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## **The application of scenario method in intellectual management**

**Abstract:** The given article looks into the problem of intellectual management and the scenario method as one of the ways of assessing the intellectual capital of a company. Besides, the author establishes the fact of productivity of the scenario method and its relevance in intellectual management. The article provides a description of step-by-step scenario-making process and tips for developing scenarios of intellectual capital development. Besides, it features a case study with three possible scenarios.

**Keywords:** Intellectual capital; scenario method; strategic management; assessment; future.

With the advent of knowledge economy, intellectual capital has been considered as the primary resource of an organization. Success and value creation of any organization in today's economy is driven by intellectual capital. To positively impact the future success and value, it is therefore critical to manage the intellectual capital that underpins value creation.

Intellectual capital includes the assets related to the employee knowledge and expertise, the customer confidence in the company and its products, the company infrastructure (for example, in the form of IT systems and administrative procedures), the efficiency of the company's business processes and some other intangible assets. Intellectual capital helps to explain the difference between the company's market value and book value as it is not included in financial accounts. This applies particularly to innovative knowledge-based companies.

Organizations that want to remain competitive in today's world need tools and techniques to manage their intellectual capital. This problem is raised at the international level: the European Commission has launched the MAGIC project (Measuring and Accounting Intellectual Capital), whose major task is the development of a low-cost and pragmatic IT-solution for the measuring and accounting of intellectual capital in engineering and manufacturing environments.

The industrial relevance of the assessment of intellectual capital according to the MAGIC project can be shown by the following facts:

1. Dow Chemicals' activities in intellectual asset management brought the enterprise already an overall \$ 40 million in additional capital and savings;
2. Skandia's activities in intellectual capital management helped the enterprise to expand its number of point of sales from 5,000 to 50,000 in 5 years;
3. The market value of engineering and manufacturing companies is between 2-5 times higher than the net book value.

There is a misconception that intellectual capital is difficult to measure and manage. However, many tools and techniques are available, for example, mapping method, formula assessment, in-depth interviews, peer-to-peer evaluation and others [Torrington, Hell 1991: 107]. One of the most productive methods is the scenario method.

Scenarios can be defined as "internal coherent descriptions of alternative images of the future". The futurist Hirschorn has the shortest definition, which sums it all up - "histories of the future" [Nermien Al-Ali 2003: 38]. Initially the scenario method was used in strategic management but then its use was extended for planning processes in organizations. They are used in all fields of science and society where strategic planning depends on assumptions concerning the future, for example climate change, technological impact assessment, demography planning and development.

The method is based on creating a series of 'different futures' generated from a combination of known factors, such as demographics, with plausible alternative political, economic, social, technical, legal and environmental (PESTLE) trends which are key driving forces. The aim of the scenario is to provide a logical description and explanations of possible happenings. A scenario should also be consistent with the driving forces representing it.

There are various classifications of scenarios. We believe that the most relevant among them is the division into negative, neutral (baseline) and positive. The function of scenario is not only to try to foresee and forecast the future, but also to show how different interpretations of driving forces can lead to different visions of future. Besides, scenarios are developed to make better decisions and to plan actions in the present about matters that have long-term consequences for the future. Applying these tools will allow organizations to gain a solid understanding of their intellectual capital infrastructure.

There are many different ways to construct scenarios. In application to intellectual management the process of scenario-making can include the following stages:

Stage 1: Define the major recent factors and trends that have shaped the intellectual capital of the company over the past years.

Possible ideas are: qualifications of employees, training programmes, patents, copyrights, the goodwill of the firm; personnel selection, promotion, remuneration practices and others.

Define, what have been really important factors and trends that have affected the intellectual performance of the personnel. Have any technologies been crucial to the way it has developed? Have any of these trends required a change in management?

Stage 2: Having looked at past trends, start thinking about the future. Think of different ways that the intellectual capital could possibly develop in the next years. Some questions to ask would be:

1. Are there any important trends emerging that could force the intellectual capital to develop in a different way to the past? (conditions in the labour market, changes in labour/ intellectual property legislation);
2. Are there any key technologies likely to produce a change in the intellectual potential? (e.g. training, creating incentives, restructuring the personnel).

Stage 3: Sensitivity analysis - to what particular factors will scenarios be sensitive.

1. What sort of technologies, systems and strategies would be crucial for each scenario to come about?
2. Are there any factors (political, economic or social) that are crucial to a scenario coming about? (e.g. government policies)
3. Will the scenario depend upon the action of any particular organisation?
4. Do you feel that any of the scenarios have an equal chance of coming about, or some are more likely than others?
5. What should be your development priorities or strategy?

Stage 4: Scenario analysis. This is the analysis of scenario outcomes, the evaluation of possible impacts and the development of new strategies for the future.

Case study. Assume that an imaginary Company ABC Foods produces baby nutrition. The government is going to enforce new legislation on the minimal wages. The company has faced several cases of resignation recently. A food college is going to open in the location. However, there is a wide spread feeling that breast nursing is much healthier than breast milk substitutes. So, the managers of ABC Food have been asked to analyze the intellectual potential and develop the strategy of the company to ensure its competitiveness in the future. The managers have developed three possible scenarios:

Positive: The minimal wage that is introduced doesn't lay a burden on the company's budget. The graduates of the food college are willing to work for ABC Foods. There are young mothers who prefer breast nursing but the company's target market is still big enough. The intellectual capital is adequate.

Neutral (baseline): The minimal wage that is introduced is a little over than the company pays. There are some specialists who are willing to work for ABC Foods, but they need better incentives. The target market has shrunk because more young mothers prefer breast nursing. The intellectual capital is at risk.

Negative: The minimal wage is high and therefore redundancies are inevitable. Breast nursing is a widespread tendency, so breast milk substitutes are not popular. So nobody is willing to work for ABC Foods. The intellectual capital is inadequate and most unlikely to contribute to the company's efficiency.

As the future is not a static continuation of the past, several potential futures are possible from a particular point in time. One advantage of the scenario method is it provides a dynamic view of the future by exploring various pathways of change, that lead to a number of possible alternative futures. This enables to evaluate possible future events through the consideration of alternative possible.

The application of scenario methods is especially relevant in terms of rapidly changing environments; a shift in values or a shift in logic. Given the common assumption that the future is uncertain and unpredictable, scenario methods are applied to more and more areas. Its strength lies in its ability to give an overview of complex situations which can be both intuitive and analytically based. Decision analysis seeks to manage uncertainty in order to prioritise and implement actions.

Assessment allows organizations to manage. This applies to management of intellectual capital. Without relevant assessment, it is impossible to understand current performance levels, to know whether the intellectual capital has improved or deteriorated, and to understand whether any activities and initiatives have affected the performance. Organizations that have meaningful performance information about its intellectual capital can use it for decision making, test and review strategy, and manage risks associated with intellectual capital.

## LITERATURE

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## **Применение сценарного метода в менеджменте интеллектуальных ресурсов**

**Аннотация:** Данная статья рассматривает проблему менеджмента интеллектуальных ресурсов и сценарного метода как возможного способа оценки интеллектуального капитала компании. В статье приводятся доводы в пользу эффективности сценарного метода и его релевантность в менеджменте интеллектуальных ресурсов. В статье описывается поэтапный процесс построения сценария развития интеллектуального капитала. Кроме того, в качестве примера приводится кейс с тремя возможными сценариями.

**Ключевые слова:** Интеллектуальный капитал; стратегический менеджмент; сценарный метод; оценка; будущее.

### **ЛИТЕРАТУРА**

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