



Intellectual Capital for Communities in the Knowledge Economy

Nations, Regions, Cities and Emerging Communities



WORLD BANK INSTITUTE
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Dynamic National IC & Dynamic Capabilities of Communities

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Professor Ahmed Bounfour

University of Paris 11

Professor Pirjo Ståhle

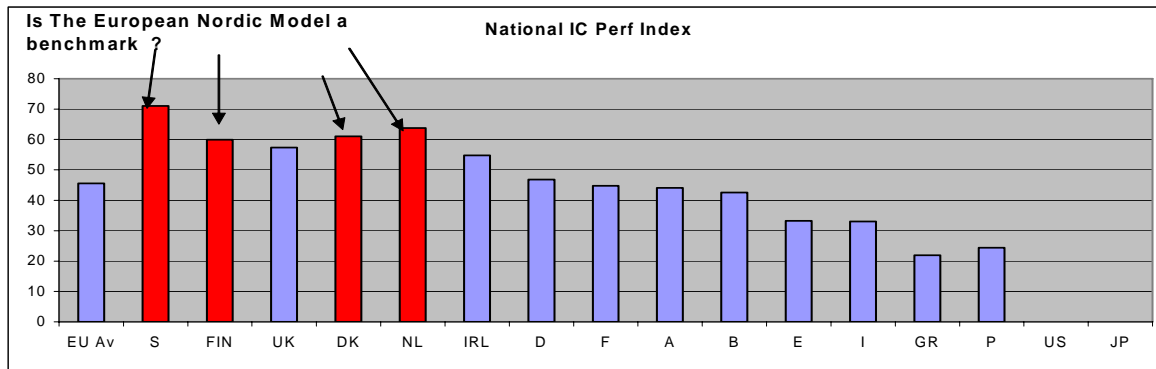
Lappeenranta University of Technology

and Turku School of Economics, Finland Futures Research Center

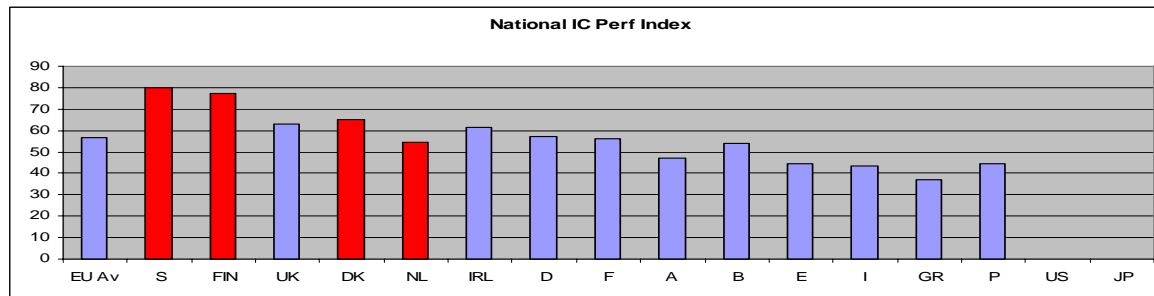
A starting Point : IC rating of Nations

: the IC-dVAL[®] : A set of Metrics
Final Indexes

2001



2004



Source : Bounfour (2003, 2005)

