**STATUS-QUO VS NEW STRATEGY IN INTANGIBLES**

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**Introduction and literature review**

Managerial literature have looked for profiles of companies. Most of the papers on profiles are related to firm's strategy. Miles et al. (1978) propose three strategic positions (defenders, analyzers and prospectors) together with what they consider as a strategic failure (reactors). Porter (1985) propose three broad generic strategic positions for companies: cost leadership, differentiation and focus or niche strategy. For him, these clear strategies offer the company an ability to outperform the competitors. Companies "get stuck in the middle" , what means that do not have a clear profile, are not able to perform at the same level of their competitors. Insch and Steensma (2006) follow the typology of Maidique and Patch (1982) and point out four profiles in business strategy: first mover, imitator, low cost producer (LCP) and niche.

On the other hand, Osborne and Cowen (2002), drawing the profile of high-performance companies, assert that high-performance companies usually have solid strategies and a superb execution of their strategy.

Shakina and Barajas (2014) identify profiles considering the use of intangibles in companies. They conclude that companies with a defined strategic related to the use of intangibles are better off than those firms that present a moderate investment in each one of the intangibles components. This paper remarks that some intensiveness in the employment of intangibles will be recommendable.

The literature on strategies has been developed and come to conclude that clear strategies make better off those companies that have them. However, there is a lack of studies considering the benefits of switching from one strategy to another. In that sense, after the reading of the above mentioned paper by Shakina and Barajas (2014), the research question for this work arose. When will be worth for a company to change its strategy on intangibles increasing it investment on them? This paper introduces a conceptual model to define the parameters in order to take the decision on the intensification of intangibles.

**Theoretical foundations**

In order to state the problem, the present paper take the following assumptions:

* Intangibles brings higher return and risk to companies.
* Each company can decide to intensify or not its investment on intangibles.
* The depreciation of intangibles will be covered with investments in order to maintain the same capacity.
* The companies will look for maximizing the expected value of their cash-flows continuously and without time limits.

It is considered that there is a basic level of investment in intangibles () in order to keep the status quo of the company. If the company decides to switch into a more intensive level of intangibles then the investment will be higher (). There will be two different levels of return on investment on intangibles. One is the return in the status quo () and the other will be the obtained with the new strategy (). It is expected that the second be greater than the former. The same applies for the investments that will be higher with intensification. It has been included the existence of external shocks that follow Markov transition probability.

**Problem and proposed solution**

Each company will be looking for the maximum value and it has two possible strategies for that: maintain the level of investment on intangibles or increase it. So there will be two functions.



In order to find a close-form solution for the stated problem the expected value of external shocks and a sum of an infinitely decreasing geometric progression were employed. It has to be taken into account that, considering the external shocks (), the starting point can be high or low. If the initial situation is low (), the decision of the company will have to be not to invest (being  negative any investment will conduct to loss value). But if the starting point is high () then the equation will be:











**Conclusions**

This papers addresses the relevant issue of the decision on the change in the strategy of companies on the investment in intangibles. A conceptual model has been developed in order to decide if is better for the company to keep its status quo or intensify its investment on intangibles and under which conditions.

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