

What drives new-to-the-market innovation in micro-enterprises?

Stephen Roper (ERC and Warwick) and Nola Hewitt-Dundas (Queens University Belfast)

Stephen.roper@wbs.ac.uk

Nm.hewitt@qub.ac.uk

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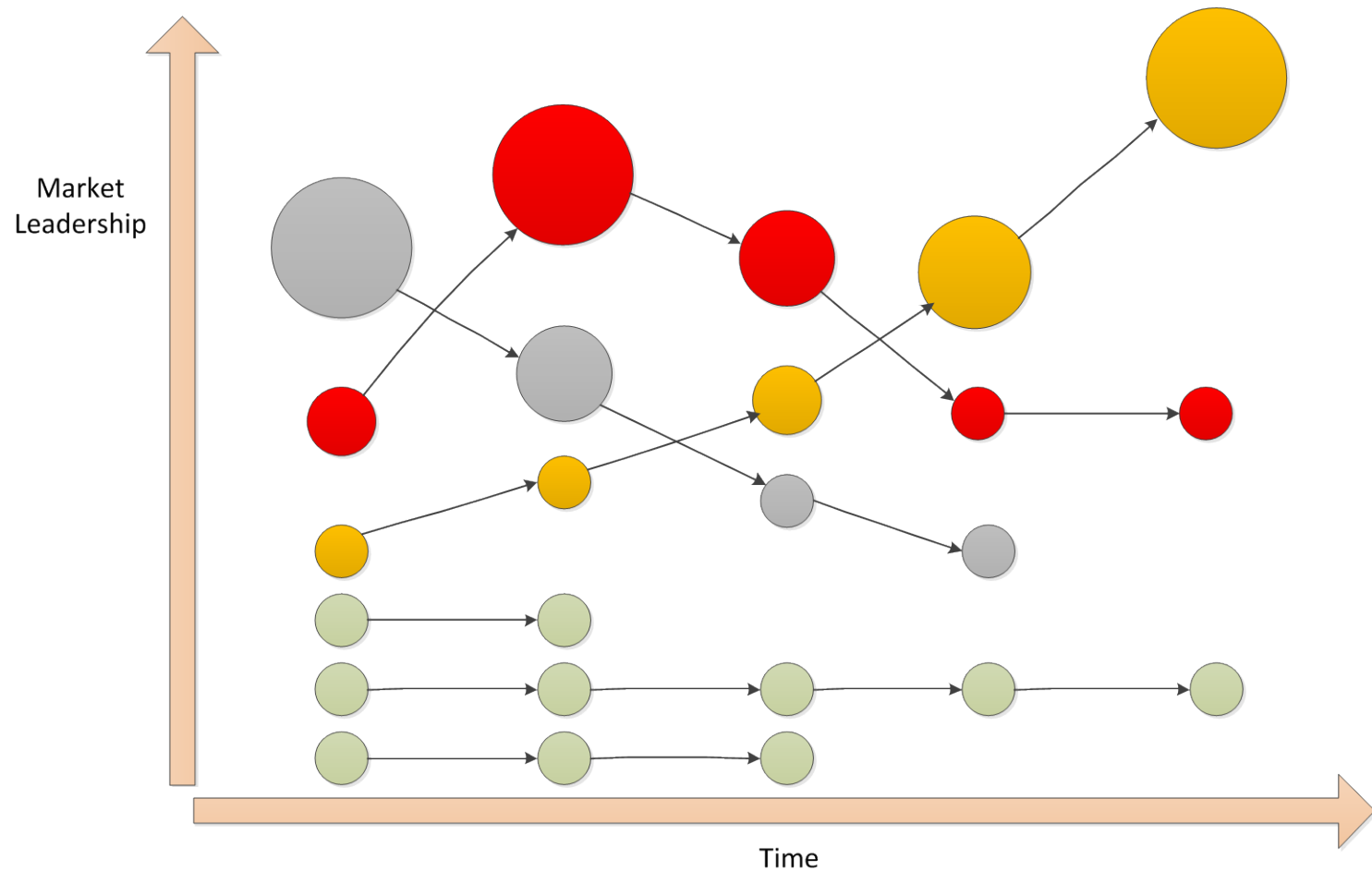
Setting the scene...

