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COMMENT

The Power of Market Creation

How Innovation Can Spur Development

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Most explanations of economic growth focus on conditions or incentives at the global or national level. They correlate prosperity with factors such as geography, demography, natural resources, political development, national culture, or official policy choices. Other explanations operate at the industry level, trying to explain why some sectors prosper more than others. At the end of the day, however, it is not societies, governments, or industries that create jobs but companies and their leaders. It is entrepreneurs and businesses that choose to spend or not, invest or not, hire or not.

In our research on growth, therefore, we have taken the opposite approach, working not from the top down but from the bottom up, adopting the perspective of the firm and the manager. From this vantage point, we have learned that different types of innovation have radically different effects on economic and employment growth. This insight gives entrepreneurs, policymakers, and investors the ability to collaborate as never before to create the conditions most likely to unlock sustained prosperity, particularly in the developing world. We argue that there exists a well-established model of company-level investment and innovation that leads to transformative economic development and national prosperity, has been remarkably consistent at explaining past successes, and can provide direction to stakeholders in what to look for and what to build in the future.

VARIETIES OF INNOVATION

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