

Innovation Gains

Luis E. López

INCAE Business School
luis.lopez@incae.edu

Jaime Güell

INCAE Business School
guell.jaime@incae.edu

Niels Ketelhöhn

INCAE Business School
niels.ketelhohn@incae.edu

Abstract

This study investigates how knowledge-driven positive feedback loops influence innovation rates. The paper uses the notion of *gain* to capture feedback loop strength. Through theoretical modeling and empirical analysis, including case studies from three countries, the paper explores the dynamics of knowledge creation and its cumulative effect on innovation. The findings highlight the importance of positive reinforcement, where increased knowledge leads to further knowledge creation. This research contributes to an understanding of how feedback mechanisms shape the innovative capacity of nations, offering insights for policymakers on leveraging these dynamics to amplify innovation outcomes.

Keywords: Innovation dynamics, Innovation policy.