

Discussion on "Innovation and the region's context" by Enrique López-Bazo

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1st ERSA-REGIO Academic Lecture 2019

7 February 2019, Brussels, Belgium

OUTLINE

- Firm versus region.
- Region and the type of innovation.
- Community innovation survey (CIS) and beyond.

FIRM VERSUS REGION; OWNERSHIP

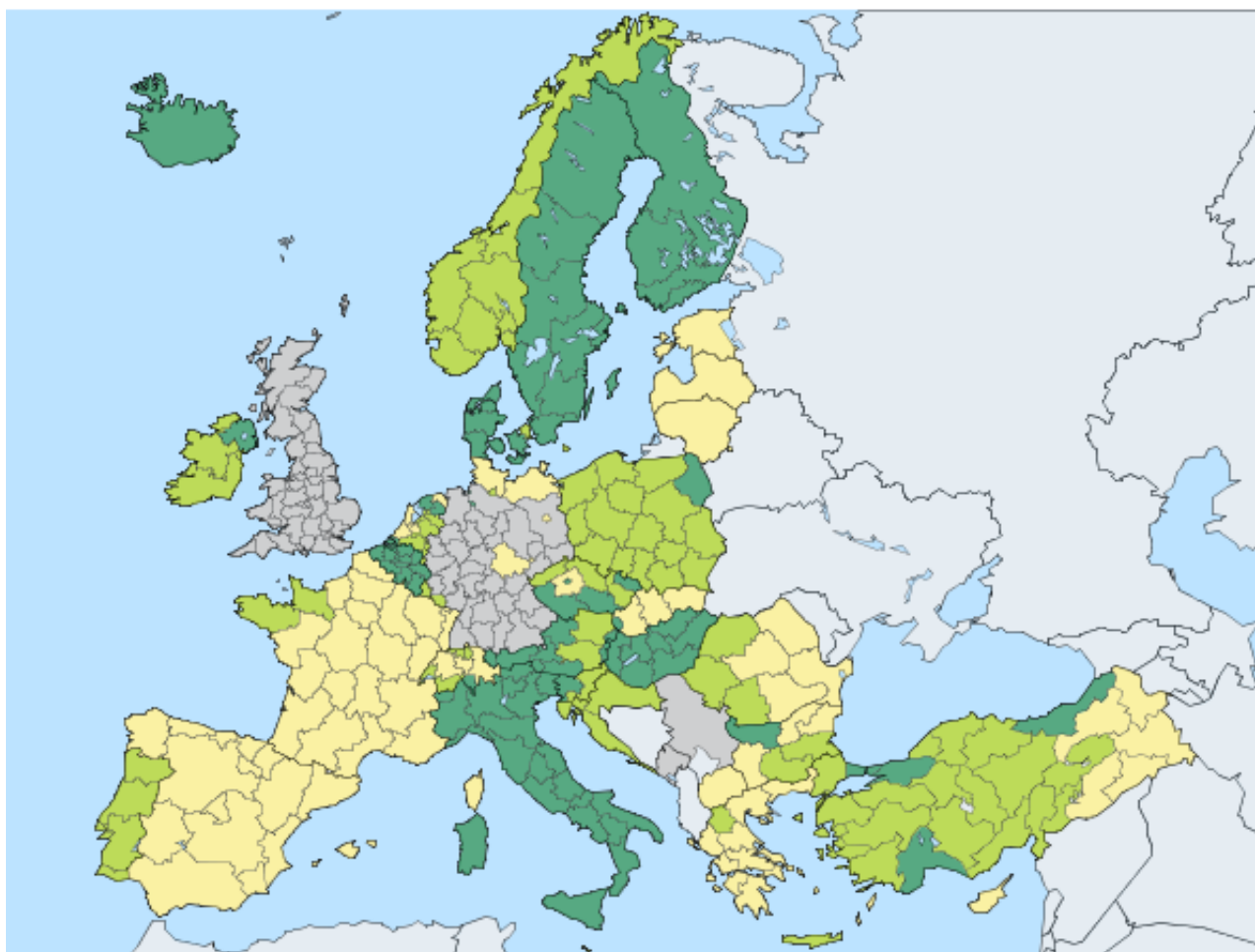
- Ownership structure, missing link?
 - Moderating effect.
 - Family versus non-family.
 - The regional context and ownership structure affect firm objectives, incentives, and, subsequently, firm behavior.
 - Ownership and control do affect firm performance differently across the urban–rural context.
 - Family firms more important in rural areas.
 - ❖ Combining the field of family business research/studies on ownership and regional economics is important.
 - ❖ Implications for policy makers: considering the type of firm (ownership structure) and location when tailoring business-related public policies.
 - ❖ Ownership and management regimes and location matters (combined effect perhaps most important).

