

Chapter 11

Characterization of Companies Based on Willingness to Innovate and Competitiveness

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ABSTRACT

Companies, as agents of innovation systems, play a fundamental role in the innovative activity of economies. Nevertheless, the existence of barriers to innovation is becoming a low willingness to innovate by companies despite being an important element of competitiveness. These two perceptions are fundamental when deciding to innovate. It also influences the perception of government intervention to encourage innovation. The objective of this study is to analyze the characteristics of Extremaduran companies based on perceptions they have about these two variables: willingness to innovate and assessing innovation as an essential element of competitiveness. Data come from an ad hoc questionnaire focused mainly on variables related to innovation. Obtained results show four profiles of companies based on these characteristics and these results permit to connect them to perceived obstacles to innovation and demanded public policies. The characterization of the companies may be useful for public policies design to stimulate innovation.

INTRODUCTION

It is commonly recognized that innovation is essential for the growth and well-being of economies. Companies, as agents of national and regional innovation systems, play a fundamental role in the innovative activity of economies. Innovation implies important benefits for companies, which is converted into increased productivity and competitiveness. However, knowledge generated by innovation has certain characteristics of public goods (Arrow, 1962; Nelson, 1959), which discourages firms from innovating (Geroski, 1995). This leads to that innovations can be imitated and appropriate, so it reduces the ben-

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efit of inventors. On the other hand, innovating carries high risks, depending on the type of innovation developed. In addition, innovation requires high costs in most cases and there are financing problems, especially by small and medium enterprises. These factors, together with other internal and external obstacles, discourage the innovative activity of the companies, resulting in the provision of this activity being inferior to the socially desirable one. Occurrence of market failures in the provision of innovative activities by firms justifies that, from an economic point of view, certain public actions are established, through the called Scientific and Technological policies. In practice, these policies tend to be oriented towards the activities more distanced from the market, in which the time taken to obtain results are higher compared with the lower possibilities of generating profits. Therefore, although the concept of innovation includes a wide range of activities, the spending on research and development (R&D) activities, considered an important factor in innovation process, is the most incentivized aspect. The objectives of these policies are not only stimulating realization of innovation activities by firms but also achieve an encouragement and support all the innovation system of the economy. These public actions act both from the point of view of regulation, as well as through non-financial incentives (systems of intellectual and industrial protection, cooperation and dissemination and transfer), and financial incentives (direct public subsidies, through subsidies and soft loans, and indirect, through tax incentives) (COTEC, 2000). Additionally, in current economy based on knowledge and innovation in its broad concept, the intervention of governments is justified by its positive role and the increase in welfare that it brings to societies.

This economic reality justifies the present study. The existence of barriers to innovation is translated into a low willingness to innovate by companies despite being an important element of competitiveness. These two perceptions are fundamental when deciding to innovate, which is influenced by a set of variables such as the size of the company, its degree of internationalization, the perception of internal and external obstacles to innovation, or the importance that companies attach to develop these activities. It also influences the perception of government intervention to boost innovation and the type of actions that would be demanded by companies to be encouraged to innovate or continue carrying out innovative activities. In this sense, the objective of this study is to analyze the characteristics of companies in the Extremadura region (Spain) based on the perceptions they have about these two variables: *willingness to innovate* and *assessing innovation as an essential element of competitiveness*. Based on both perceptions, this paper addresses three main research questions: what characteristics of companies influence the *willingness to innovate* and the *consideration of innovation as an essential element of competitiveness*?; How do the perceived barriers to innovation (internal and external) affect the willingness to innovate of companies and their consideration as an essential element of competitiveness ?; What kind of public actions based on these perceptions are demanded by companies?

In order to reach this objective and answer these questions, the authors use an *ad hoc* questionnaire focused mainly on variables related to innovation and other additional aspects. This survey was conducted during the months of September 2011 and June 2013, obtaining data from companies placed in Autonomous Community of Extremadura, a region located in the southwest of Spain that has a lower innovative activity than national average. Both questionnaires focused on issues not included in other studies on innovation. Thus, additional aspects were considered, such as expectations generated by innovation in companies, obstacles to innovation or the demands of public actions by companies to encourage innovative activity and that would be useful to know and respond better needs of the companies in order to increase innovation in this region. Unlike other questionnaires focused on innovation, two issues are included related to the aspects on which this chapter focuses: the perception of companies of their “willingness to innovate and assume the risks derived from innovation”, and the “consideration of in-

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