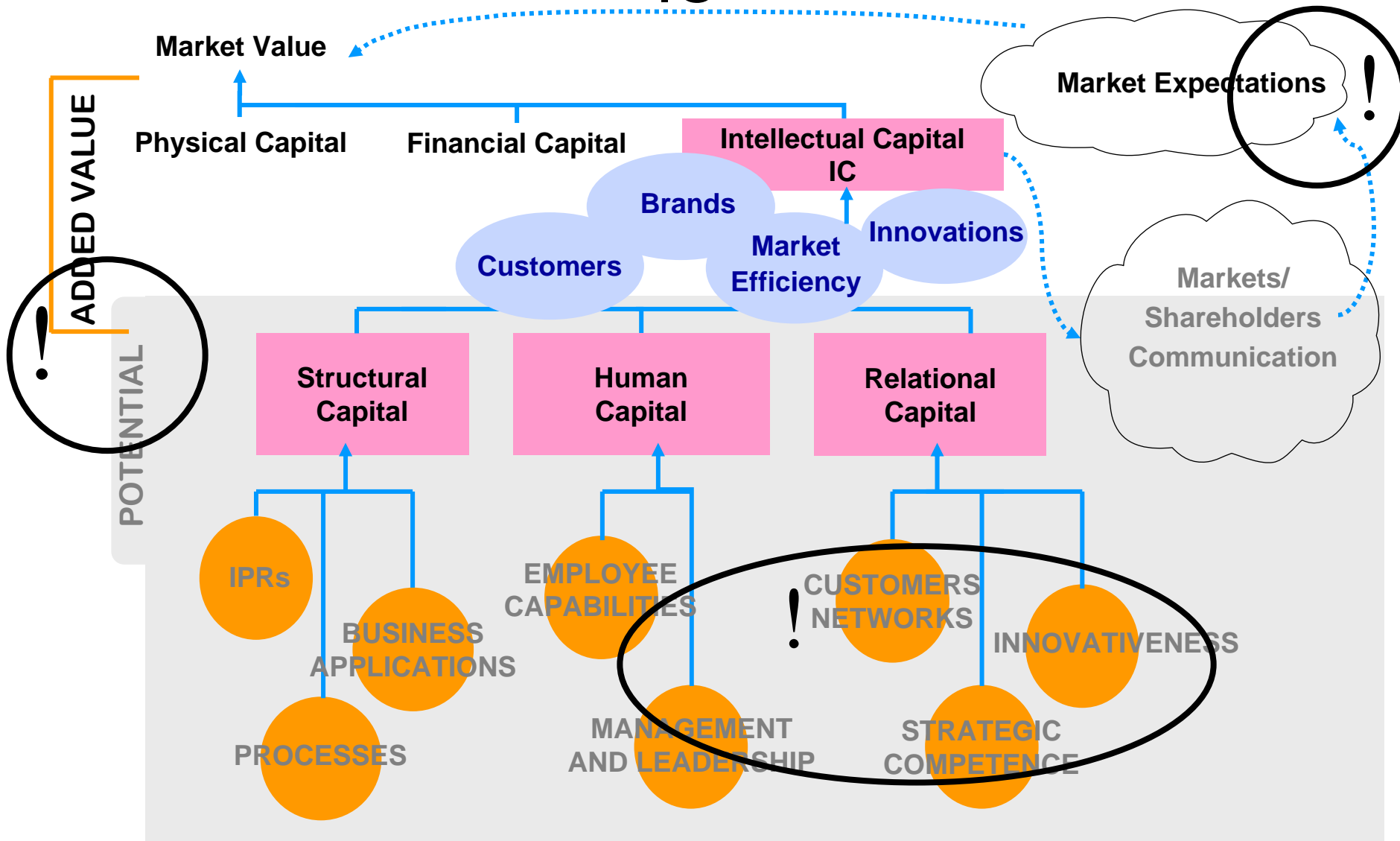
We Need to Go Further

IC research should be upgraded from the current **metaphorical stage** to become **a more concrete tool** for national and corporate competitiveness and foresight.

