

Comments on  
*Innovation Paradox*

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# Comment 1: I fully agree

- Too little innovative activities
- Various factors affect innovation capability
- Management quality matters to innovations in developing countries
- Competition, human capital, and global connectivity among others determine management quality
- State capacity is also limited
- NISs may be categorized into incipient, maturing, matured stages

# Comment 2: Industrial clusters could be highlighted

- “Cluster” appears on pages 115, 149, 150, 151, 164
- Roles of industrial clusters in innovation are not much discussed.
- Most innovations take place in industrial clusters.
- Agglomerations: cities, industrial clusters.
- Innovators, entrepreneurs, managers, workers with special skills, and investors work in agglomerations. They are footloose, moving from an agglomeration to a more profitable agglomeration.
- Industrial cluster could deserve more attention.
- Of course, however, most clusters in developing countries are not thriving on innovations like Silicon Valley. Why? Perhaps the most important reason is poor management.

# Comment 3: Incipient stage

- Countries with incipient NIS could be conceptually classified into
  - Incipient NIS Type I = even relatively large firms do not know what good management is. Because of various benefits of agglomeration economies, they could start businesses and survive with little knowledge of management.
  - Incipient NIS Type II = relatively large firms are aware that their management could be improved but do not try to improve it. Their reluctance to hire professional managers or improve their own skills comes from their personal cost-benefit calculation. From the viewpoint of social welfare, however, it could be a huge loss to leave a number of workers work under incompetent managers.

# Comment 4: Type I

- Introduction and dissemination of *Kaizen*
- Trainers of *Kaizen* trainers in each country
- JICA + NEPAD
- Keijiro Otsuka, Kimiaki Jin, & Tetsushi Sonobe (eds.) *Applying the Kaizen in Africa: A New Avenue for Industrial Development* (Palgrave Macmillan, forthcoming, Open Access, JICA Research Institute)

# Comment 5: Incipient NIS Type II

- Public efforts to promote innovations would not be effective if business owners and managers are unwilling to improve their management quality.
- Competitive pressure could change their attitudes.
- Reduce entry barriers (entry restrictions and deterrence) & import barriers.
- Improvement in management quality → higher profitability → higher expected rewards → talented developers and marketers gather and stay → investors, too → thrive on innovations like Taiwan and coastal China.

# Comment 6: Countries with maturing or matured NIS

- In Innovation-led economies, not only the promotion of innovations but also social safety net and inequality would assume importance.
- “This process of Creative Destruction is the essential fact about Capitalism” (Schumpeter, *Capitalism, Socialism, and Democracy* 1943)
- Takashi Shiraishi and Tetsushi Sonobe (eds.) *Emerging Economies and States: Their Origins, Drivers, and Impacts* (Springer forthcoming, Open Access). Chapter 7. Tetsushi Sonobe “Middle Income Trap in Emerging Economies and States”