

# Preface

A new economic landscape is emerging based on intangibles, or an evolution toward Knowledge. The old paradigm of Wealth of Nations might have been focused on the tangible assets. Today we see that the spending on macroeconomic level in Nations for welfare, health, education, R&D, or security is more and more in the intangible dimensions. On the national level, this is somewhere between 7 and 20% of GDP (Corrado et al. 2009). Every innovation step starts with a small spending on intangibles. Sometimes this is referred to as “soft” dimensions such as culture and values, and in Japan they had coined this in Soft Economics way back in the 1980s. Today METI in Japan is calling this Intellectual Asset-based Management. But the mapping is still done to a large degree based on the tangibles. The knowledge gap or ignorance on the value of intangibles is still huge. So we need both a new perspective and new metrics for the mapping. I started to work on these more than 20 years ago, as the world’s first director of Intellectual Capital.

The global financial meltdowns, with immense amount of money, more than 7300 billion Euro, to cover losses and rescue the institutions highlight the need for a new systemic understanding. This understanding is based on the insights of investment, handling, and cultivation of intangibles. This is also called intellectual capital. One distinction of IC is the derived insights of head value for future value creation. In the West, capital is confined in its usage to mean only financial capital, while its meaning might be derived from Latin, meaning head. Capital in Asia is more referring to the roots or soil.

We also need a better understanding of this new ecology of value creation, both on macro level as well as micro level. So the new paradigm for Wealth of Nations is in the insight of what are the drivers for value creation. Noble Prize laureates are pointing in this direction. OECD is investigating (Tojo et al. 2008). President Sarkozy in France has appointed a special task force by Stiglitz–Sen–Fitoussi to look into the quality-of-life dimensions of economics. Some countries are prototyping of Nation reporting, such as Sweden, Israel, Poland, and Turkey. On a policy level as well as on statistical mapping, several countries such as Denmark, UK, France, Germany, Austria, Finland, Norway, USA, Japan, Brazil, China, etc. are now addressing the IC dimensions. Special research groups or Task forces are appointed as in Japan. The New Club of Paris was founded to support the agenda setting on knowledge economy for cabinets of various nations (see <http://www.new-club-of-paris.org>).

This is now realized also by big accounting firms. They have now started a big global project on WICI (World Intellectual Capital Initiative); see <http://www.worldici.com>. The European Financial Analysts are shaping guidelines for looking into IC; see <http://www.effas.com>. In European Commission, several projects, among others a special report called RICARDIS (Reporting Intellectual Capital to Augment Research), have been looking into this. This resulted in a microeconomic enterprise project in some five European countries, based on a systems dynamics model for value drivers of Intellectual Capital and its reporting, see <http://www.incas-europe.org>, now being followed by a project called CADIC. This project was, however, initiated in Germany by the Bundes Ministerium fur Wirtschaft unt Arbeit. Based on this, big enterprises listed on Stock Exchanges are starting to look into the reporting of IC. Special projects are emerging as in the Stock Exchange of Warsaw. Many initiatives are emerging at various levels with different focus.

TICRC (Taiwan IC Research Center) was one of the pioneers in establishing a research group on IC in 2003. This book is based on the research and building of a database by TICRC and Dr. Carol Lin. I started to ask the question of IC of nations in late 1990s and prototyped a report in Sweden in 1996, among others, with the Swedish Governmental Agency, ISA.

Today we have much more data as well as contextual reports for a deeper drill into the understanding of the role of IC of nations or future wealth creation. It is starting to reveal an ecosystem of both drivers for the Social Capital, as the larger holistic perspective, as well as new softer dimensions of Mind set, Culture and Values of Nations. Perhaps they are so-called strange attractors for the societal engagement. A very special part of this is the renewal dimension, also understood as the innovation dimension of, and for, nations' stakeholders. This was also highlighted by President Barack Obama, in his Inaugural Address, Jan. 2009. For this, we need to acknowledge much more mapping of the emerging new forces of social power in social entrepreneurship and societal innovation thrusts, as in, for example, UK, Denmark, and Finland.