The perspective of **emerging communities** is important to be included in IC research.

-> There is a need to get better knowledge on the dynamics and drivers of IC

The Challenge to Track the Dynamics of IC



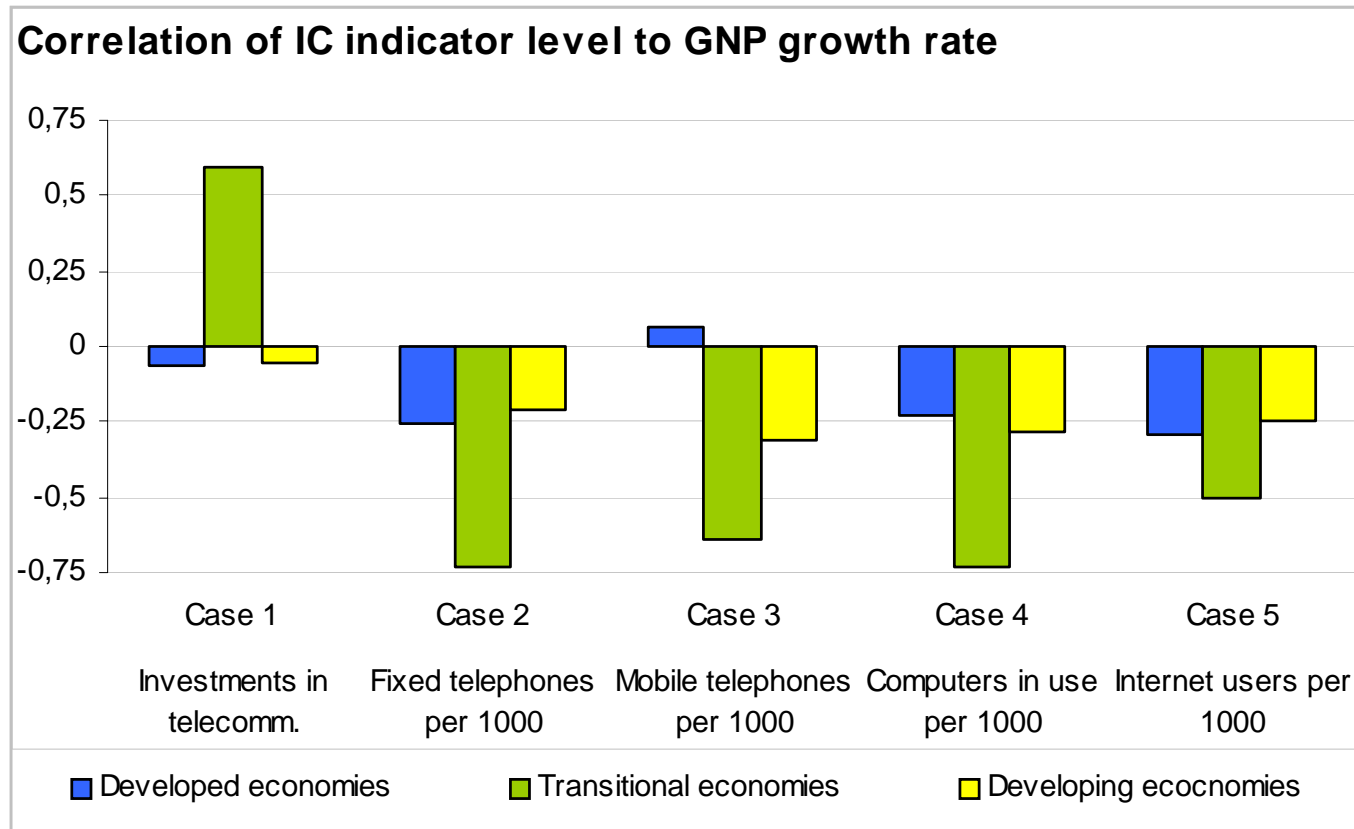
Measuring National Dynamic IC (nDIC™)

