

**Innovation, Entrepreneurship and Growth:
Some Facts****Chaoui Sabiha^{1♦}, Zine Mohammed Barka²**¹ University Abou Bekr Belkaid, Tlemcen (Algeria), sabihachaoui13@gmail.com² University Abou Bekr Belkaid, Tlemcen (Algeria), zine.barka@gmail.com**Received: 24-06-2019****Accepted: 21-05-2020****Published: 21-05-2020****Abstract:**

Innovation is an essential driver of economic progress that benefits consumers, businesses and the economy as a whole. America's genius for innovation and entrepreneurial drive is well known with our openness and enthusiasm for practical innovation—to be the primary reason for America's economic preeminence, Economists have calculated that approximately 50% of U.S. annual GDP growth is attributed to increases in innovation. This paper aims to defining innovation and demonstrate why we need innovation, and how it can spread throughout the country. The second objective is to will mention the location of innovation, where it started and the extension of innovation to new part of the world.

Key words: Innovation, Entrepreneurship, Economic Growth, Some facts.**JEL Classification:** D83, L26, O32.**1. Introduction**

Innovation is an essential driver of economic progress that benefits consumers, businesses and the economy as a whole. « Innovation drives economic growth. This is one of the most consistent findings in macroeconomics, and it's been true for centuries. America's genius for innovation and entrepreneurial drive is well known with our openness and enthusiasm for practical innovation from the steam engine to the search engine—to be the primary reason for America's economic preeminence.

Economists have calculated that approximately 50% of U.S. annual GDP growth is attributed to increases in innovation »¹. How does it play that role, how does it contributed to economic growth and what can be done to promote it? There is also another dimension related to innovation and which plays an important role in economic development that is entrepreneurship².

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We will start first by defining innovation³; we will demonstrate very shortly why we need innovation, and how it can spread throughout the country. Will mention the location of innovation, where it started and the extension of innovation to new part of the world.

2. What is innovation?

In economic terms, innovation describes the development and application of ideas and technologies that improve goods and services or make their production more efficient. A recent example of innovation is the development of information technology which has transformed the process used by companies to manufacture and market their goods and service. This new technology which is growing at a faster rate has opened up new markets and new business models.

3. Why do need innovation?

One of the major benefits of innovation is its contribution to economic growth. Simply put, innovation can lead to higher productivity, meaning that the same input generates a greater output. As productivity rises, more goods and services are produced at very competitive prices and making the cost of production lower. As a result, the economy grows and improves its capacity for export.

Innovation and productivity growth bring vast benefits for consumers and businesses. As productivity rises, the wages of workers increase. They have more money in their pockets, and so can buy more goods and services. At the same time, businesses become more profitable, which enables them to invest and hire more employees. Entrepreneurs are encouraged to engage in innovative processes « firms are urged to be innovative to gain or sustain a competitive edge »⁴.

4. The diffusion of innovation:

Innovation usually starts on a small scale, e.g. when a new technology is first applied in the company where it has been developed. However, for the full benefits of innovation to be realised, it is necessary for it to spread across the economy and equally benefit companies in different sectors and of different sizes.

5. The geography of innovation:

Traditionally, the USA and Europe are considered as the birthplace of a great deal of innovation. These two regions are now seen as the traditional leaders on innovation. Yet, the recent economic history has witnessed some emerging countries that are becoming a serious competitor on innovation process such as Asia⁵.

Several emerging economies – and China in particular – have become significant actors in the global innovation system. There is evidence that R&D played a key role in the take-off of Asian economies such as China, India and Korea. The extension process of innovation is also spreading to Africa⁶.

