

Chapter 2

Innovation Policies and Barriers to Innovation: An Analysis in Extremadura (Spain)

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ABSTRACT

Innovation is an important source of economic growth and a key to the competitiveness of firms, which are the main agents of innovation systems. The main objective of this chapter is to analyze entrepreneurial innovation in Extremadura (Spain), exploring, specially, the barriers that firms find and the actions (public policies) that firms demand from Government to reduce such obstacles. To do this, the authors have elaborated an ad hoc survey with some specific questions and focused on issues not covered by other Spanish or international surveys about innovation. Data were collected in 2013 from a representative sample of manufacturing and KIBS companies in Extremadura. Results show that although innovation is considered an essential source of competitiveness, there is an important unwillingness to innovate in non-innovative firms. Both innovative and non-innovative firms detect the presence of barriers to innovation highlighting the perceived lack of support from government.

INTRODUCTION

In the present context of globalization, innovation is an important source of economic growth and a key to the competitiveness of enterprises, which are the main agents of innovation systems. Innovation is generally characterized by changes in a complex and interrelated system composed of product, service, market knowledge, actors

and society. The current model of innovation is mainly focused on the role of business as a driver of innovation, also paying attention to informal activities as sources of new knowledge and innovative processes.

Innovation depends as well on the relationships and interactions between the different actors, the creation of networks, learning and dissemination of these processes and, for these reasons, it is es-

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essential to recognize the cultural role that defines us as a society (Delucchi, 2006). In this sense, innovation establishes a close link between the legal and the social context in which it develops and that implies to make an effort to determine its role in the economy without overlooking the geographical environment in which it operates. In this sense, there is agreement between scientists about the key role that innovation plays in the competitiveness of business and territories both in the medium and long term (Porter, 1990; Castillo & Crespo, 2011). The proximity (geographical, institutional, cultural, etc.) between actors of innovation in a country facilitates the establishment of close relationships (interpersonal, inter-firm, intersectoral) which lead to the creation, acquisition, accumulation and application of knowledge (González-Pernía, Martiarena, Navarro, & Peña, 2009; Asheim & Isaksen, 2002; Lundvall, 1992). Spanish regions have recently recognized the importance of managing their innovation systems and the allocation of resources to stimulate innovation capacity (Asheim & Coenen, 2006; Lundvall & Borrás, 1997).

Taking these aspects into account, the main objective of this chapter is to analyze firms' innovation in the region of Extremadura (Spain) to obtain a profile that may be useful to design supporting innovation policies. In addition to the analysis of those aspects related with innovative activities, we explore the barriers that Extremaduran firms find when they attempt to innovate, their use of public policies and the extra actions demanded from the Government by the enterprises to avoid or reduce such obstacles.

The interest of the study is twofold: firstly, Extremadura is a region with a number of innovative firms below the Spanish average. It is therefore very important to know what types of obstacles are found by companies in order to design regional public policies to boost these activities. Secondly, although the literature dealing with barriers to innovation is abundant, few studies have analysed this topic in Spain and they are mainly referred to regions with bigger innovative activity. Thirdly, to our knowledge this is

the first study that takes into account and analyses the use of policy instruments (public direct support and tax incentives) by Extremaduran firms. This is an important aspect to link the perceived obstacles and the existence of specific instruments to reduce the main sources of market failures causing lower levels of business innovation activities than those socially optimal (Busom, Corchuelo, & Martínez-Ros, 2014). Finally, companies were asked about specific actions demanded from the Regional Government in order to design additional policies that boost innovation activities and reduce some of the barriers detected by firms.

To do this, we have elaborated an ad hoc survey with some specific questions and focused on issues not covered in other Spanish or international surveys of innovation. In this sense, we have considered additional aspects such as: expectations towards innovation activities, barriers to innovation, the role of public support and some aspects of public policy that could be modified to better meet the needs of innovative-to-be businesses. Data were collected in June 2013 from a representative sample of manufacturing and knowledge intensive business sectors (KIBS).

This chapter is organized as follows: the next section justifies and establishes the framework of study through the presentation of the environment in which innovation is developed (innovation systems) and the role that companies -key actors in innovation systems- play in it, together with the main factors and variables that influence innovative activity; the following section presents the empirical results obtained from the survey carried out with Extremaduran firms; finally, some reflections on public actions that could be developed in the region to stimulate innovative activity are provided. To summarize, our results show that although innovation is considered an essential source of competitiveness, there is an important unwillingness to innovate in non-innovative firms. Both innovative and non-innovative firms detect the presence of barriers to innovation highlighting the perceived lack of support from government.

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