

# STRATEGIC PRIORITIES OF INTELLECTUAL CAPITAL MANAGEMENT IN THE ENTERPRISE

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## ABSTRACT

It is proved that there are many methods for measuring intellectual capital, and only their combination will lead to the most reliable data. It was determined that the intellectual capital of the enterprise is derived from intellectual resources, where resources acquire the form of capital when used and create a specific product. Therefore, the primary basis of the innovative achievements of the enterprise is intellectual resources. Outlined key characteristic features of the model helped confirm its innovative character. As experience in managing the intellectual capital of enterprises shows, the competitiveness of the latter primarily depends not on the financial and material resources it controls, but on the result of using intellectual capital, which leaves its mark on its reflection in annual reports or in separate statements of enterprises.

**Keywords:** Intellectual Capital, Human Capital, Labor Potential, Strategic Decisions, Innovation.

**JEL Classifications:** M21

## INTRODUCTION

A special feature of modern society as a new stage in the global evolution of world civilization is a decrease in the significance of material factors of production and an increase in the level of significance of the main non-production resources - information and knowledge. Changes in the economic characteristics of modern enterprises are characterized by the fact that the structure of the cost of final products changes. For many products, a significant share of the value is formed not at the material production stage, but at the R&D stage. The basis for the formation of new added value is the intellectual resources of the enterprise.

Modern production activity is mainly based on the activity of the mind and human abilities. An integral element of the economic development of any enterprise is the formation of its intellectual capital, innovation, scientific and intellectual services, and rights to intellectual property. Therefore, in today's environment, the intellectual potential of the enterprise and its effective use play the decisive role in the competition.

Our study is relevant for enterprises of various activities. Because the presence of talented personnel and their abilities are able to provide the company with competitive advantages, and the correct ability to measure and manage this capital allows formulating an innovative development strategy and finding its potential.

## REVIEW OF PREVIOUS STUDIES

Over the past half century, qualitative changes have taken place in the world. The era of science, high technology production and information technology has come. An integral element in the development of an innovative economy is the formation of a market for intellectual capital, innovative, scientific and intellectual services, the right to an intellectual property, and the like. For modern enterprises, the priority area of activity is the formation and effective use of intellectual capital as the main progressive factor of the “*knowledge economy*”, which ensures competitiveness and leading positions in the domestic and world markets, economic growth and an increase in the standard of living of the population. (Obeidat et al., 2017)

Based on the structural elements of the studied economic concept, its features are formed, which clearly differ among other assets. They include:

Significant investment needs for the creation of intellectual resources, protective measures to eliminate unfair competition (Abualoush et al., 2018). Need for training specialists in order to carry out scientific, industrial, technological, program and managerial activities (Garbowski et al., 2019; Drobyazko et al., 2019a). Also, need to create an extensive database in order to control the process of intellectual property (Hilorme et al., 2019a & Hilorme et al., 2019b). Difficulties in determining the life cycle of an innovative invention (Jordão & Novas, 2017; Drobyazko et al., 2019b). And, barriers to determining the market value of specific intellectual property objects, difficulties with their identification (Kianto et al., 2017). Significant degree of risk in making managerial decisions in the field of intellectual capital management, as innovations is developed in a turbulent environment (Noe et al., 2017).

## METHODOLOGY

In modern conditions of the knowledge economy, for successful functioning in the market, the enterprise needs to rationally form and increase its own intellectual capital. The process of measuring intellectual capital plays an equally important role.

Methods for the direct measurement of intellectual capital are based on the identification of individual components of intellectual capital in cash or in-kind measuring tools.

It should be noted that the methods of direct monetary valuation of individual components of intellectual capital provide for the measurement of the value of these components on the basis of: cost approach (for example, the amount of expenses incurred to create an intellectual property is calculated); income approach - the estimated income that the company can receive using this component of intellectual capital is calculated; market (comparative approach), which assesses the component of intellectual capital based on a comparison of past transactions for the transfer of rights to similar objects.

Each of the groups of methods for measuring the intellectual capital of the enterprise has its advantages and disadvantages. For example, methods for measuring the return on assets of the enterprise and methods of market capitalization provide a monetary value of intellectual capital as a whole on the enterprise-wide basis. In fact, this is the amount of capital that corresponds to the market value of intangible assets. Here, neither the structure of intellectual capital, nor the contribution of its individual component or element to the overall assessment of the level of business development is known, in contrast to the methods of factor analysis or methods for determining the effect. Therefore, methods for measuring the return on assets of the enterprise and methods of market capitalization are justified when merging enterprises and acquiring a business to assess the stock value of the enterprise.

## RESULTS AND DISCUSSIONS

The modern economy is characterized by a sharp aggravation of enterprise competition, caused by globalization processes, the free movement of capital and labor resources, the growth of diversification of consumer demands, the shortening of the life cycle of goods, and the sharp increase in the role of factors of scientific and technological progress in ensuring economic growth of both individual enterprises and national economies in general.

