As seen in The Value of Intangibles to Overcome the Systemic Crisis published by the Associazione Italiana degli Analisti Finanziari, March, 2010

The IC Crisis
An Open Source Manifesto

By Mary Adams

The global community has been facing the crisis of a severe economic downturn. Within our smaller IC community, we are anxious to be part of the solution to the challenges that face our world, our countries, our regions and our organizations. We are academics and practitioners around the world who believe in the concepts collectively referred to as IC, intellectual capital, intangible capital and innovation capital. We see our concepts as critical to innovation and future growth.

Our concepts have been heavily documented. The work of trailblazing early thought leaders and authors has led to a flood of writing on the subject. There are dozens of books, hundreds (maybe thousands) of articles and a business journal specifically dedicated to IC. There are numerous conferences held around the world. And countless bloggers that talk about aspects of IC or the asset class in its totality.

And, yet, almost everyone in our community would agree that we labor in obscurity. The average manager has only a vague understanding of IC. Even those who have tried to apply the concepts struggle to make the connection between intangibles and their financial bottom line.

To those of us in the community, this situation is incomprehensible. We repeat over and over the statistics that demonstrate the importance of intangibles in today's economy and in individual businesses, hoping that somehow the message will get through. Many choose to focus on a specific asset class (brands, human capital, intellectual property) or metric (reputation, valuation or, more generally, key performance indicators). But the overall message of the asset class continues to get lost in the crush of business fads and ideas.

Context

In our quest for mindshare and attention, the IC community is not that different from any other community or business today. We are industrial-era people trying to succeed in a new age, the knowledge era. And, as enlightened as we are in our chosen areas of expertise, we are as hobbled by our backgrounds as any other businessperson. You see, almost everyone in our community was educated in educational systems and concepts originally designed for the industrial era. And our default way of thinking is from the top down. Although the shift to the knowledge era is already very far along, the structure of our learning institutions, the curriculum of our schools and the practices of our businesses are still decidedly influenced by industrial-era practices. As an example, academic journals continue to be exclusive by nature of their practices as well as their cost.

So when our community presents solutions to intangibles management, they often have a surprisingly industrial feel to them. How many books, programs and methodologies are there that suggest "the" complete system for managing IC with extensive documentation, detailed methodologies and process maps? Value Measurement & Reporting Collaborative counted 80 approaches as of 2005. This number has only grown since then.

Some of these approaches have been developed privately and many more have been funded publicly. The European Union and most individual countries in Europe have funded studies and/or programs to promote the application of IC thinking in small and medium-sized enterprises. The Japanese government has been supporting this field for many years and China has also begun to invest in it to a significant degree. There are also a number of efforts at an institutional level to address the challenges and opportunities of intangibles; accounting and regulatory entities regularly discuss whether or not they should consider the question of "intangibles." Frequently, they decide to postpone such discussions based on a "lack of interest" among their stakeholders. When they do decide to consider the subject, they do it in closed meetings and exclusive organizations where the entities at the table have paid to be there.

Each of these programs provides a slightly different approach to the same problem. Most provide a full-scale solution that addresses and encompasses the entire intangible side of business. The assumption is that a business must make time and space in its day-to-day routine for a whole new activity, the managing of intangibles. Is there anything wrong with all of these efforts? On the surface, no. They are all well done and well intentioned. The thinking is very sound and I, like many, have learned a lot from reading them. The problem is that in creating "boxed" solutions to the challenge of managing intangibles, we have missed the opportunities that exist in today's Web 2.0 world for collaboration and bottom-up solutions.

The Missing Lessons

One of the basic lessons of IC and, indeed, of the knowledge era is that knowledge is distributed across an organization's internal and external networks. This knowledge must be allowed and encouraged to flow from the bottom up and the outside in to support efforts at innovation, improved performance and competitive advantage. This opportunity is now being turbo-charged by new developments in networking platforms (often called Web 2.0 or just 2.0). We are witnessing an explosion of conversations, communities and collaboration.

It is all happening so fast that it can be hard to internalize the lessons from this dynamic new world. In my own consulting work, I spend a lot of time trying to get managers to listen to and solicit contributions from employees and external stakeholders. And I fear that, although we are experts in the trends and tools of the knowledge era, our IC community has failed to see the promise and opportunity of these new tools to gain wider understanding and adoption of our ideas.

