



Athena Alliance

Intellectual Capital Management and Entrepreneurial Mentoring and Education: Response to Small Business Administration Request for Information

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On March 10, 2010 the Small Business Administration (SBA) published a Request for information (RFI) on the Entrepreneurial Mentoring and Education (FR Doc. 2010–13978 - SBA docket number SBA–2010–0009). The RFI specifically calls for ideas "for creating and leveraging existing entrepreneurial mentoring and education programs for early stage, high-growth companies." Most of the questions asked in the RFI are specific to issues of education and mentoring. However, question 21 of the RFI asks, "Beyond entrepreneurial education programs, what else can be done to promote entrepreneurship?" It is to this question that we address the following comments.

As the RFI notes, entrepreneurial mentoring and education is critical to improving the chances of success for high-growth start ups. However, we believe that there is an important gap in the system between education and mentoring. Education and training helps build the skill set of potential entrepreneurs. These programs prepare entrepreneurs to launch companies. Mentoring provides general guidance and advice on problems and opportunities facing some one engaged in entrepreneurial activities. The gap between training and guidance is technical analysis and assistance with specific business issues.

Many such technical assistance resources already exist: legal, accounting, financial etc. In fact, an important part of the mentoring process is connecting the struggling entrepreneur with the appropriate technical resources. However, there is one set of

technical assistance resources that are yet to be fully developed and deployed to help entrepreneurs: intellectual or intangible capital (IC) management.¹ Economy-wide, IC comprises a large part of corporate value. In some high-growth companies this percentage can often approach 100% and successful management of IC is often the key to their success.

IC includes all knowledge resources of a firm. This includes:

- Human Capital – worker skills, experience and competencies
- Relational Capital – customer, supplier and industry relationships, brands, reputation
- Structural Capital – know-how, databases, processes and intellectual property (IP)
- Strategic Capital – the business recipe by which the organization monetizes its knowledge

It is important to distinguish between IC and IP. IP consists of patents, copyrights, trademarks and trade secrets. While IC includes IP, IC is a much broader set of knowledge assets that, in combination, are the productive capacity of the knowledge-era organization.

While legal and technical advice and services are available for IP (such as patent attorneys and brokers), the broader area of IC management is not been fully developed in the U.S. IC management goes beyond the personal and often ad-hoc process of mentoring. It involves a more systematic approach:

- Inventory - knowing what intangible assets you have
- Model - working model/visualization of how pieces fit together
- Assess - relative strength of everything on the inventory
- Strategy/execution - put IC to work
- Measurement - develop and update metrics to monitor/demonstrate performance

While large companies can afford the consulting expertise required to undertake IC management, such assistance is not available in an accessible, cost-effective form to high-growth start-ups. Intangible assets are basically all most start-ups have. It is critical therefore that entrepreneurs are able to visualize and articulate what are the start-up's intangible assets and how they work as a system. This is especially important for investors but also for recruitment and strategy. Start-ups need to thinking carefully about their business models: how to get paid for what they know—including navigating between free and paid aspects of a value proposition. Keeping track of intangible investments is an important way of backing up the story of the company's development. Finally, entrepreneurs need to understand that the ultimate reputation of their organization will be earned as a result of good intangibles management.

To promote development and use of IC management techniques, the Small Business Administration should explicitly include IC management in their assistance programs. IC management should also be explicitly incorporated into entrepreneurship education and mentorship programs. In addition, the SBA or other federal agencies should consider ways of supporting research on and dissemination of best practices in IC management -- especially in conjunction with similar activities in other nations. Further, the Federal government may want to consider the establishment of one or more IC Management Centers to operate in parallel with the existing Manufacturing Extension Partnership programs and the Small Business Development Centers. Such centers have been established in Glasgow, Hong Kong and Beijing and could serve as prototypes for American version.

Notes:

¹ See Mary Adams and Michael Oleksak, *Intangible Capital: Putting Knowledge to Work in the 21st Century Organization*, Praeger, 2010.