

Competitiveness Factors of the European Union Countries: Innovation Capacity, Human Capital and Market Size

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Abstract. The previous research has confirmed a positive relationship between economic factors and competitiveness. Global Competitiveness Index (GCI) is positively linked to innovation and business sophistication, the participation of universities and industry in research and cluster development.

The main objective is to determine the impact of 12 selected factors on GCI. A panel sample of the European Union (EU-28) countries is used in the period 2008-2019. As explanatory key factors of GCI are human capital, market size, and information and communication technologies (ICT) adoption. In parallel, we also focus on the key indicators of business dynamism and innovation capacity and financial system, and combination of variables regarding multi-stakeholder collaboration, research and development (R&D) expenditures, growth of innovative companies and the volume of financing of small- and medium-sized enterprises (SMEs).

Descriptive statistics of variables, regression analysis and structural equation modelling are applied in the empirical analysis. The empirical results show that ICT variables do not have a significant impact on GCI, whilst size of markets and to a lesser extent human capital have a positive impact on GCI. Human capital can be particularly important to increase GCI. This can be in a combination with expenditures in R&D and multi-stakeholder cooperation. However, growth of innovation capacity and financing of SMEs show lower impact on GCI. The study contributes results with an empirical analysis that confirms the relationship between selected influential indicators with GCI in the EU-28 countries. The results could be relevant for policy makers and managers. Our findings offer support for an increased focus on human capital, market size, innovation capacity, expenditures for R&D and multi-stakeholder cooperation.

Keywords: innovation capacity, human capital, market size, global competitiveness index, European Union

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