This book gives some highlights on the statistical map, specifically for the renewal dimension of IC of nations. The book is an invitation to ask more deepening, powerful questions for future wealth and well-being. In its extension, this might be the new bottom line both for micro- as well as macrolevel eco systems. The cultivation of this is the leadership for generative relationships of collective intelligence in each unique national context. This might become visualized as a ratio between current positions of IC of nations vs. potential IC of nations, as described in Chap. 17. This gap is in fact a liability to future generations, which we have a responsibility to address today. Otherwise they....

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# Preface

This book is dedicated to the visionary Taiwan government officers, three key intellectual capital project leaders of the Taiwan Intellectual Capital Research Center (TICRC) at National Chengchi University (NCCU), and my research partner – Professor Leif Edvinsson.

Taiwan is a small island of 23 million people with an area of only 35,980 km<sup>2</sup> – around 1/10th the size of Japan and 1/12th that of Sweden. Owing to the fact that Taiwan is lacking many natural resources yet enjoying an abundance of highly educated human resources, several Taiwan government officers, including Dr. Jung-Chiou Hwang, Vice Minister of the Ministry of Economic Affairs, and Dr. Victor Tsan, Vice President and General Director of Market Intelligence & Consulting Institute, Institute for Information Industry, foresaw the need to develop the intangibles for Taiwan's future prosperity. As a result, a 4-year intellectual capital research project was commissioned to the TICRC in 2003 by the Ministry of Economic Affairs under the leadership of NCCU President Se-Hwa Wu, the former NCCU President Ting-Wan Cheng, and Professor Anne Wu. To formalize this 4-year research project, the TICRC was established to integrate and record the research results as well as the wisdom of around 40 researchers during their heyday.

I had the privilege to become a member of TICRC's research team as the coordinator of human capital. In addition to this function, I also led a Taiwan National Science Council-sponsored 11-member intellectual capital research team, which deepened my understanding of intellectual capital research, including the launching of a national-level intellectual capital comparative study of 40 countries that led to the publication of this book.

Derived from a validated national intellectual capital model (introduced in Chap. 3), the data sets of this book are based on the IMD World Competitiveness Yearbook, covering 14 years (1995–2008) for 40 countries. Since 2005, I have been presenting my attention-getting research results at various conferences held in 8 different countries. As years go by, it has become increasingly clear to me that publishing a book would be the most efficient way to share these valuable findings, which may shed some light to policy makers and interested parties in improving their national intellectual capital development.

I was so fortunate to meet my research partner, Professor Leif Edvinsson, at a conference and was enlightened by every speech of his that I had the opportunity to attend. Our friendship started from my visit to his Skandia Future Center in Stockholm during a learning trip of my 11-member research team. With the fame of *Brain of the Year in 1998*, Professor Edvinsson proved to be the “mind twitter” of this book, which prompted me to interpret the results from various perspectives and opened more windows to see the value of this data set.

During the drafting of this book, we encountered the 2008 global financial crisis. Intriguingly, we detected the early signs of a serious problem of capital availability in Iceland, which partially explained the meltdown of its banking system. In early 2010, the problems of Greece, Ireland, and Portugal prompted us to engage in further analysis of the trouble that these countries were experiencing. Again, we found that our data showed a clear downturn of their short-term intellectual capital. While giving our last-minute polish to this book, we have added several figures to present our findings in explaining the above-mentioned troubles.

Very likely, these brief explanations of the countries in trouble may reveal just the tip of the iceberg. With the confidence of the predicting power of our data set, Professor Edvinsson and I have decided to follow up the development of a number of other countries, continue our trend analysis, and, additionally, probe the impact of the alignment of national intellectual capital with other factors such as national culture, national health indicators, and so on. We also plan to write a second book to share our reflections over the 2008 global financial crisis, the early 2010 troubles of several EU countries, and other influencing factors.

“Knowing the past to foresee the future” is what this book is about. I hope that readers will enjoy the rich information presented here about the development trends of national intellectual capital of an individual country, a country cluster, or comparisons of specific countries. Readers are especially encouraged to give some time to the study of the last three chapters, the book’s grand finale that readers should not overlook.

Enjoy reading!

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