

Understanding Innovation by Analyzing the Pillars of the Global Competitiveness Index

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Abstract : Global Competitiveness Index (GCI) prepared by World Economic Forum has become a benchmark in studying the competitiveness of countries and for understanding the factors that enable competitiveness. Innovation is a key pillar in competitiveness and has the unique property of enabling exponential economic growth. This paper attempts to analyze how the pillars comprising the Global Competitiveness Index affect innovation and whether GDP growth can directly affect innovation outcomes for a country. The key objective of the study is to identify areas on which governments of developing countries can focus policies and programs to improve their country's innovativeness. We have compiled a panel data set for top innovating countries and large emerging economies called BRICS from 2007-08 to 2014-15 in order to find the significant factors that affect innovation. The results of the regression analysis suggest that government should make policies to improve labor market efficiency, establish sophisticated business networks, provide basic health and primary education to its people and strengthen the quality of higher education and training services in the economy. The achievements of smaller economies on innovation suggest that concerted efforts by governments can counter any size related disadvantage, and in fact can provide greater flexibility and speed in encouraging innovation.

Keywords : innovation, global competitiveness index, BRICS, economic growth

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