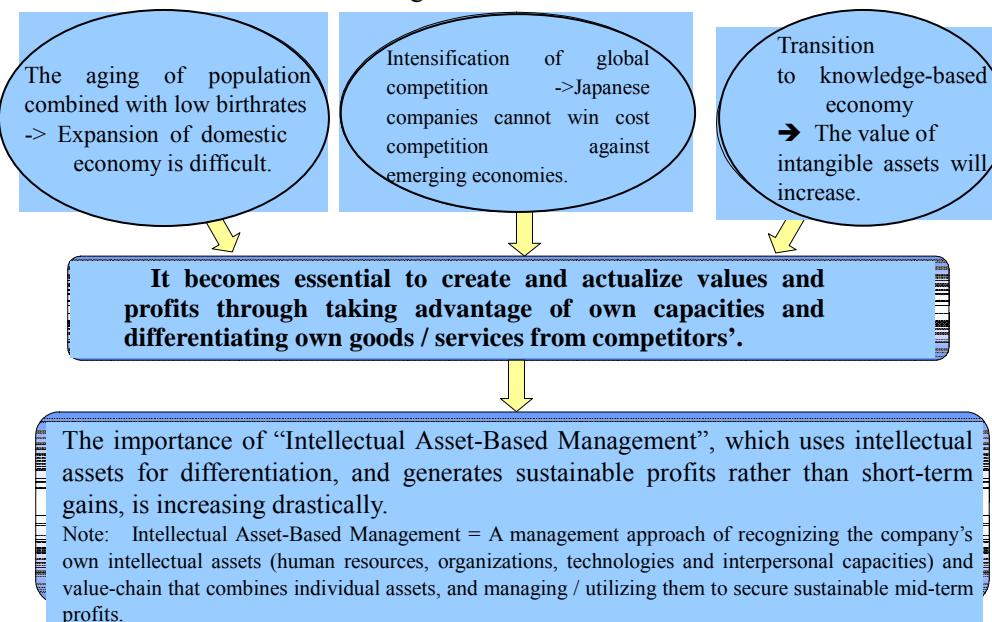


Overview of the Interim Report by the SME Intellectual Asset-Based Management Forum

The technologies, skills know-how human resources, and organizational capacities held by small and medium enterprises are typical “intellectual assets¹”. Recognizing, combining and utilizing them provide the source of generating corporate profits and growth. Conventionally, many companies have failed to consciously utilize intellectual assets, or present the contents appropriately in their dealing with business partners and financial institutions. For this reason, such assets have not received the due recognition they deserve. In a bid to promote “Intellectual Asset-Based Management”, a management style that takes advantage of intellectual assets, in SMEs, the Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ) has set up the SME Intellectual Asset-Based Management Forum to discuss issues concerning the implementation and presentation of Intellectual Asset-Based Management at SMEs.

Background and issues

- What is Intellectual Asset-Based Management?



Source: “Interim Report²” by the Subcommittee on Management & Intellectual Assets, New Growth Policy Committee, Industrial Structure Council (August 2005)

¹ Intellectual assets: All management assets that are not reflected to financial statements, but provide the source of competitive edge, such as human resources, technologies, skills, intellectual properties (patents, brands, etc.), organizational capacity and customer networks

² http://www.meti.go.jp/policy/intellectual_assets/index.htm

Intellectual Asset-Based Management in SMEs

- SMEs generally have less management resources than large corporations, and need to overcome various difficulties when starting new business activities. They must therefore seriously consider how they can take maximum advantage of their own business assets while utilizing external resources. It is necessary to draw in the capacities of internal and external stakeholders appropriately to operate businesses according to the approach of Intellectual Asset-Based Management.
 - In many SMEs, the management policy often remains only in the minds of the manager, rather than being presented fully to employees and external parties. Yet, sharing the management policy with employees and maintaining dialog with financial institutions / business partners have a great significance in that opinions of these parties can be reflected to improving the substance of the management.
- Intellectual Asset-Based Management is expected to provide the following benefits:
- (1) Facilitating optimum use of limited management resources. The management style may also give a fresh “inspiration” to the manager on the strength of their businesses.
 - (2) Enhancing trust from business associates and clients
 - (3) Improving employees’ awareness, work motivation and sense of unity
 - (4) Helping the company secure human resources that sympathize with its management policy and business strategies
 - (5) Gaining advantage in terms of fund-raising from financial institutions
 - (6) Allowing the company to appeal its future growth potential to prospective shareholders prior to offering new shares

