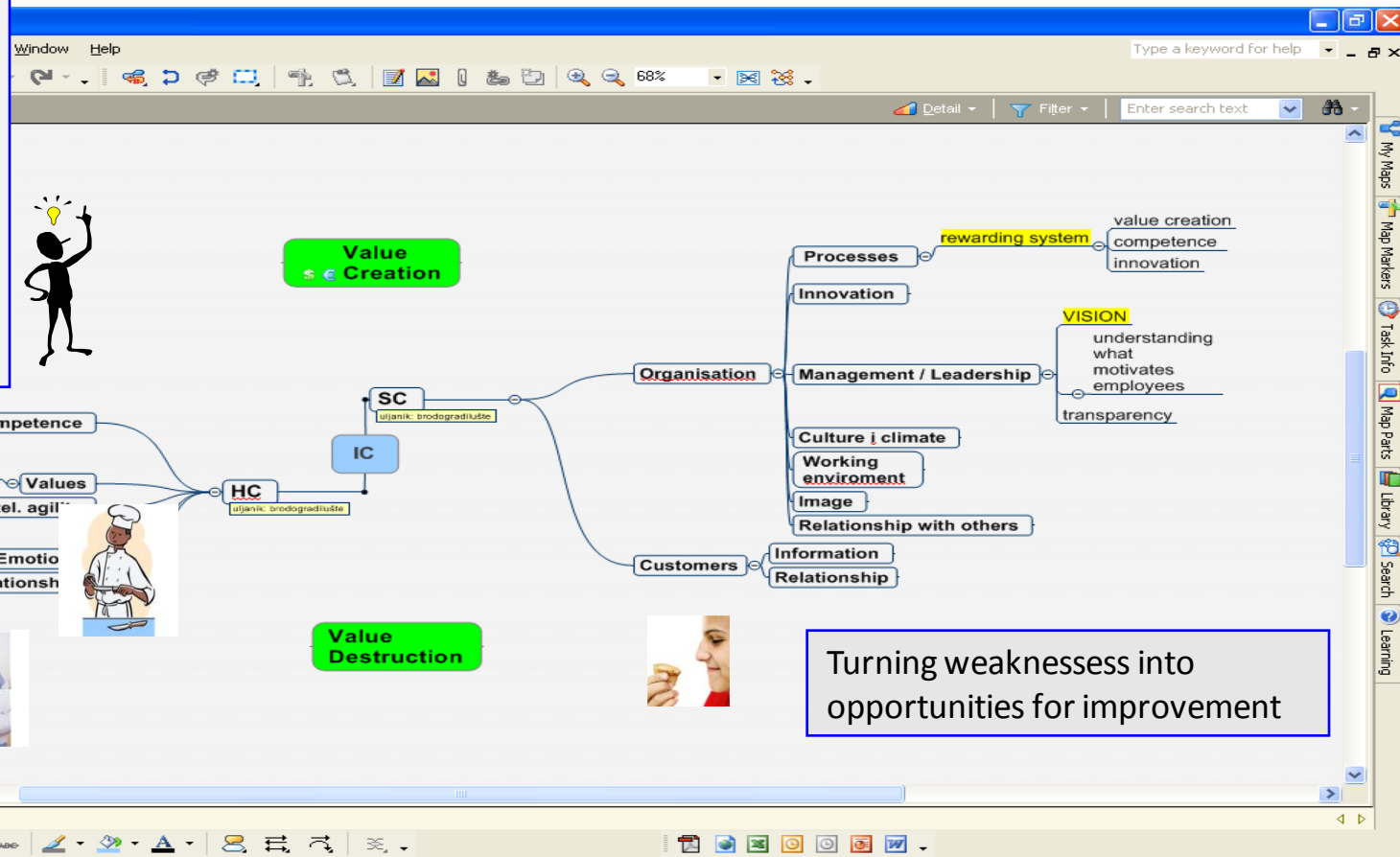


Value Creation

Value Destruction



Turning weaknesses into opportunities for improvement

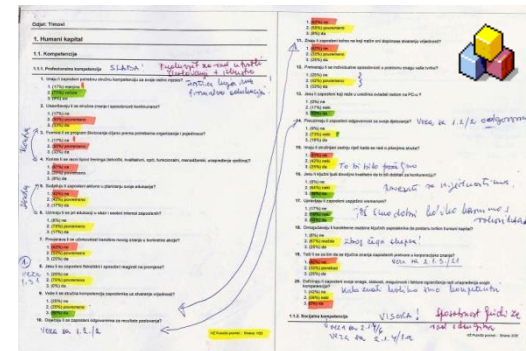


Main weaknesses

- **With regard to Intellectual Capital in Croatian firms (mainly state, city or county owned companies)**
- Based on assessment of **intangible business factors** carried out by more than 100 companies (average 10 - 20 people - up to 200 people)
- Subjective (self assessment) - turns into objective category when e.g. 60% of examinees share the same opinion



- Management learns what employees think, where they will support changes and where problems could be expected



Structural Capital

Processes

- *Vision /mission* usually undefined and unclear - rarely written down and communicated top-down no feed back bottom – up
- No identification with vision on behalf the employees
- Business not oriented towards value creation and productivity
- Not possible to achieve future goals with existing organisation of processes
- Low capability of adjusting to needs & expectations of customers
- Information is hard to get or find
- **Incentive & remuneration system does not support:**
engagement, learning, appropriate behaviour, innovativeness, creativity, honesty, responsibility, fairness, productive thinking and working

Innovation Capability

- Very low: products/services, utilisation of resources, organisation, customer approach
- Competitive advantage of company rarely based on new ideas & approaches
- Innovativeness rarely expected, encouraged or rewarded (often ignored)

Culture and Climate

- Do not support achievement of envisioned goals
- No tools for creating supportive C &C, no one really in charge of C&C

Image

- No continuous care of internal /external image (although perceived as capital)
(exception in times of crisis e.g. affairs)
- Gap between wanted and existing image
- Management and other employees different perceptions of company's image

Relationship with business environment

- Win-win relationships still unusual (competition rather than cooperation)
- Suppliers /partners often do not add value (contracted because they are cheap)

Human Capital

Professional Competence: 😞

- **Lack of *education & training***
- Investments in *knowledge acquisition* considered expensive and unnecessary
- No HR manager in charge of education & development of HC
- Employees do not participate in planning of their education
