



**Faculty of Economics, Finance
and Administration**

**Innovation as a key driver
of competitiveness in
South-eastern Europe**

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- **Most of the countries from Southeastern Europe have to shift from investment-driven stage of competitiveness to the innovation-driven stage.**
- **Factors such as technology, capital and human resources determine the quality of innovation process.**
- **Actually, these factors create disparity between countries. Numerous deficiencies transferred from the previous stages.**
- **Factor conditions, Context for Strategy and Rivalry**

- **Productivity and innovations are the basis for improving competitiveness.**
- **This should be encouraged with the development of human capital and the ability of society to innovate.**
- **Most of the observed countries have to shift from the investment-driven stage of competitiveness to the innovation driven stage.**
- **This situation is in the line with the achieved rank in the GCR for 2014.**
- **This apply particularly to the SEE-8 Group.**

- In 2014, SEE-8 and CEE-8 have achieved better results in macroeconomic determinants of competitiveness in relation to microeconomic determinants.
- Improvements in human development, political institutions and the rule of law are must.
- Monetary and Fiscal Policy indicators are not on the satisfactory level.
- Microeconomic determinants of competitiveness – very unfavorable results.
- The real value is created on the microeconomic level!

Competitive Position of SEE-8 (2014)

	Albania	B&H	Bulgaria	Croatia	Macedonia	Montenegro	Serbia	Romania	SEE
Global Competitive Index	97	87	54	77	63	67	94	59	75
Macroeconomic determinants	76	58	78	74	69	50	91	89	73
(1) Human Development and Political Institutions	83	59	94	70	62	54	87	81	74
(2) Monetary and Fiscal Policy	79	51	41	71	48	57	116	68	66
Microeconomic determinants	86	90	85	86	66	79	106	81	85
Porter's Diamond SEE									
(1) National Business Environment	88	90	81	77	62	69	102	79	81
- Factor Conditions	80	84	73	66	71	60	90	85	76
- Context for Strategy and Rivalry	68	100	89	107	85	71	117	99	92
- Supported and Related Industries and Clusters	122	103	92	80	95	101	122	113	104
- Demand Conditions	54	109	52	123	118	64	127	108	94
(2) Company Operations and Strategy	86	93	98	83	80	85	129	87	93