FIRM VERSUS REGION; SPATIAL SORTING BY WHOM?

- “Firm’s location choice”? Not done by the firm.
- Forgetting about the individuals behind/in the firm.
 - Owners.
 - Managers.
 - Employees.
- At what level does the spatial sorting take place?
 - Individuals.
 - Who moves where?
 - Skills.
 - Abilities.
 - Which locations are plausible to start a firm?
 - “Known location”

Pupils and students in upper secondary and post-secondary non-tertiary education (ISCED 3-4) by NUTS 2 regions

% of the population aged 15-24 years - 2012



Legend

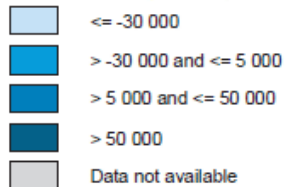
22.0 - 35.3

35.3 - 41.3

41.3 - 83.6

Minimum value:22.0 Maximum value:83.6

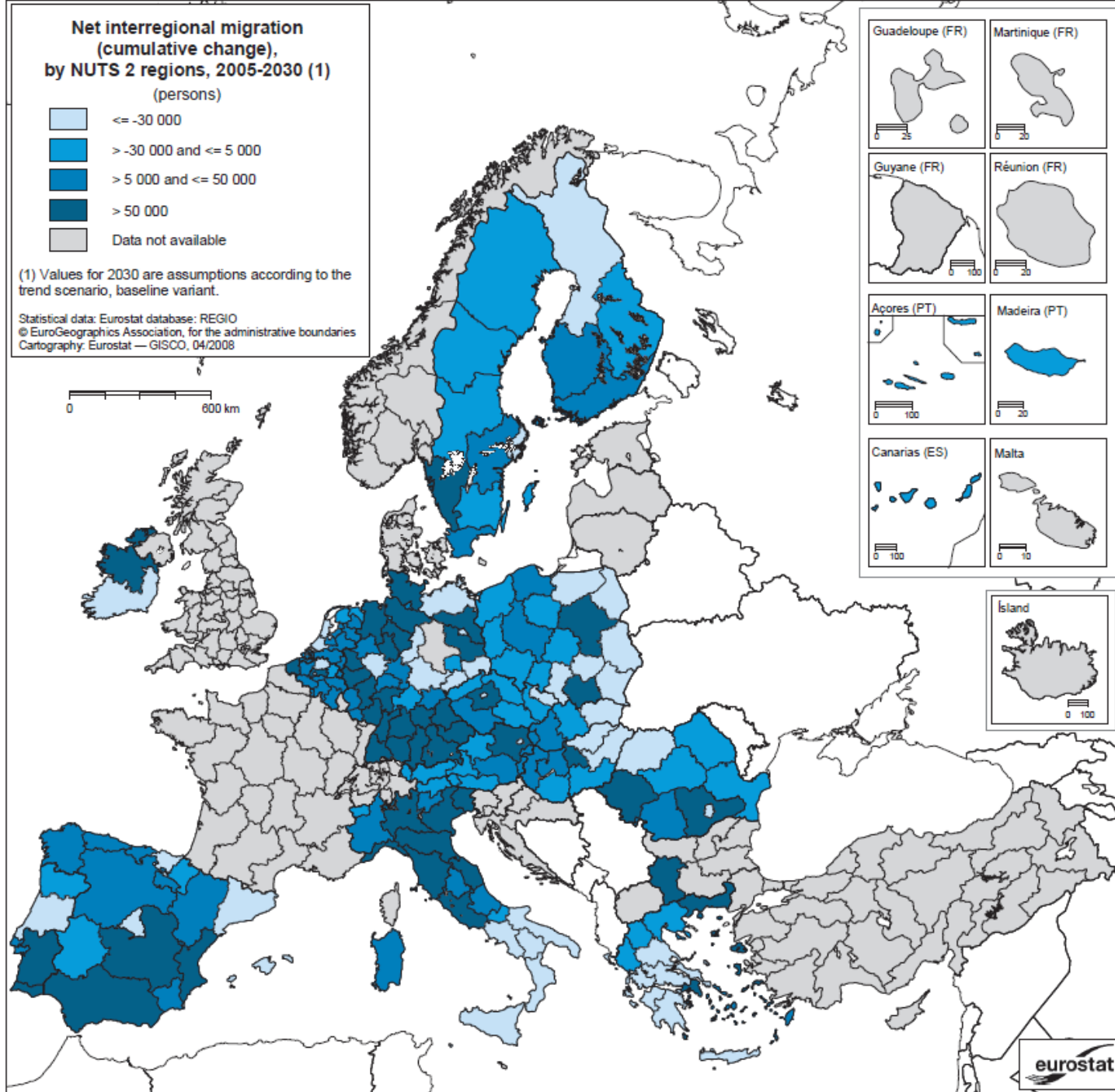
**Net interregional migration
(cumulative change),
by NUTS 2 regions, 2005-2030 (1)**
(persons)



(1) Values for 2030 are assumptions according to the trend scenario, baseline variant.