- Unwillingness to learn continuously
- Unaware, which knowledge and skills necessary in order to create value today (KE)

Social Competence: 😞

- Weak communication skills (discussion, listening, presenting, consensus)
Low respect for co-workers and leadership
- People in contact with customers – often lack basic culture, untrained,
do not speak foreign language well enough

Values: 😞 (lack of values throughout the whole economy)

- Weak level of : engagement, responsibility (for outcomes), committment, loyalty, capability to subordinate individual goals to company ones

Intellectual Agility: 😞

- Lack of flexibility and ability to adapt to new business requirements
- Low capacity for change, capability to learn from mistakes or to deal with fears and conflicts, strong resistance towards new ideas & approaches (changes)

Emotions: 😞

- Diverse fears, dissatisfaction, medium to **low motivation**, jealousy

Value Creating Relationships: 😞

- Unused of working in teams, scarce knowledge exchange, rarely join external expert groups

Managers - Key HC of Companies



- Not open for new ideas & suggestions from subordinates
- Not prepared for continuous learning (often uneducated, lack basic mgmt. skills)
- Lack of clear and open communication with subordinates
- Rarely concerned with people – rather with organisation & procedures
- Lack of transparency in decision making (but rarely questioned)
- **Weak understanding of the sources of satisfaction and motivation**
- More competitive than collaborative (between units/departments)
- Weak orientation towards creating value for company and stakeholders
- Weak in delegating tasks and empowering others (distrust/fear of losing power)



Main Problem of Poor Value Creation Trend

- CEO's – mostly amateurs, not professional managers (political assignment)
- Ignorant of organisational needs / preoccupied with own ambitions and ideas
- Poor capability in defining true needs of company and setting adequate goals
- Not capable of activating existing value creation potential (especially HC)
- Lack basic HC - management skills
- Not really interested in improvement of business performance beyond expected results (e.g. within budget)
- Why bother attitude (unless direction comes from higher instances)
- Little care about sustainable development (only during mandate)
- Prefer *investments in prestigious projects* (do not pay off and long term burden)

Thank You for Your Attention