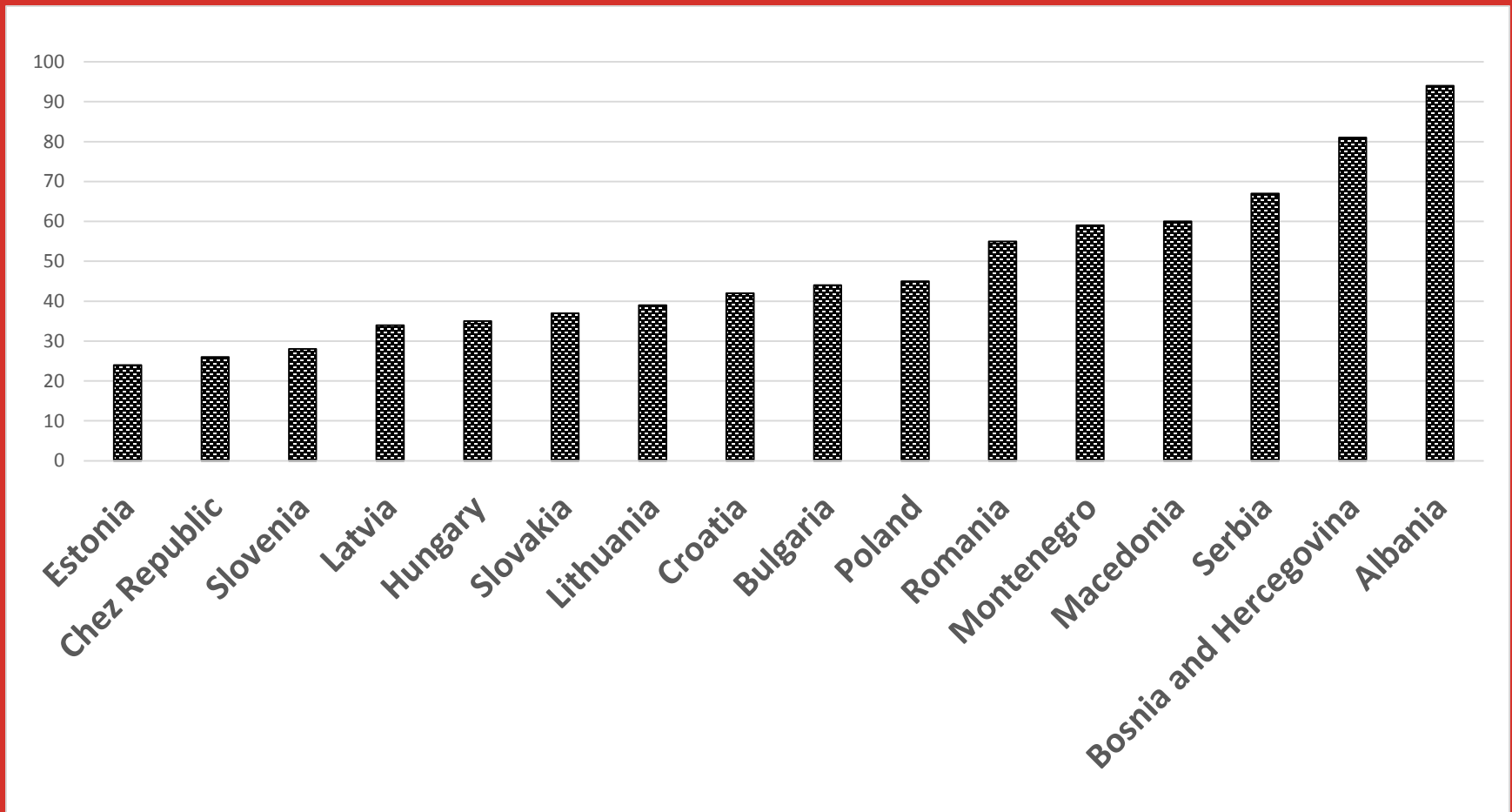
Note: Author's recalculations based on Porter et al. 2008. Rank versus 144 countries; overall, SEE-8 ranks 74th in 2013 ppp adjusted GDPpc and 75st in Global Competitiveness Report. For B&H we used data for 2013. Source: Global Competitiveness Report (2012-2013, 2013-2014).