Statistical data: Eurostat database: REGIO
 © EuroGeographics Association, for the administrative boundaries
 Cartography: Eurostat — GISCO, 04/2008

0 600 km



FIRM VERSUS REGION; LOCAL EMBEDDEDNESS

- Local embeddedness, at the core of the firm-region nexus, but often missing.
 - All economic actors, such as individuals and firms, act within their local context.
 - Individuals and firms are shaped by their location and are to different extent involved in and embedded in the location.
 - Describing the connections to the location and the networks to other economic actors within the same location.
 - Influence firm performance.

FIRM VERSUS REGION; LOCAL EMBEDDEDNESS, CONT.

- Interrelated with ownership structure.
 - Family and non-family.
- Measurement:
 - Previously used:
 - How long an entrepreneur/owner has lived in the same location as the firm (place tenure).
 - New avenues:
 - Place tenure (owner, manager, board members, employees).
 - Distance to firm (owner, manager, board members, employees).
- ❖ Local embeddedness ties the individuals in the firm to the region.
- ❖ Different individuals (i.e. firms) can make better use of the regional resources.

TYPE OF INNOVATION MATTERS

- The *propensity* to innovate and the surrounding milieu is often analyzed but not the *type* of innovation.
 - Is the type of innovation homogenous across firms and regions?
 - Issue that is rarely discussed.
 - Normally distinction between product and process innovations.
 - Perhaps more important is the notion of:
 - Radical innovation.
 - Incremental innovation.
 - New to the market, new to the firm....

TYPE OF INNOVATION MATTERS, CONT.

- Importance of external factors.
 - Clear difference across product and process innovation in “A SUBTLER ROLE OF REGION’S CONTEXT.”
 - Same for radical/incremental innovations?!
 - Importance of knowledge absorption in the firm.
- ❖ Innovation activities needed to be competitive may not be the same across regions.
- Type of innovation relate naturally to firm performance such as exports.
 - The region will be a moderating effect.

COMMUNITY INNOVATION SURVEY (CIS) AND BEYOND

- How does the regional context influence innovation among firms of different size?
 - Assume homogenous effect?
 - Studies find that size is of major importance.
 - “Large firms are less sensitive to the regional context than SMEs.”
 - How to capture small/micro firms?
 - CIS cannot be used.
 - Exclude firms smaller than 10 employees.
 - Patents might not be relevant.
 - R&D expenditure is often lacking.

SHARE OF MICRO FIRMS (1-9 EMPLOYEES) IN SELECTED COUNTRIES

	2011	2012	2013	2014	2015
Bulgaria	84%	84%	84%	85%	85%
Czechia			84%	84%	85%
Denmark	83%	83%	82%		
Estonia					87%
Spain	90%	91%	91%	91%	
France	83%	84%	86%		86%
Croatia	87%	88%	88%	90%	88%
Italy	89%	89%	89%	89%	89%
Lithuania	80%	81%	79%	81%	81%
Hungary	91%	91%	91%	91%	92%
Austria	84%	83%	82%	82%	82%
Portugal	88%	88%	89%	89%	88%
Romania	85%	84%	85%	85%	85%
Slovakia	91%	91%	91%	87%	87%
Finland	86%	86%	85%	85%	85%

CIS AND BEYOND; SIZE OF FIRMS

- Conducted a survey in Sweden, following CIS but included all sectors and firm sizes in Jönköping county.

Type of innovation	All firms		Large firms (above 10 employees)		Small firms (1-9 employees)	
	N	Share of the 638 respondents (%)	N	Share of the 326 respondents (%)	N	Share of the 310 respondents (%)
Product	229	36	143	44	86	28
Service	274	43	161	49	113	36
Process	224	35	143	44	81	26
Product and service	119	19	78	24	41	13
Product or service	384	61	226	69	158	51
Product and/or service and/or process	436	69	252	77	184	59

CIS 2008 in Jönköping: innovation (all types) 48.5 %

POLICY RELATED ISSUES

- Regional factors are slowly changing over time (semi-fixed).
 - How does this influence the expectations, policy design, and policy evaluations?
- Would a firm, *ceteris paribus*, be innovative in any milieu?
 - ⇒ Support a specific type of firm.
 - How to find these firms?
 - Spatial sorting of firms and individuals.
 - Are these firms equally important regardless of economic environment?
 - Anchor firms.
 - Should some firms in a given regional context be targeted?