Under these conditions, success in the market is achieved primarily by those enterprises that are able to quickly and efficiently bring internal development opportunities into line with the external ones, generated by the macro and microenvironment. This involves assessing the internal capabilities of the enterprise and comparing them with external capabilities and threats that determine the conditions of activity in specific markets. As international experience shows, the main means of achieving the indicated correspondence of internal development opportunities to external are innovations. They are the natural means of adaptation to changes in the business environment, providing conditions for long-term survival and development in the market.

The source of invention and production of innovation is society and the level of its intellectualization. The level of intellectualization of society, in our opinion, is clearly represented by the Human Development Index (HDI) - an integrated indicator calculated annually for cross-country comparison and measurement of living standards, literacy, education and longevity as the main characteristics of the human potential of the study area.

In addition, as experience in managing the intellectual capital of enterprises shows, the competitiveness of the latter primarily depends not on the financial and material resources it controls, but on the result of using intellectual capital, which leaves an imprint on its reflection in the management reporting (Table 1).

<b>Country</b>	<b>Model</b>	<b>Characteristic features</b>	<b>Advantages</b>
Austria	ARC IC Report	Structured representation of goals, opportunities, processes for creating intangible and tangible results.	A holistic view of “ <i>intellectual status</i> ” and the place of organization. Justification of investment in government research and development.
Denmark	Danish Guidelines	Portfolio of investments and knowledge use results. Practical use and main goals of intellectual capital	Summarizes information on intellectual capital for management and reporting. Contains indicators of intellectual capital.
Iceland	PiP project	Indicators	Agreed indicators that facilitate the benchmarking process.
Spain	Intellectus Model ®	Distribution of intellectual capital on the minimum components	Adaptable to each organization
France	IC- dVAL®	Productivity Index and Intellectual Capital cost	Support for intellectual capital management and reporting. Raising awareness of the value and productivity of intellectual capital.

Note: Systematized by the author.

From Table 1 it can be concluded that enterprises in European countries publish information on intellectual capital in their annual reports or in separate statements. However, serious shortcomings in the presentation of such information are the lack of comparability among firms, industrial enterprises or different years, and there is no unified methodology for managerial assessment of the components of intellectual capital. There are the following main obstacles to inadequate funding for research and development, namely the lack of financial

resources, knowledge, human capital, and innovation management.

Therefore, the introduction of intellectual capital reporting into the practice of domestic enterprises will eliminate the above obstacles.

In addition, in Europe, the report on intellectual capital is considered as a tool for measuring, managing it and demonstrating the attractiveness of the enterprise for investment. Moreover, such a report is usually presented as an addition to traditional reporting (internal management or external financial). A more detailed report on intellectual capital is prepared for internal needs, primarily for management and for demonstration of the enterprise personnel in order to consolidate the efforts of the team. An abbreviated report, which does not contain information that is not subject to free distribution, may be prepared for publication in order to attract investment or for distribution to potential investors.

Thus, the world experience in managing intellectual capital of enterprises indicates its main problems, which are an ambiguous interpretation of the essence of intellectual capital, the uncertainty of the dynamics of development of intellectual capital, the ways of forming the organizational and economic mechanism of management and determining directions for ensuring the effective functioning of intellectual capital, methods for measuring it, and also features of intellectual capital depending on the type of economic business conditions.

## RECOMMENDATIONS

Strategic information must obey the general management philosophy and provide for the creation of simulation models of the behavior of social spending, the prediction of their change under the influence of selected concepts of cost management: minimizing costs in the process of product design or gradually reducing social costs during the stages of the product life cycle by continuously improving individual types of enterprise activity, determining the share of social costs at the stages of product value formation, and calculating the cost of social initiatives of an external direction.

## CONCLUSIONS

The development of a post-industrial society and the technological modes dominating in it, the change in the content of labor and the increasing role of the human factor in production form the prerequisites for the spread of the human capital management paradigm, which leads to the emergence of new requirements from economic and social management systems. The scientific approach to the recognition of the human capital management system with the aim of expanding the capabilities of the enterprise through the formation, use and reproduction of unique intellectual and informational assets, such as knowledge, skills of employees to provide information to users in accordance with the human capital management paradigm, has been substantiated.

A special feature of the modern economy is a decrease in the significance of material factors of production and an increase in the level of significance of the main non-production resources - information and knowledge. For many products, a significant proportion of the value is generated during the R&D stage. The basis for the formation of new added value is the intellectual resources of the enterprise.

Human capital management in modern enterprises is turning into a tool of a long-term strategy aimed at creating the conditions under which the knowledge, skills and skills of employees are developed and implemented in the workplace.

In order to inform the management of the enterprise about the available human capital, a system of information support for human capital management has been developed by systematizing information on the volume of expenditures by its components, allowing for effective monitoring of the formation, use and reproduction of human capital.

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