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Intangible Capital Investment, Technological Restructuring and Corporate Presence in Global Value Chains: The Case Economic Competencies in Slovenian Firms

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Firm competitiveness and survival in the global markets depends on a large number of factors. In recent years, the literature is increasingly focusing on the role of intangible capital. Corrado et al. (2005) provided a systematic definition of intangible capital, which divided intangibles into three major components (1) computerized information, (2) innovative property and (3) economic competencies. This paper studies primarily the last – the economic competencies, which comprise according to the Corrado et al. (2005) definition brand equity, firm-specific human capital, and organizational structure. Intangible capital is strategically important for firms' development and competitiveness. First, deriving from the economic literature stands, intangible capital is important since it increases value added and productivity (e.g. VanArk et al., 2009, Corrado et al., 2009), according to the estimates, it can increase productivity even up to a third. Economic competencies themselves in the US contributed about half of that increase. The investments into intangible capital are in the developed countries even as high as the tangible investment, in the US and the UK around 13% of GDP, in Japan in manufacturing even 16% of GDP (Fukao et al., 2009, Miyagawa, 2010). Economic competencies represent one of the major sources of intra-industry competitive advantages. Especially in the recent years, the competition has become increasingly harsh and knowledge-based (Lane and Lubatkin, 1998) and firms are trying to strengthen and continuously develop the capabilities.

If on the one hand the literature recognizes that it is important to build firm-specific competencies, the development literature on the other hand emphasizes the importance of absorbing knowledge, which is available to firms due to their foreign trade linkages. The concept of export-led growth, which has offered a successful model of promoting development to a number of countries (Paley, 2011) does not rely only on increasing aggregate demand through exports. Export-led growth also allows access to other markets, promotes access to outside knowledge and technology, managerial knowledge, access to potential foreign capital. It also stimulates cooperation between domestic and foreign companies, allows for greater trickle-down benefits, increased competition stimulates innovation and investment into tangible and intangible resources (Kim, 1997, Nelson and Pack, 1999, Kim, 1997, van Wijk et al., 2008, Cummings and Teng, 2003, Prasnikar et al., 2012).

The purpose of this paper is to examine the relationship between the involvement of firms into global value chains and their investment into intangible capital, in particular in this case economic competencies. The analysis relies on firm-level data from Slovenia, combining several survey-based micro-databases, accompanies by the data on firms' financial performance. The results show that intangible capital stimulates involvement in trade. Firms that invest more into the development of their competencies also are more innovative, which in turn can be expected to promote their position in global markets. In addition, the paper also shows that firm differ significantly also in their nature of the development of economic competencies and that this is also related to their position in trade. The analysis relies on the company level data provided by the Statistical office of the Republic of Slovenia.

The database included answers of firms to a survey on continuous education and vocational training, which was finished by the Statistical office in 2006 and 2011.

The paper makes several contributions to the literature. First, it contributes to the understanding of the nature of the development of intangible capital in Slovenian firm, where the focus is on the economic competencies. Second, the paper provides to the best of our knowledge the first such analysis of the behaviour of Slovenian firms based on firm-level data. Third, the paper links trade and the investment into intangible capital, which is of particular practical interest for many firms from developing countries, where due to the cost-pressures, the investment into human capital is often neglected.

Keywords: intangible capital, human capital, economic competencies, trade, GVV

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