- In order to identify effective tools and methods for IC we must be able to make a difference between cases, where
 - IC indicator is a reflection or antecedant of GNP growth, e.g. when high R&D investment rates are a result of the GNP
 - IC indicator affects positively GNP growth, e.g. investments in infrastructure generally boost economy.
- In this analysis operating solely with *levels* (of IC indicators and GNP growth rate) is misguiding and incapable of identifying actual
 - sustainig effects
 - boosting effects
 - linear growth effects
 - exponential growth effects.

Example 1: Level as the unit of analyses is an insufficient tool

Q: How does the level of an IC indicator relate to the nation's GNP growth rate?

A: The level of an IC indicator does not necessarily influence national GNP growth rate at all.



Data is processed by using IMD 2005 data of 51 countries and 331 indicators, 16881 total

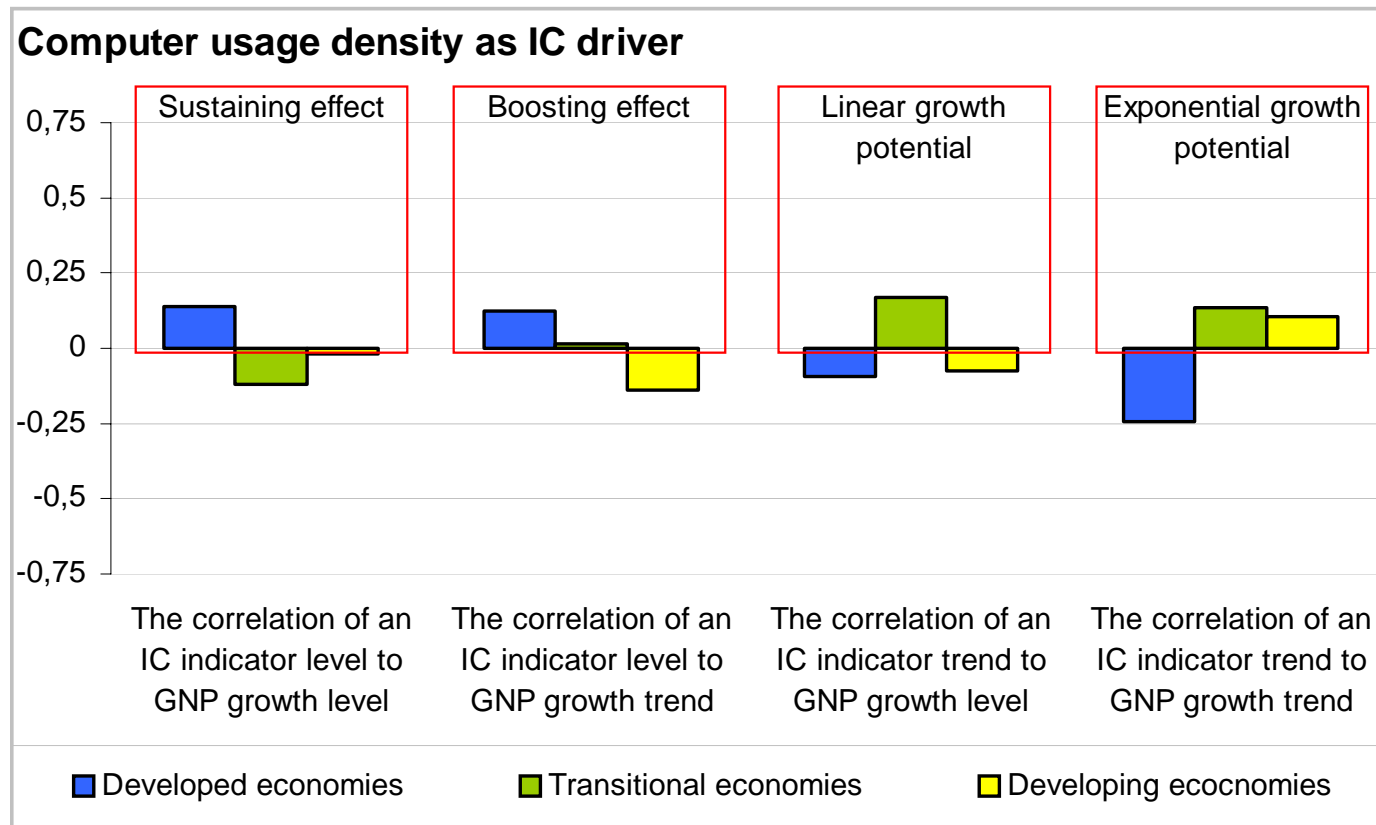
National IC Drivers are not Universal

- IC drivers tend to saturate, e.g. their capability to boost economical growth or enforce competitiveness may weaken or vanish.
- Saturation occurs in two ways:
 - drivers can turn into necessary pillars of developed economy, e.g. education in general
 - drivers can decline or vanish and be taken over by new drivers, e.g. the transfer of literacy into media literacy in developed countries.
- In the saturation process three distinct economical structures can be identified
 - developed economies
 - transitional economies
 - developing economies.
- Most saturated drivers in developed economies are still working well in developing economies.

Example 2: IC drivers must be analyzed from 4 perspectives

Q: Are IC indicators always economical drivers? Can we make difference between potential and value adding IC?

A: The effects of IC indicators and drivers vary in different economical phases.

