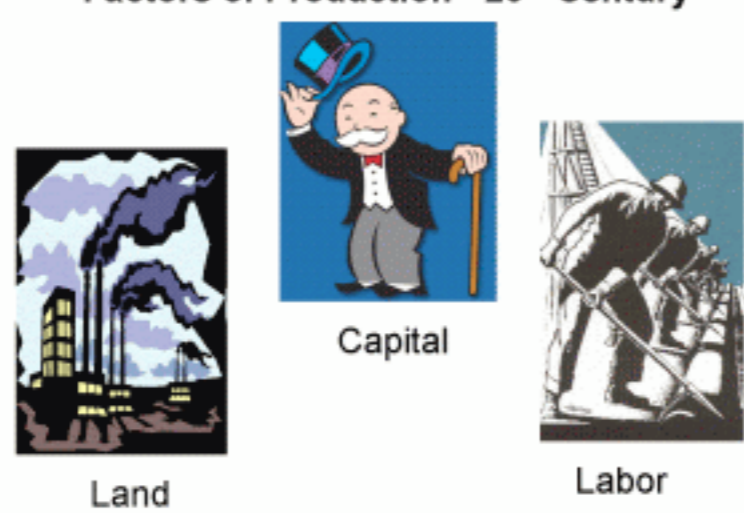


### FACTORS OF PRODUCTION FOR AN INNOVATION ECONOMY

BY DAN • DECEMBER 22ND, 2008

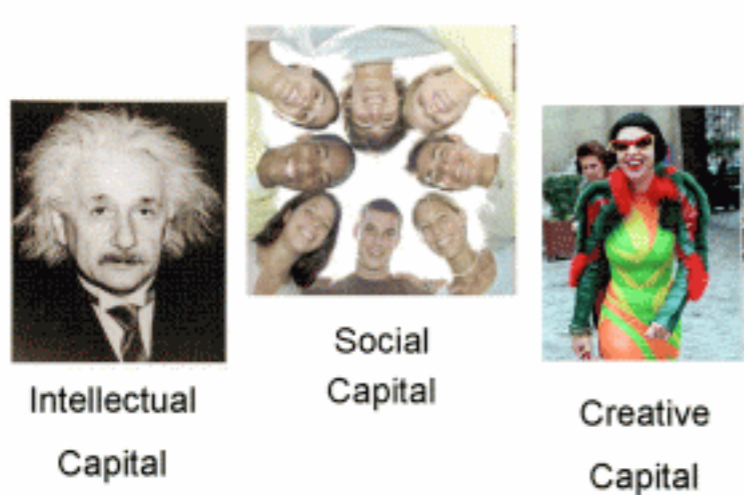
#### Factors of Production - 20<sup>th</sup> Century



Many years ago, economists from the industrial revolution identified three variables (productive inputs) for building industries; Land, Labor, and Capital. The rate of output was related to how these inputs were combined. If any of these factors of production were missing, the other two had little or no utility for production. The concept of Land, Labor, and Capital is still the foundation of much of today's economic thought.

We know that in the knowledge economy, the location of knowledge work is highly mobile - so "Land" does not have the same significance for making things as it did 100-200 years ago. What about "Labor"? Knowledge workers analyze situations, manage many variables, and create unique solutions. They do not really produce identical knowledge pieces like a machine operator or a production worker - so Labor also means something different than a century ago. The term "Capital" refers to money that would be needed now to build future structures, buy machines and to pay wages. Today money buys access to information, education, and knowledge workers. So we see that many old economic principle may not be as applicable in the new economies.

#### Factors of Production - 21<sup>st</sup> Century



The factors of production for the Innovation Economy are Intellectual Capital (also call Human Capital), Social Capital, and Creative Capital + entrepreneurs. (Reference: Jane Jacobs, Robert Putnam, Richard Florida, respectively)

Intellectual Capital Theory suggests that concentrations of educated and motivated people attract investors to

employ them and invest in the communities where they reside. This investment attracts other intelligent people who in turn attract more investment thereby creating a cycle of economic growth

The Social Capital Model suggests that people acting in communities can create better solutions, greater accountability, and more economic growth than management, governments, or bureaucracy can induce on their own. Examples of Social Capital include Civil Rights Movement, community watch organizations, Democratic Government, and recently, Social Networking.

The Creative Capital Model, suggests that engineers and scientists think more like artists and musicians than like production workers - their ideas come 24/7/365 - and that an environment of tolerance, diversity, and openness promotes creative output.

