*Strategic Management*, 9e: Chapter 7 study guide

International perspectives on innovation

International country comparisons on innovation pose signiﬁcant problems. This is because innovation is dependent on the *product group*: for example, innovation is likely to be higher in biotechnology and lower in food products because of the state of technological development in these two categories. Different countries have different strengths in different product groups (see Chapter 19 for an exploration of this area). Hence, it is difﬁcult to make generalisations about countries without assessing the product groups with which they are involved.

Nevertheless, the reasons why the pace of innovation seemed to be higher in some countries than in others were explored in the 1980s.[[1]](#endnote-1) Three interrelated groups of factors were identiﬁed:

1. factors that inﬂuence *inputs* to the innovation process, such as the quality of the country’s scientiﬁc community, especially its educational institutions

2. factors that inﬂuence *demand*, such as receptive and interested customers

3. an *industrial structure* that favours intense competition to stimulate growth and provides some method for companies to spread the cost and results of scientiﬁc research, such as through a government agency

These conclusions are like those of Porter when exploring the competitive advantage of nations (see Chapter 19).

The role of government may also be important. In France, the UK and the USA, it was ‘top down’, directed at speciﬁc industries, such as defence, and with speciﬁc measurable objectives. In other countries, such as Sweden, Switzerland and Germany, government acted in a more ‘diffusion-oriented’ way. It responded to market signals and provided education and training and set industry standards that raised quality and diffused technology.

In terms of competitive advantage, over the centuries, nations have come to rely less on the possession of raw material wealth, which can be bought through international trade. They also place less emphasis on being close to markets since transport costs have come down dramatically. Countries now rely heavily on scientiﬁc skills, not only to invent products but also to manufacture those that have been developed. In turn, such developments require a highly skilled workforce and investment by the state in education. In seeking sources of innovation, organisations will wish to consider the role that the state has played and is continuing to play in investing in its future workpeople. Countries such as Singapore and Malaysia have recognised the importance of investment in education to provide the structural basis for the innovatory process.

1. Ergas, S, quoted in *The Economist* (1992) ‘Survey on Innovation’, 11 January, p23. [↑](#endnote-ref-1)