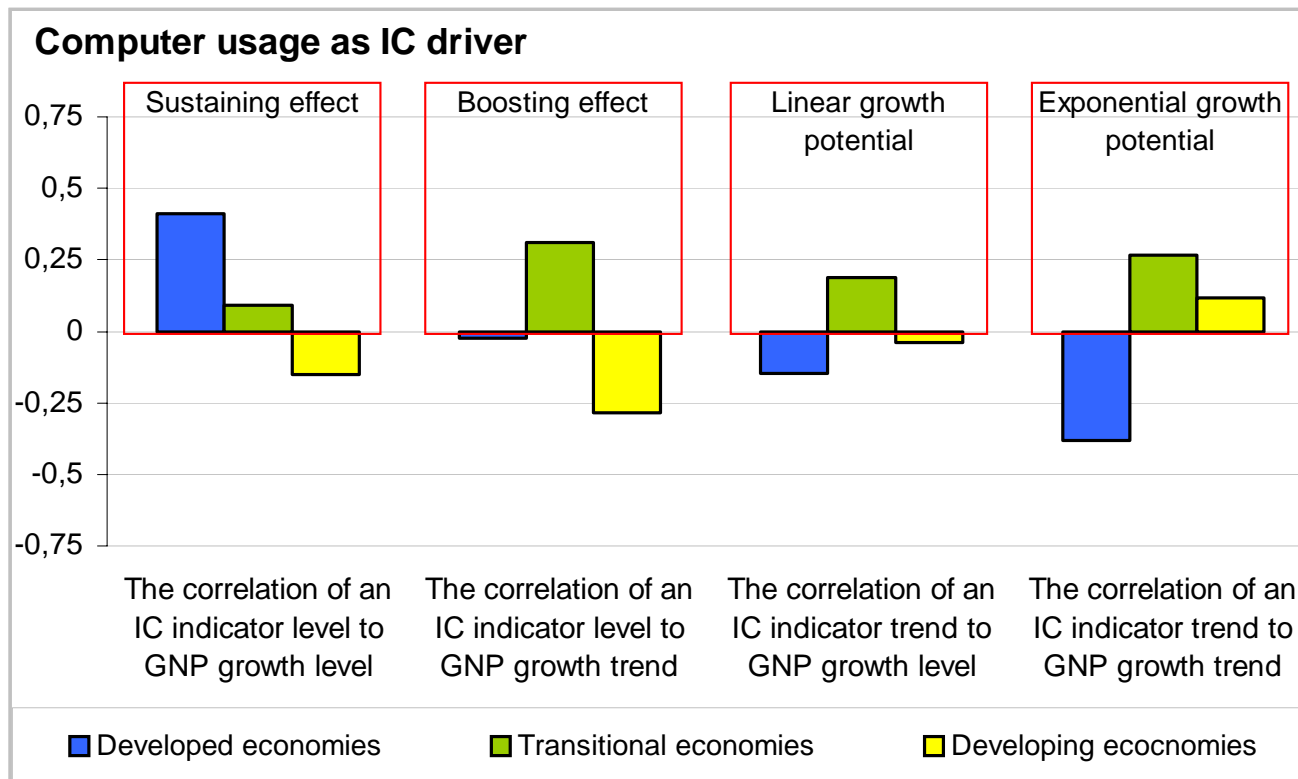


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Example 3: Saturation of an IC driver in developed economies

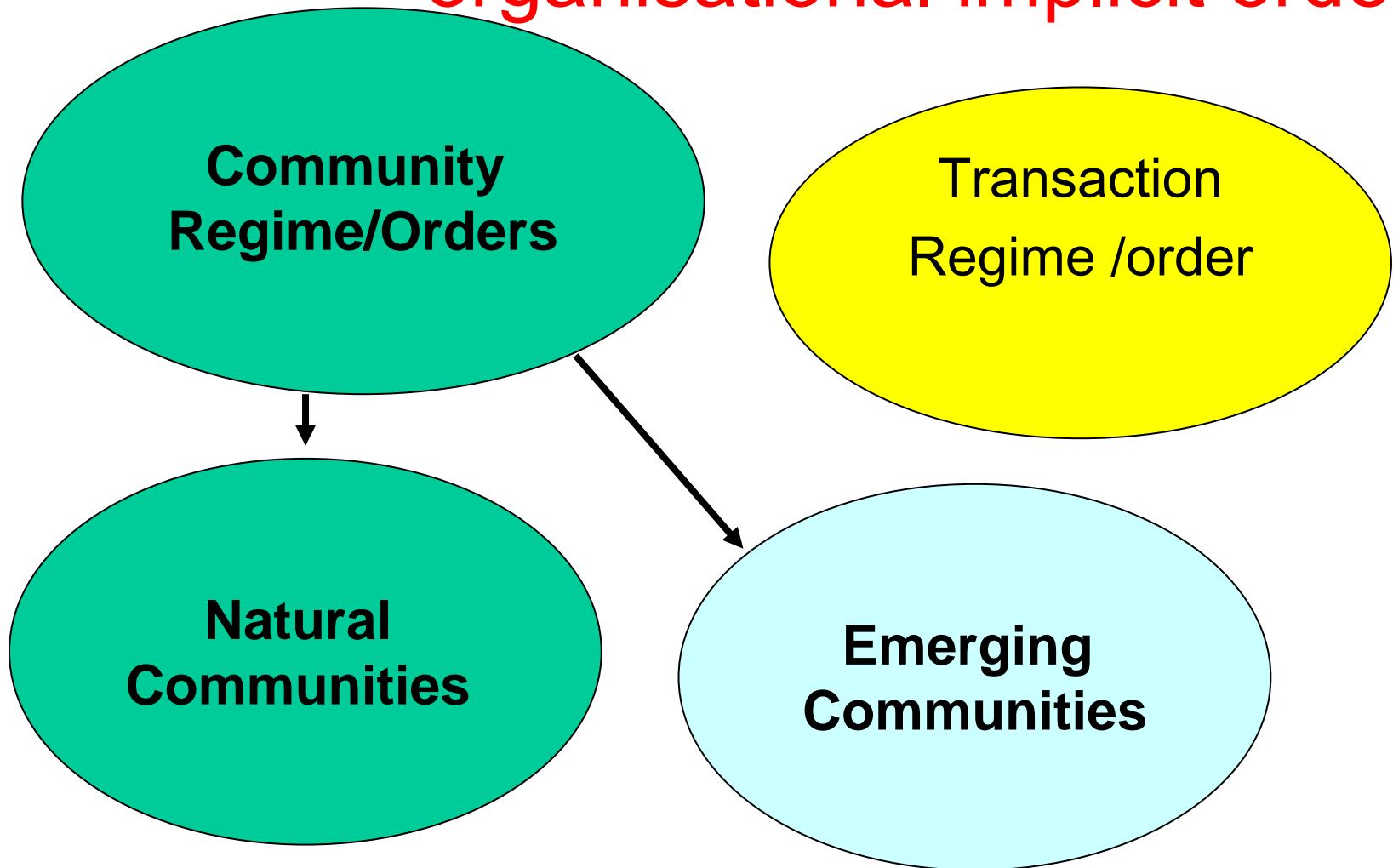
Q: Does the increase of computer usage boost the GNP growth rate?

