Chapter 77
Intellectual Capital Explains a Country's Resilience to Financial Crisis:
A Resource-Based View

Carol Yeh-Yun Lin
National Chengchi University, China

ABSTRACT

From Resource-Based View (RBV), this chapter introduces intellectual capital as a valuable resource leading to competitive advantage at both organizational and national levels. The chapter elaborates on National Intellectual Capital (NIC) policy implications, using financially-strained countries such as Greece, Iceland, Ireland, Portugal, and Spain as examples. The co-development of NIC and GDP per capita (ppp) of four southern European countries and four Greater China economies during 2005-2010 are also presented and compared. This NIC development study discloses systematic warning signs starting in 2000 for those countries that were later in deep financial trouble, much earlier than the outburst of 2008 global financial crisis. "Intellectual capital explains a country's resilience to financial crisis" is observed from the comparison. Consequently, in an era when intangible assets have become a key competitive advantage, investing in national intellectual capital development is investing in future national development and well-being.

INTRODUCTION

In today's knowledge economy, knowledge and other intangibles play increasingly important roles, fueling a country's growth and creating significant implications for future national value. Knowledge assets represent the source of competencies and capabilities deemed essential for national economic growth, human development, and quality of life (Malhotra, 2003). Consequently, countries with deep intangible assets fare better in terms of national wealth than those whose assets are limited to land, tools, and labor (Malhotra, 2003; World Bank, 1998).

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In addition to applications on the national scale, knowledge-based resources have also become a key driving force of firm development and competitive advantage. Such resources include technical skills, creative expertise, and collaborative relationships (Miller & Shamsie, 1996). They are the combined outcome of human talents and skills, organizational structure and system, and the interactions of various organizational factors. These characteristics, together, form the backbone of intellectual capital concept development.

The first application of the concept of intellectual capital in business management was Edvinsson and Malone's (1997) Skandia Navigator. The impetus for pursuing organizational level intellectual capital was that although traditional balance sheets provide historic costs and assume that the cost reflects the actual value of the asset, they do not, however, account for the hidden value inherent within intangible assets and do not provide effective future implications. With around 15 years of development, intellectual capital has evolved from a mere concept to operational criteria reflecting the real value of a company's intangible knowledge assets (Edvinsson & Malone, 1997; Garcia-Ayuso, 2003). It mainly consists of human capital, social capital, and organizational capital (Edvinsson & Malone, 1997; Stewart, 1997) and is a distinctive, yet encompassing model that represents an array of knowledge-based resources.

During the early stages of intellectual capital research, a majority of the studies analyzed the topic from the interests of business firms and focused on measurements to explain the differences between accounting value and market value as a possible basic source of competitive advantage (Bontis, 2001; Edvinsson, 2002). As intangible assets are important to private enterprise organizations, they are also important to increasing the productivity and competitiveness of the public sector, a region, and a nation. Measuring national intangibles assists nations in benchmarking their competences and capabilities. Such assessments can facilitate the adoption of good policies and practices for a holistic national development (Lin & Edvinsson, 2011, p. 8). As a result, a number of intellectual capital assessments have also been undertaken at the national level (e.g., Sweden, Denmark, The Nordic Project, and Israel) and at the regional level (e.g., the Arab nations and the Pacific Islands) (Bontis, 2004; Bounfour, 2003; Lin & Edvinsson, 2011).

This chapter shares the author's research findings from years of national-level intellectual capital studies, with a particular focus on its connection with 2008 global financial crisis. Since the concept of intellectual capital originated from the viewpoint of organizational resources, the author also revisits the theoretical underpinning of the resources-based view (Barney, 1991), seeking to delineate why intellectual capital is a valuable resource that leads to competitive advantage for both an organization and a country.

The sections of this chapter include:

- Delineating intellectual capital as a knowledge-based resource from Resources-Based View (RBV) perspective.
- Linking firm-level intellectual capital to national-level intellectual capital.
- Elaborating the values of national intellectual capital for policy implications.
- Comparing national intellectual capital of the Greater China region and southern European region during the 2008 global financial crisis.
- Discussing why intellectual capital explains a country's resilience to the financial crisis.

INTELLECTUAL CAPITAL AS A KNOWLEDGE-BASED RESOURCE: RBV PERSPECTIVE

Over the past few decades, intangible assets, such as knowledge, patents, and innovation, have been identified as fundamental sources of wealth and progress. These assets represent a major concern