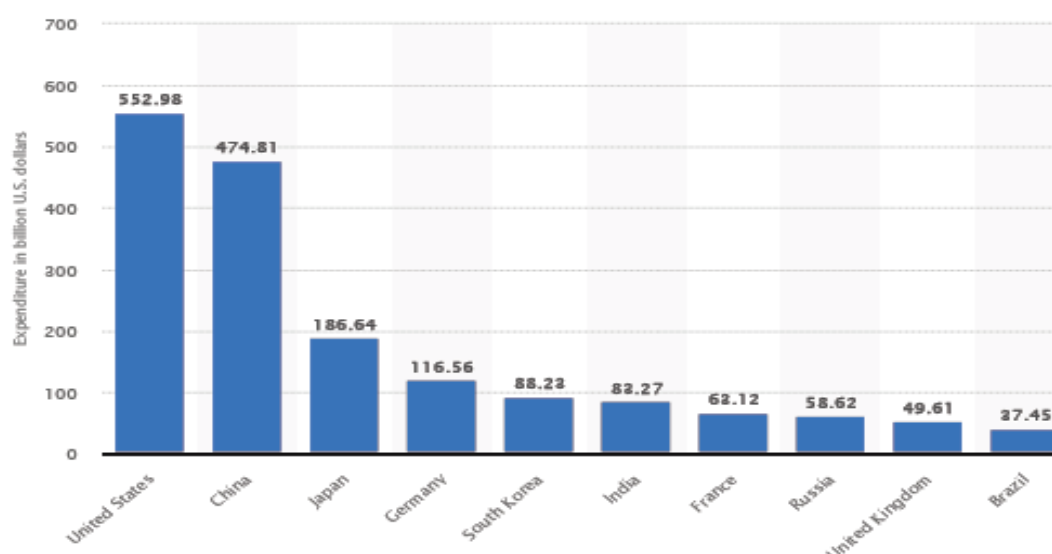
However, there are only three euro area countries among the world's top ten nations in the world economic forum's Global Competitiveness indicator (table). There has also been a persistent gap in spending on research and development (R&D) between the euro area and other major advanced economies (fig).

Table. Leading countries by gross research and development (R&D) expenditure worldwide on 2018 (in billion U.S. dollars)

	The Top 10 Most Innovative Economies	
	Global Competitiveness Report 2017-2018	Rank*
Switzerland		1
United States		2
Israel		3
Finland		4
Germany		5
Netherlands		6
Sweden		7
Japan		8
Singapore		9
Denmark		10

Source: The Global Competitiveness Report 2017-2018
*2017-2018 rank out of 137 economies

Fig. Spending on research and development (R&D) between the euro area and other major advanced economies



Source: <http://www.statista.com/statistics/732247/worldwide-research-and-development-gross-expenditure-top-countries/>, (consulted on 19/06/2018).

6. How can innovation be promoted?

Structural measures to promote innovation include increasing spending on research and development (R&D) and investing in education, as well as enabling entrepreneurs to start businesses more easily by improving the Doing Business Index.

Moreover, one of the important lessons of the past two decades has been the pivotal role of innovation in economic development. The build-up of innovation capacities has played a central role in the growth dynamics of successful developing countries⁷.

In this regard, two important facts : innovation is firstly about adopting and mastering high-technology products and has to be integrated at the beginning stage of the development process 'in order to possess the learning capacity that will allow 'catch up' to happen'. Secondly, developing countries have to implement innovation capacity and to adapt external technology to their local needs. That way, a successful development process based on a wider use of innovation capacities can spread growth to the entire economy.

7. Conclusion

The conclusion of the study ⁸ is worth considering for the developing countries. There are other opportunities for developing and emerging economies to engage in innovation. We will consider only two factors:

- **Information and communication technologies (ICTs)**

Offer many opportunities for innovation and development. In fact, ICTs could be a powerful means to help lower- and middle-income groups and their business overcome barriers to adopt new technology based on innovation. The success of E-banking in developing countries is one such example of e business model built on ICTs.

Also, ICTs enable scientists and innovators from the developing world to access scientific or business knowledge from all around the world more easily, and help entrepreneurs to reach more customers and broaden their potential market. This is critical for many emerging and developing countries where market size and transport or information infrastructure often restrain business productivity and growth.

- **Higher educational, skills and human capital**

Skills play a crucial role for innovation. Low educational attainment and lack of quality and capacity of the educational sector at all levels (including vocational training and adult education) can hold back innovation.

Investment in human capital should go hand-in-hand with the creation of job opportunities. Otherwise well-qualified professionals are likely to contribute much less to boosting development as they suffer from underemployment.

Finally, the international dimension is important for many developing and emerging economies as a source for capacity-building (notably, by sending students and researchers to foreign universities). It can, however, also be a threat since the most skilled might choose to go and stay abroad if local circumstances do not provide sufficient opportunities. Improving local research and employment conditions for the highly skilled is essential to avoid emigration of the brightest.

¹<https://www.uschamberfoundation.org/enterprisingstates/assets/files/Executive-Summary-OL.pdf>, (consulted on 19/06/2018).

²Pontus Braunerhjelm, **Entrepreneurship, Innovation and Economic Growth, PAST EXPERIENCES, CURRENT KNOWLEDGE AND POLICY IMPLICATIONS**, Working Paper 2010:02, Swedish Entrepreneurship Forum.

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⁷We can look at the study

⁸ROBERT D. ATKINSON and STEPHEN EZELL, **Principles for National Innovation Success**, page 7.

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