A: Only in transitional economies. In developed economies its meaning has been saturated. In developing economies tresh hold levels need to be reached.

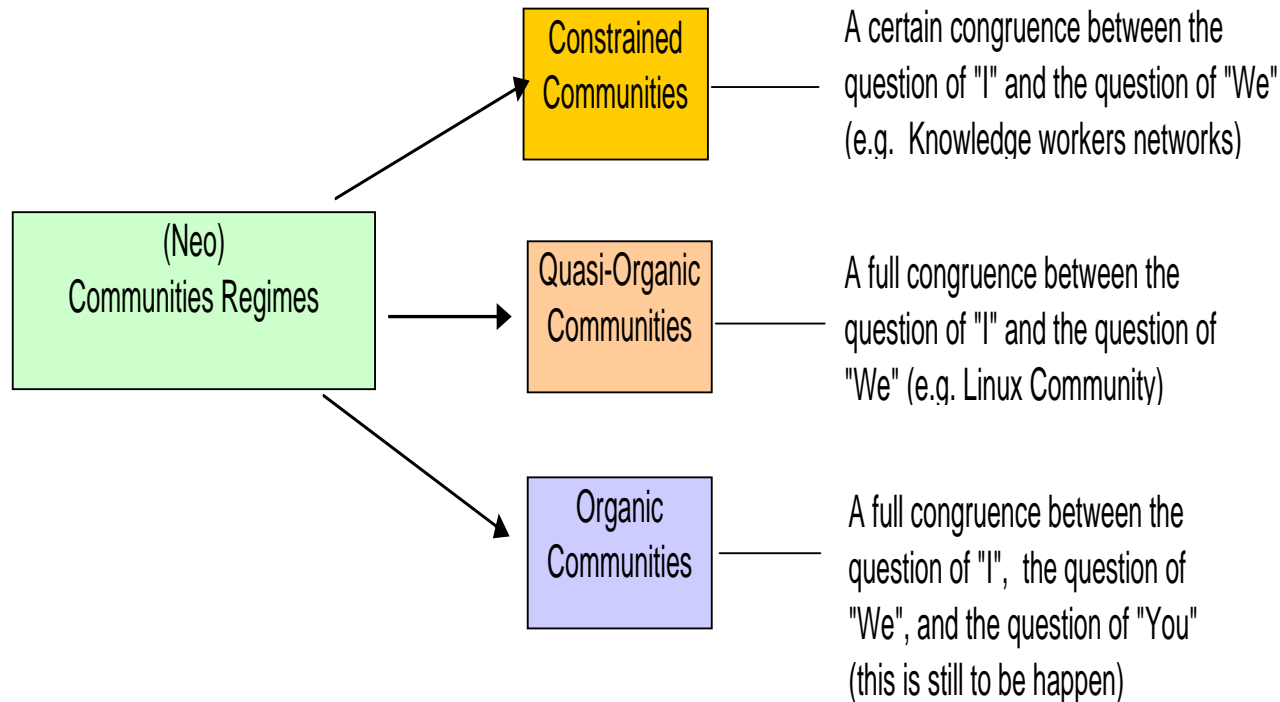


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Two types of regimes / with ad hoc organisational implicit orders



