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# The World's Most Innovative Countries 2014



By Bruno Lanvin , Executive Director for Global Indices at INSEAD and co-author of the Global Innovation Index report

**The global leaders in innovation have made it easy for people, not just business, to thrive.**

Sergio Ermotti, the chief executive of UBS, Switzerland's biggest bank has been banking since the age of 15. He started out as an apprentice at Cornèr Bank, where he learned to sell stocks and trade. He went on to get a certificate in Swiss banking and it was up the career ladder from there. Ermotti is one of thousands of Swiss apprentices who have grown from a talent pipeline that starts even before university. This is one of the reasons why Switzerland is the top country in the [Global Innovation Index](#) (GII) for the fourth year in a row.

The country has combined such investments in human capital with a strong innovation infrastructure, a spectrum of information and communication technologies (ICT), the cross-pollination of knowledge workers where labour moves freely across its borders and the protection of creative outputs.

Similar characteristics define the stability of all of the top 10 economies in this year's ranking, with the United Kingdom and Sweden following Switzerland in the top three. A new entry into the top 10 this year is Luxembourg at 9<sup>th</sup> place. A defining trait among all of the top countries is their "ecosystem" approach to innovation, where they have developed their innovation policies across all pillars including business climate, business sophistication and the creativity and enablement of the younger generation.

### **2014 TOP 10**

1. Switzerland
2. United Kingdom
3. Sweden
4. Finland
5. Netherlands
6. United States of America
7. Singapore
8. Denmark
9. Luxembourg
10. Hong Kong (China)

This year, we pay special attention to the "human factor" in innovation, which looks at education, the availability and incentivising of talent and mobility across borders and between cities. The champions in this regard remain Switzerland and Singapore in terms of attracting talent and offering hubs where critical mass can be gathered and shared. The US remains a reference in this regard thanks to its university system which attracts talent from all over the world.

### **"The learners"**

But divides remain in the GII. Among the top 10 and top 25, rankings have changed but the list of economies there remains unchanged. A difficult-to-bridge gap exists where less innovative economies have difficulty catching up with the rate of progress of the higher-ranked economies. This can be partially explained by their difficulties in growing and retaining the talent necessary for sustained innovation.

But all is not lost for such countries. Among the “innovation learners”, those outperforming their peers from their respective income groups, we see spectacular progress for Russia moving up 13 places to 49<sup>th</sup> and China, moving up by 6 places to reach 29<sup>th</sup>, which makes China comparable to many high-income economies. India slipped 10 places to 76<sup>th</sup> this year. Among low income countries displaying outstanding performance were countries such as Kenya, Uganda, Mozambique, Rwanda, Malawi, Gambia and Burkina Faso. These “innovation learners” made improvements to institutional frameworks, a skilled labour force with expanded tertiary education, better infrastructure and deeper integration with global credit investment and trade markets and rising sophistication of their business communities.

### **The education factor**

While countries such as China, Argentina and those of the Gulf Cooperation Council (GCC) are scoring very highly on the education front, we also see paradoxes. Switzerland, despite being the winner, does not rank very highly on some of the education variables, such as tertiary education. This comes down to the apprenticeship system, where people of ages 15, 16 or 17 can join the workforce and opt out of the formal education system, perhaps returning to studies later, showing us that top marks at top universities are not prerequisites for innovation performance. We see a similar prevalence of engineers and other vocationally qualified professionals in other top-ranked countries, such as Germany.

Among the leading countries, education has become a lifelong pursuit, from learning on the job and in a university, a multidisciplinary system of education from the early stages is encouraged, where silos cease to exist and ideas can be shared across disciplines.

### **Labour markets**

Fluid labour markets also help and this is one area that continues to hold Japan and Korea back (21<sup>st</sup> and 16<sup>th</sup> respectively). As INSEAD Knowledge readers pointed out in last year’s index, our ranking puts them at a lower level than other indices mainly due to the fact that our index takes a complete country-wide picture of innovation performance, unlike others that focus on enterprise-level performance. Such rankings would naturally put more weight on Honda’s robots and Samsung’s semiconductors. At a national-level, we see rigidities in the labour markets of both countries as

well as in the trading systems. We also see less participation of youth on international networks when we measure YouTube uploads as a proxy for creativity in the younger generation. As we continue to put more focus on the human factor in the GII, it would be reasonable to expect advancement in the index for both countries.

Israel (15<sup>th</sup>) is another country that we expect to rise further as the high level of education, the interest of the younger generation in engineering and IT careers and the prevalence of conducive conditions for technology exports provide the right mix of factors for innovation.

## **R&D spending**

One worrying sign is the recent plateauing of public R&D support and the continued uncertainty in corporate boardrooms for spending in such areas. This is likely to lead to slower overall growth of total R&D expenditures worldwide, especially in high-income countries, but growth is expected nonetheless. The strongest growth in R&D spending in 2014 is expected to take place mostly in Asia, in particular China, Korea and India.

The **Global Innovation Index** is created by INSEAD, WIPO and Cornell University. It ranks 143 countries across 81 indicators. The full report with rankings data can be downloaded [here](#).

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