

Panel 2 Innovation & Competitiveness



In the concluding remarks of the European Council 2013, the EU Heads of State and of Government stated that “Investment in research and innovation fuels productivity and growth and is the key for job creation. Member States that have continued to invest in research and innovation have fared better in the current crisis than those that have not”.¹

With the increased globalization of the economy, the term competitiveness has become ubiquitous. But what does it actually mean? Harvard’s Michael Porter states, “The only meaningful concept of competitiveness at the national level is productivity.”² The Global Competitiveness Report released by the World Economic Forum defines competitiveness as “the set of institutions, policies, and factors that determine the level of productivity of a country.”³ And IMD’s World Competitiveness Yearbook defines competitiveness similarly, but more broadly, as the way an “economy manages the totality of its resources and competencies to increase the prosperity of its population.”⁴ The true definition of competitiveness is the ability of a region to export more in value added terms than it imports. A competitive economy is one with a trade surplus, few barriers to imports and limited “discounts” to exporters.

While competitiveness is almost always incorrectly equated with productivity, innovation is usually defined more accurately, although usually too narrowly. Many see innovation as only technological in nature; still others believe innovation pertains only to the research and development (R&D) activity occurring at universities, national laboratories, and corporations.

The Organization for Economic Cooperation and Development properly defines innovation more broadly as “the implementation of a new or significantly improved product, process, a new marketing method,

¹ Máire Geoghegan-Quinn - Commissioner for Research, Innovation & Science, from 2010-2014

² Michael E. Porter, “The Competitive Advantage of Nations,” Harvard Business Review, March 1990, <http://hbr.org/1990/03/the-competitive-advantage-of-nations/ar/1>

³ Klaus Schwab, “Global Competitiveness Report 2012- 2013” (World Economic Forum, September 2012), <http://reports.weforum.org/global-competitivenessreport-2012-2013>

⁴ Atkinson, R.- *Competitiveness, Innovation and Productivity: Clearing up the confusion*, Aug.2013, <http://www2.itif.org/2013-competitiveness-innovation-productivity-clearing-up-confusion.pdf>

or a new organizational method in business practices, workplace organization, or external relations.” Innovations can arise at many different points in the development process, including conception, R&D, transfer, production and deployment or marketplace usage.

Productivity is, perhaps, the most straightforward and easily defined of the three factors. Productivity is economic output per unit of input. To understand the sources of productivity, it is important to understand that economies have three ways to grow in the middle and long term: growth in number of workers, growth in productivity across-the-board and growth in the share of activity in high-productivity industries.

Spurring innovation can help productivity and competitiveness. And innovation means that future goods and services will not only be cheaper but better.

The bottom line is: nations need to have well-articulated and distinct strategies addressing competitiveness, innovation and productivity. No single strategy can effectively address all three factors. The EU's innovation policy therefore aims to create framework conditions that favour innovation and that allow bringing ideas to market. Innovation is the only means of tackling the major societal challenges such as climate change, scarce natural resources and an aging society, while fostering jobs and growth.

We hope to spur your interest in this debate: Which one is more important? Competitiveness, innovation or productivity in the process of setting up development strategies and tailored policies to ensure a better life for more people.

We welcome papers, research notes, comparative studies that discuss the above-mentioned ideas or/and are oriented towards analyzing:

- *the need to invest in R&D and in people, as main condition to achieve a knowledge-driven competitiveness ;*
- *the importance of reforms, such as : structural change for more knowledge-intensive European economy, support research excellence and knowledge circulation, renewal of firm structure by high-growth innovative enterprises, upgrading established industries for competitiveness and jobs;*
- *the acceleration of the development of a sustainable, competitive, innovative and inclusive information society;*
- *the transformation determined by innovation for growth and jobs.*

In particular, we are encouraging submission of interesting success stories/ case studies coming from SME representatives illustrating their “struggle” to become more competitive and to be able to innovate constantly.