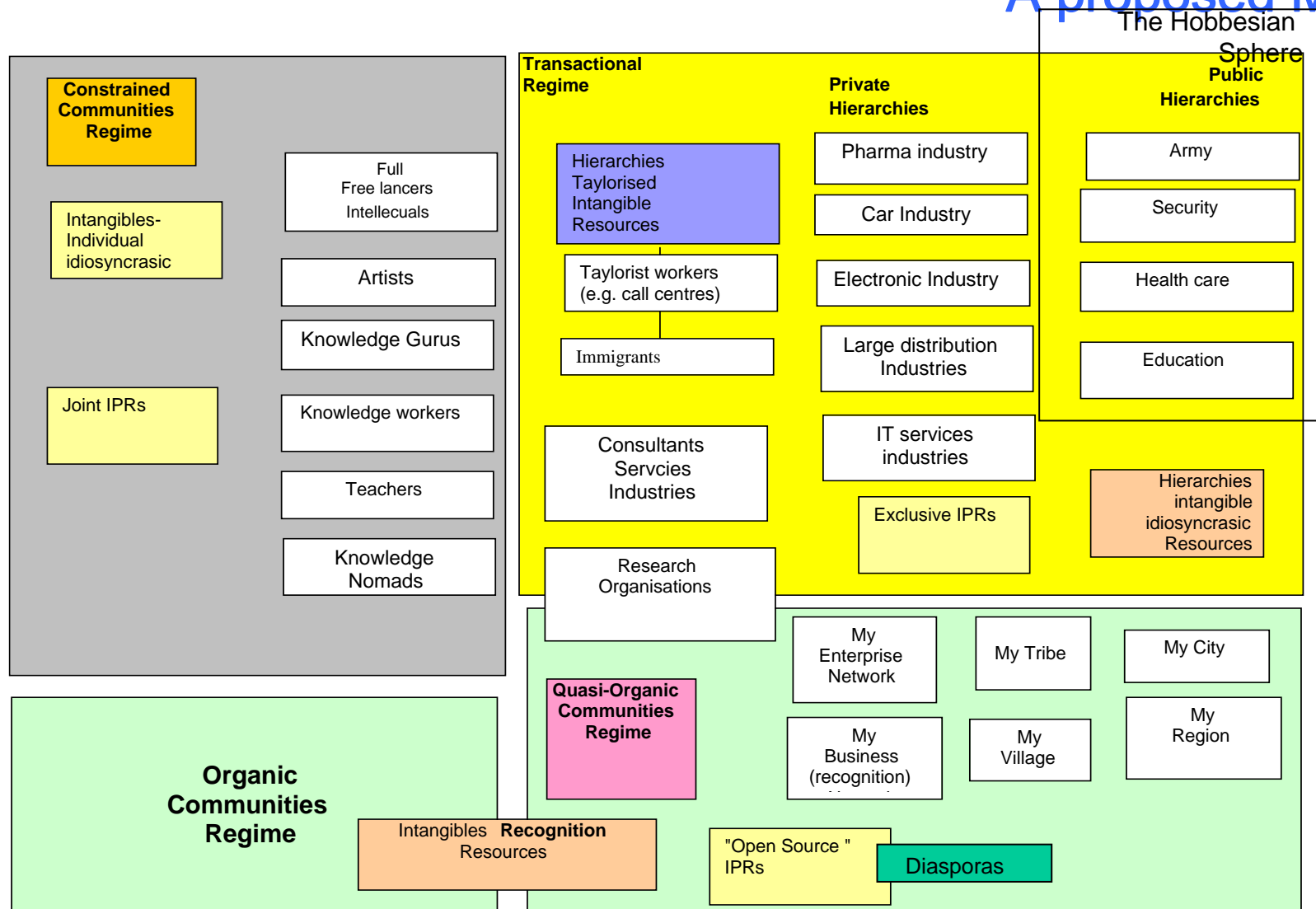
Three types of Emerging communities



Source: Bounfour, A. (2005): « Modeling Intangibles: Transaction regime Versus Community Reigmes » in Bounfour, Edvinsson (eds.): **Intellectual Capital for Communities, Nations, Regions and Cities**, Chapter 1. Elsevier Butterworth-Heinemann, Boston, MA. p.10