This is a lesson that we need to take to heart in the IC community. We need to create environments where businesspeople can try out, discuss and collaborate to develop the approaches to IC that are most relevant to their own work. We need a Web 2.0 strategy.

Some will immediately correct me on this point. There have already been a number of efforts in our community to create forums for collaboration and discussion. But there was something missing in the efforts I have seen. One forum I visited was "open" to anyone but it was on a site

of an organization with closed membership. Indeed, when I visited the forum in 2009, I found that hackers had found it a haven for posting graphic pornographic photos—a fact no one in the network had even noticed. I notified the webmaster who immediately took the forum off line. Other sites I have seen with collaborative platforms in place keep them closed to their own geographic or member community.

IC 2.0 and the Open Source Opportunity

Why do we need a 2.0 strategy? Because it would be hypocritical for us to not have one. And because we cannot continue to sit in ivory towers and send out detailed pronouncements. And, lest anyone take offense at my criticism, I want to say that I have learned much of what I know from reading the writings of the many smart people contributing to our field (the rest I have learned by trying to apply these ideas in my client work). And I myself have written extensively in our field.

I am not saying that any of us should stop our current work. But I do believe that our current work is not enough. We need something else. We need to face up to the lack of understanding in the general business community. Not (just) by publishing more systems and methodologies. We need to engage the general business community in a conversation. To make IC concepts readily available in a digestible form. To be open to hearing how the concepts work for them and to adapt the concepts based on these real world experiences. The process I am describing is called, in other contexts, open source development.

Open source is a concept best known in the software world. Many very successful software platforms are open source including Linux, Apache and Mozilla Firefox. There are a few examples of open source hardware such as Arduino and the OpenSPARC T1 Multicore processor. A fascinating experiment in open source car manufacturing was documented in the February 2010 cover story in *Wired* magazine. There are fewer examples of open source content; Wikipedia is the wildly successful exception.

In his excellent book called *The Success of Open Source*, Steven Weber states:

> Open source software represents a key artifact of a community that existed to solve problems together for the common good. (p. 47)

This should be the rallying cry of our community.

Towards an Open Source IC

Where to start? First, we need to create a full community on line. Today the expertise of our community is spread across every geography and every discipline. We encounter each other individually or in the occasional conference. Yet we have at our fingertips the tools to build an electronic community that connects us all.

Once we are assembled in a virtual community, we can begin to "solve problems for the common good." There are two reasons to do this. The first is that we all agree that IC concepts hold answers to the many challenges facing businesses and economies around the world. But there is more to this than pure altruism. The second reason for doing it is to create a critical

mass and speed the maturation of our market. Greater understanding and larger demand is a compelling business reason for us each to join in a global community.

The community needs to face head on the question of the lack of understanding of our field by the mainstream business community. And find ways to engage everyday managers in our conversation. Ultimately, I believe that create a set of "open source" IC management tools—tools that provide a baseline of what basic intangibles management looks like.

To get this going, a group of IC practitioners recently launched a site, the IC Knowledge Center (ICKC). We built it on Ning, a platform for community sites created by, among others, Marc Andreessen, co-founder of Netscape. There are already two million networks built on this platform. The ICKC is open to anyone. Our initial members are primarily academics and consultants although there are a few businesspeople represented. The idea of the site is to unite the many people in the IC community across geographies as well as disciplines in conversation. Over time, we hope to also begin to collaborate to build answers to business challenges using IC concepts.

Crisis or Opportunity?

IC can provide many answers to help the global economy move up and out of the current crisis. But the success of the IC community in playing an active part in the solution is going to be determined by the extent to which it can solve its own crisis. We need to make a stronger connection with the mainstream business community. The opportunity is there for us to take. Are you ready to join of IC 2.0? Join us at www.icknowledgecenter.com and help us make the connection between IC and the future of global business.

About the Author

Mary Adams is an Intangible Capitalist. She is a co-founder of I-Capital Advisors and Trek Consulting. Mary is the co-author of *Intangible Capital: Putting Knowledge to Work in the 21st Century Organization*, in markets from Praeger/Greenwood Press in May, 2010. She is also the author of the *Smarter Companies Blog* and the initial creator of the *IC Knowledge Center*, an on-line community with open resources and discussions about intangible capital. Prior to starting her consulting business, she had a fifteen-year career as a high-risk lender at Citicorp and Sanwa Business Credit.