IN SUM

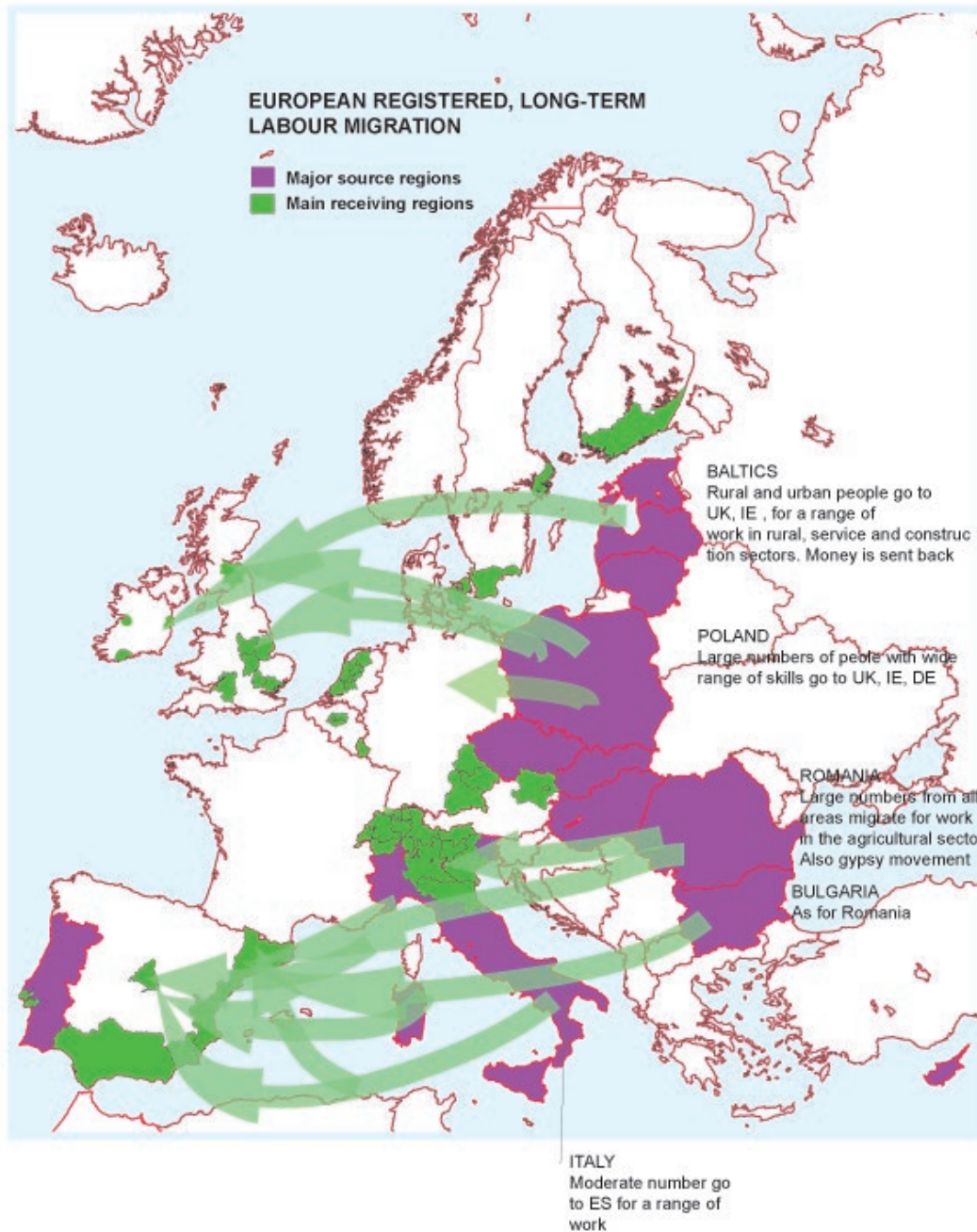
- Ownership combined with location is important to consider.
- It all starts with the spatial sorting of individuals that base the sorting by firms in terms of the owners/managers but also the employees that can be hired within the firm.
- Local embeddedness can be the missing link in the firm-region nexus.
- How to capture and analyze small firms?
- Semi-fixed regional factors.



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