Implementation and presentation of Intellectual Asset-Based Management at SMEs

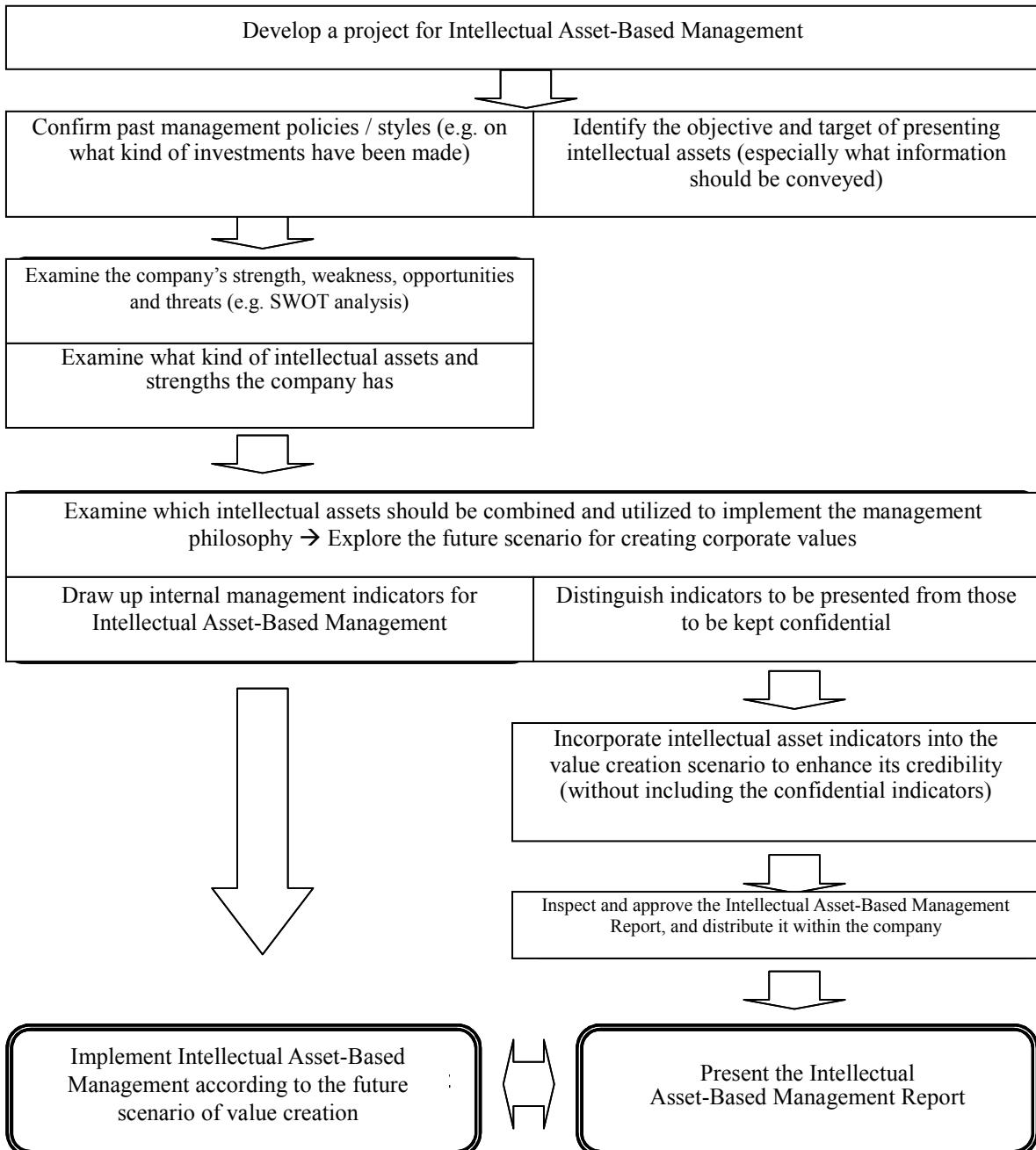
- See the “Flow chart for the implementation and presentation of Intellectual Asset-Based Management in SMEs” on the next page.

Support measures

- In order to implement Intellectual Asset-Based Management and present it to necessary stakeholders, SMEs, which lack resources (human resources, etc.) to initiate such moves by themselves, need support from the government and other organizations on various implementation / presentation occasions.
- Specifics of such support measures are to be explored in the future. Possible measures include:

- (1) Support through existing organizations (e.g. SMRJ conducting a model project in SME Intellectual Asset-Based Management)
- (2) Awareness campaign targeting business operators and information receivers (e.g. symposium on SME Intellectual Asset-Based Management)
- (3) Software-based support

Flow chart for the implementation and presentation of Intellectual Asset-Based Management at SMEs



Implementation and presentation of Intellectual Asset-Based Management mutually provide feedback.