Types of regime, Intangible Resources and IPRs

A proposed Map



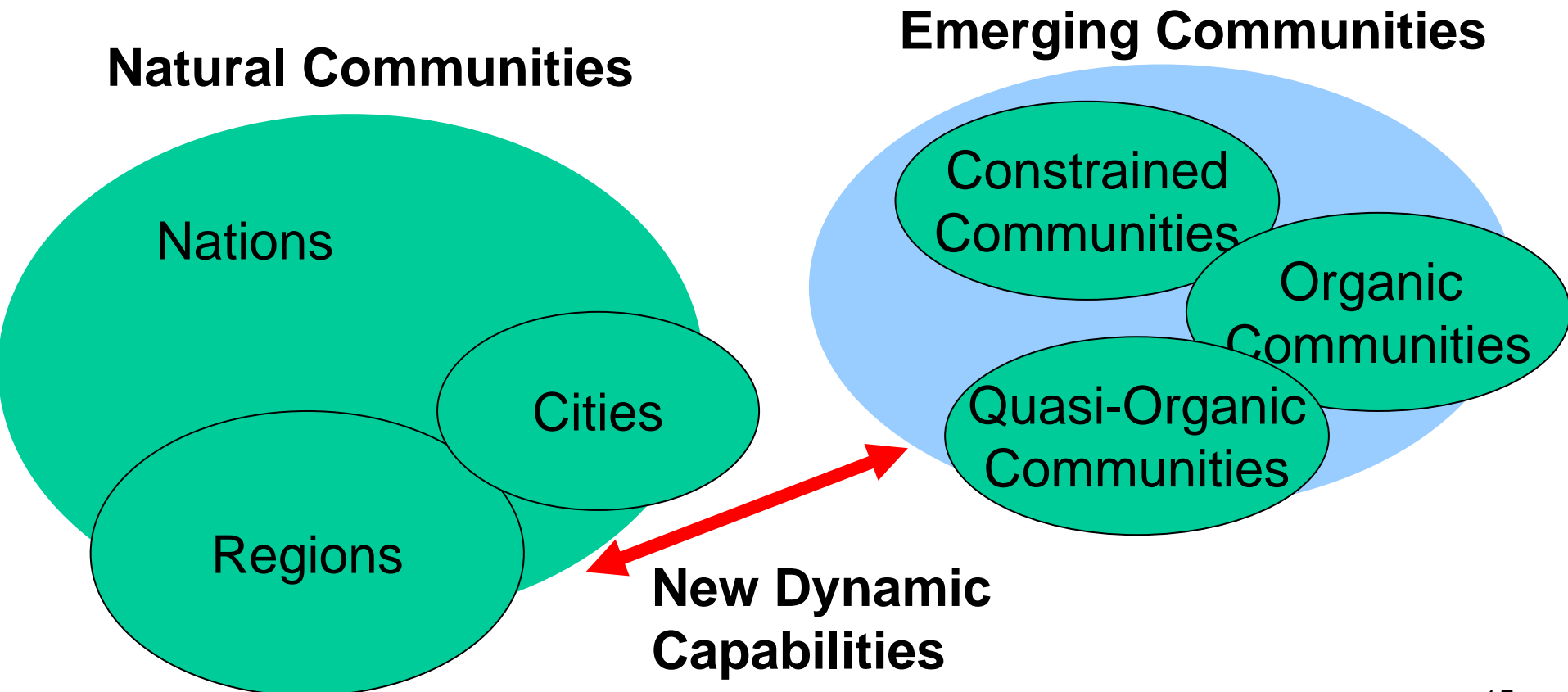
Source: Bounfour, A. (2005): « Modeling Intangibles: Transaction regime Versus Community Reigmes » in Bounfour, Edvinsson (eds.): **Intellectual Capital for Communities, Nations, Regions and Cities**, Chapter 1. Elsevier Butterworth-Heinemann, Boston, MA. p.11 adapted by the author

Articulating communities dynamics

1. The articulation between **Transaction Order** and **Community Order**: *How the Transactional Order can maintain an overlapping and even integrative relationships with the Community Order ?*
2. The articulation between the three **Community Orders**
3. The articulation between the **Transactional space**, the **Organic « space »** and the individual **Private space**

Dynamic Capabilities of Communities

4- The articulation between **Natural communities** and **Emerging communities**



Dynamic Capabilities of Communities

Dynamic capabilities of communities can be defined as
« Architectural and Mental resources, consisting
in *the way these communities continuously renew and
articulate their transaction and recognition spheres,
according to their leaders and members beliefs and
positioning in space and time »*

Dynamic Capabilities of Communities

Examples of Challenged Political Policies for **Natural Communities:**

- *Innovation policy,*
- *IPR policy,*
- *Education policy,*
- *work law policy*
- If the constrained communities become the dominant way of organising activities, then these policy issues have to be addressed from a different angle (The question of entrepreneurship for instance)

Problems in Current IC Research

1. The current *level of IC* and the growth *trend of IC* have not been separated, although their influence on economic growth is different.

3. Economic IC drivers have been understood as universal, even if they are situational
 - IC drivers are dependent on the developmental stage of a nation as well as on the national strategies.

4. The estimates for the connection between IC and national economic growth ignore other, non-IC, economic drivers.
 - IC and the drivers of the global or domestic economy get mixed.

Problems in Current IC Research (2)

4. National Intellectual Capital is not an intrinsic value but instead connected with independent economical and social drivers. A lot of confusion in the current IC research exists about this at the moment.
5. Strategic issues must be highlighted (for instance as a component of relational or renewal capital). In current IC research strategic capability with its effects has almost completely been ignored.
 - > Strategic capability to manage national growth, welfare, assets, resources, opportunities and threats in a global economy is a major part of future IC.

Problems in Current IC Research (3)

- 6- Understanding the link between the Natural Communities (Nations, Regions, Cities) and Emerging Communities and developing models and metrics
- 7- Measuring the flow and stock of IC for specific Communities :
Diasporas, Knowledge Nomads, Constrained communities,
Taylorised intangibles
- 8- Prototyping specific policy instruments for ad hoc community / individual regimes: Human Capital dimension, IPRs among others