Many people argue that Silicon Valley, in fact, was created and sustained by a perfect storm of Social Capital, Creative Capital, an Intellectual Capital + Entrepreneurs. Other countries have tried to duplicate Silicone Valley but most have fallen short - if any of these factors of production are missing, the other two have limited utility for production of innovation. To demonstrate how these productive inputs might appear in an innovation economy, consider the following example:

Suppose that we take 5 mechanical engineers and lock them in a room with instructions to build a better mouse trap, they'll emerge with a better shingle, a better spring, a better whacker, and a better trigger - but not necessarily a better mousetrap. Suppose that we now put a dog catcher, an engineer, a plastics manufacturer, an artist, and the mother of 4 rowdy children together with the same task. We can be quite certain that innovation will occur. They may actually come up with an excellent mouse trap.

**Innovation Economics** will bring the factors of production together in diverse combination rather than similar combination. In an Innovation Economy, the "secret sauce" for the production of innovation becomes far more valuable than any single innovation itself. The secret sauce provides a monopoly on dynamic repeatability rather than a static device. As such, technologies can be open sourced and innovation crowd sourced across a much wider domain of possible user applications. Such conditions will change the type of innovations that are favored to reflect the broad and sweeping social priorities rather than inventions intended to be marketted and to be monopolized.

[The Innesist Project is an open sourced economic development project researching, specifying, and promoting an innovation economy]



COMMENTS(0) BUSINESS TRANSFORMATION, COLLABORATION, CUSTOMER INTERFACE, HUMAN RESOURCES, MANAGEMENT |

#### LEAVE A COMMENT

Name (required)   
Mail (will not be published) (required)   
Website

Submit Comment

Does Advertising and "Socializing" Mix? | Home

#### META

Register  
Log in  
Entries RSS  
Comments RSS  
WordPress.org

#### RECENT COMMENTS

Andrew Meyer on Multiple Shifts = Massive Change? Posts about Web 2.0 as of December 18, 2008 | The Lessnau Lounge on Multiple Shifts = Massive Change? alex on 10 Points for Business Transformation Links for Dec 7 2008 | Aligning Technology, Strategy, People & Projects on 5 Social Business Factors? Social Media-2008: Taking Stock of Today's Experiences and Tomorrow's Opportunities - Random thoughts on Marketing & News on Can Social Media Solve Problems?

#### BLOGROLL

Britoplan  
Business Exchange  
Chris Brogan  
Conversation Intersections  
Doc Searls VRM Project  
Groundswell  
Innovation Economy  
Social Capital Value Add  
The Relationship Economy

#### SOCIAL MEDIA

AllTop  
Content Management  
Follow Me On Twitter  
Social Media Today  
Umair Haque Edge Economy

#### RECENT POPULAR NOTES

Factors Of Production For An Innovation Economy  
December 22, 2008  
by: Dan • Business Transformation, Collaboration, Customer Interface, Human Resources, Management |

Does Advertising and "Socializing" Mix?  
December 21, 2008  
by: admin • Business Transformation, Customer Interface, Human Resources, Management, Notes, Organizational Design, Priorities, Social Marketing, Social Media |

Multiple Shifts = Massive Change?  
December 20, 2008  
by: Jay Deragon • Business Transformation, Human Resources, Management, Performance, Priorities, Social Commerce, Social Marketing, Social Media, YRM |

Disruptive Convergence?  
December 19, 2008  
by: admin • Business Transformation, Customer Interface, Human Resources, Management, Social Marketing, Social Media, YRM |

Subscribe

**Jay Deragon**  
Hendersonville, TN, US  
MyBlogLog profile |  
Add to My Contacts

Bio  
"Jay is a formidable force of nature. Together with a prodig... more

Services  
MyBlogLog  
Digg  
Facebook  
FriendFeed  
IntenseDebate  
LinkedIn  
Multiply  
StumbleUpon  
Technorati  
Twitter  
Yahoo! Answers

Sites Authored  
Wireless Factors (wirelessfactors.com)  
Wireless Industry social business net...  
LinktoNashville (linktonashville.com)  
Link to nashville is a B2B social net...  
Relationship Economy (jyderagon.com/blog)  
This site examines the emerging dynam...  
Link to New York (linktonewyork.com)  
Social Network for those working and ...  
Link to Your World (linktoyourworld.com)  
Link to your world is an association ...  
Jay Deragon: LinkedIn (linkedin.com/in/jayderagon)  
My LinkedIn Profile  
Business 3.0 (jyderagon.com/blog/?p=403)  
Business 3.0 is an application which ...  
Business 3.0 (mybusiness-network.blogspot.com)  
The New Order of Business  
Socialutions (linktosocialutions.com)  
The Emergence of New Management Metho...  
The Relationship Economy (relationship-economy.com)  
Where people and technology intersect  
Link to Wall Street (linktowallstreet.com)  
Where market are made or destroyed  
Provided by MyBlogLog

AD AGE POWER 150

ADD THIS