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Innovation, innovation strategy and survival

Stephen Roper
Warwick Business School
stephen.roper@wbs.ac.uk

Helen Xia
Loughborough University
T.Xia@lboro.ac.uk

Innovation has a recognised effect on survival. Undertaking more risky innovation, for example, may increase the risk of business failure, while more incremental innovation may reduce failure risk. Here, we investigate how firms' innovation strategy choices – which may reduce the riskiness or costs of innovation and/or increase the innovation rewards – moderate the innovation-survival relationship. Our analysis is based on UK Community Innovation Survey data matched with survival data from firms' published accounts. We are able to match nearly 80 per cent of UK CIS respondents. Contrary to expectations we find that innovation partnering and intellectual property protection have little or no moderating effect on the innovation-survival relationship. However, receiving public support for innovation has significant positive moderating effects. This suggests the notion of “survival additionality”, i.e. firms receiving public support derive more persistent benefits from innovation than firms which did not receive public support. Specifically, firms which receive public support for innovation are 2.7 per cent more likely to survive for eight years than firms which innovate but without public support. This result is strongest for product and service rather than process change, with implications for innovation policy design and evaluation.