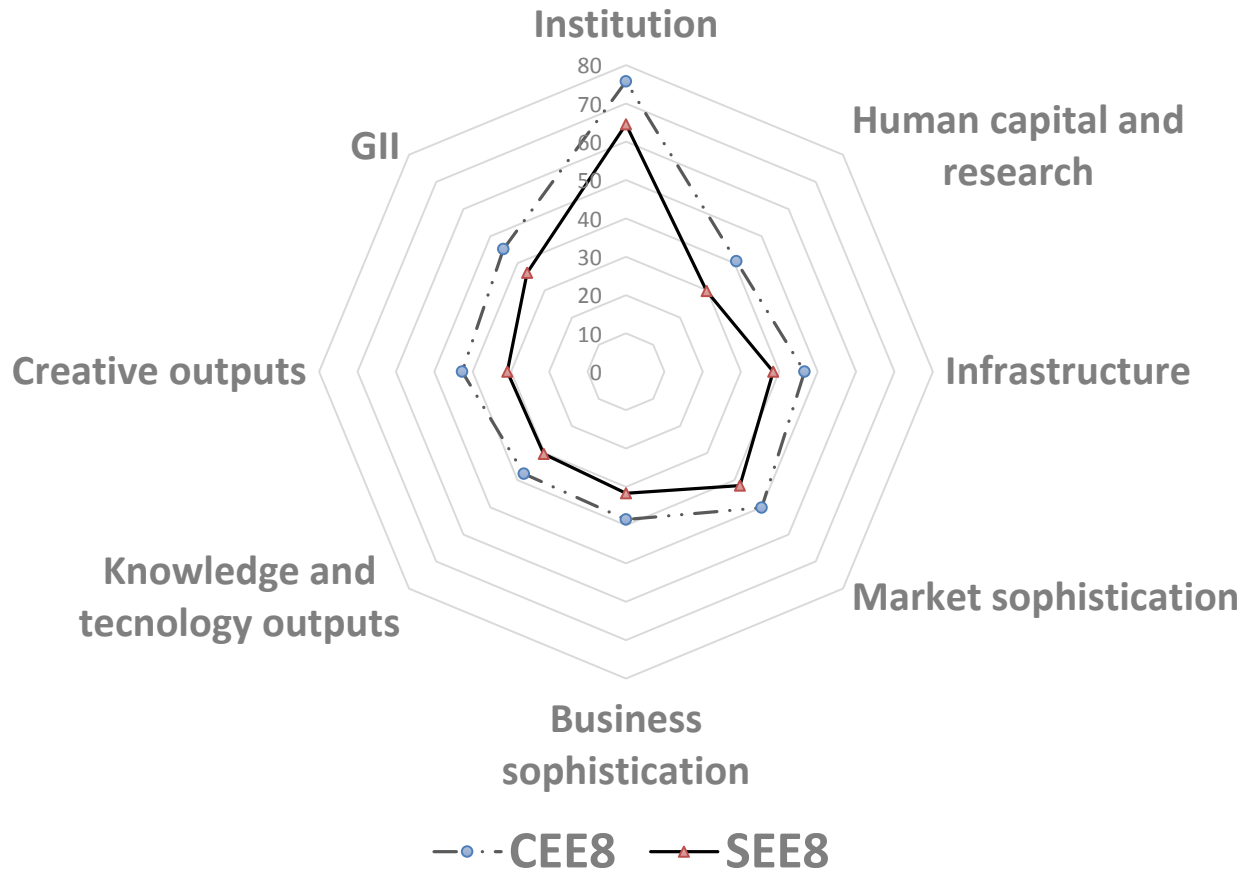
Competitive Position of CEE-8 (2014)

	Estonia	Czech Republic	Slovenia	Latvia	Hungary	Slovakia	Lithuania	Poland	CEE
Global Competitive Index	29	37	70	42	60	75	41	43	50
Macroeconomic determinants	28	66	61	50	71	78	51	61	58
(1) Human Development and Political Institutions	27	68	56	50	73	83	54	60	59
(2) Monetary and Fiscal Policy	36	51	86	51	60	55	38	66	55
Microeconomic determinants	37	54	72	53	73	71	56	68	61
Porter's Diamond CEE									
(1) National Business Environment	36	56	73	52	68	69	58	67	60
- Factor Conditions	39	58	64	54	67	73	55	68	60
- Context for Strategy and Rivalry	23	53	90	39	62	61	64	64	57
- Supported and Related Industries and Clusters	42	34	59	65	77	52	42	58	54
- Demand Conditions	62	92	112	95	110	122	98	91	98
(2) Company Operations and Strategy	43	47	66	55	96	79	47	47	60

Note: Author's recalculations based on Porter et al. 2008. Rank versus 144 countries; overall, CEE-8 ranks 50th in 2013 ppp adjusted GDPpc and 44st in Global Competitiveness Report. Source: Global Competitiveness Report (2012-2013, 2013-2014).

- **Despite economic crisis, innovation activities are not losing the momentum.**
- **The list of top 10 economies according to Global Innovation Index does not contain any of the countries in transition.**
- **Observed countries need to enhance innovation in order to rise living standards.**
- **Creation of new knowledge through research.**
- **Transfer and apply existing cutting-edge technologies.**





- There exist the need for better understanding of the rule of human factor.
- It needs to be strengthened through adequate education, training and motivation in schools, universities, businesses and civil society.
- It is necessary to improve the quality of human capital.
- Ability to attract and retain talent.
- Boosting the innovation performance, design fresh policy actions, develop infrastructure for innovation and quality business environment.

Thank you for your attention!



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