- Schumpeterian arguments related to creative destruction place small, entrepreneurial firms at the centre of the innovation process.
- But ... such processes are hard to observe systematically due to the dynamic nature of the process of creative destruction and also due to practical difficulties associated with identifying the firms involved.
- And ... data sets such as the EU Community Innovation Survey, have turned their backs on micro-enterprises with less than 10 employees.
- Here, we use new data from a large-scale survey of innovation in 1,000 UK micro-businesses to explore what determines their contribution to innovation

From creative destruction (CD) to interactive CD

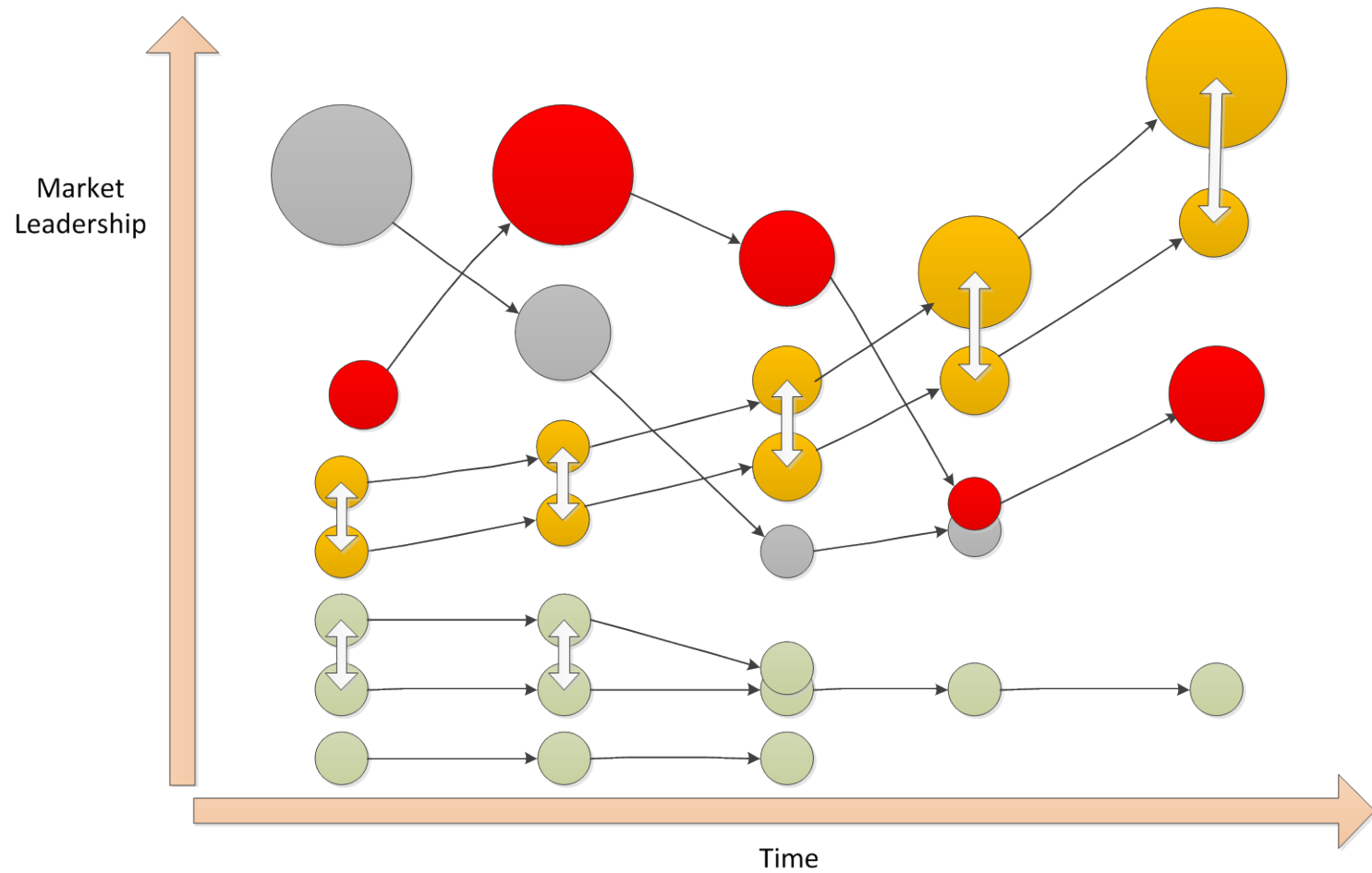
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Creative destruction



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- We perhaps need an interactive CD model where we recognise that firms' advantages may come through interaction as well as internal resources – integrating CD and open innovation



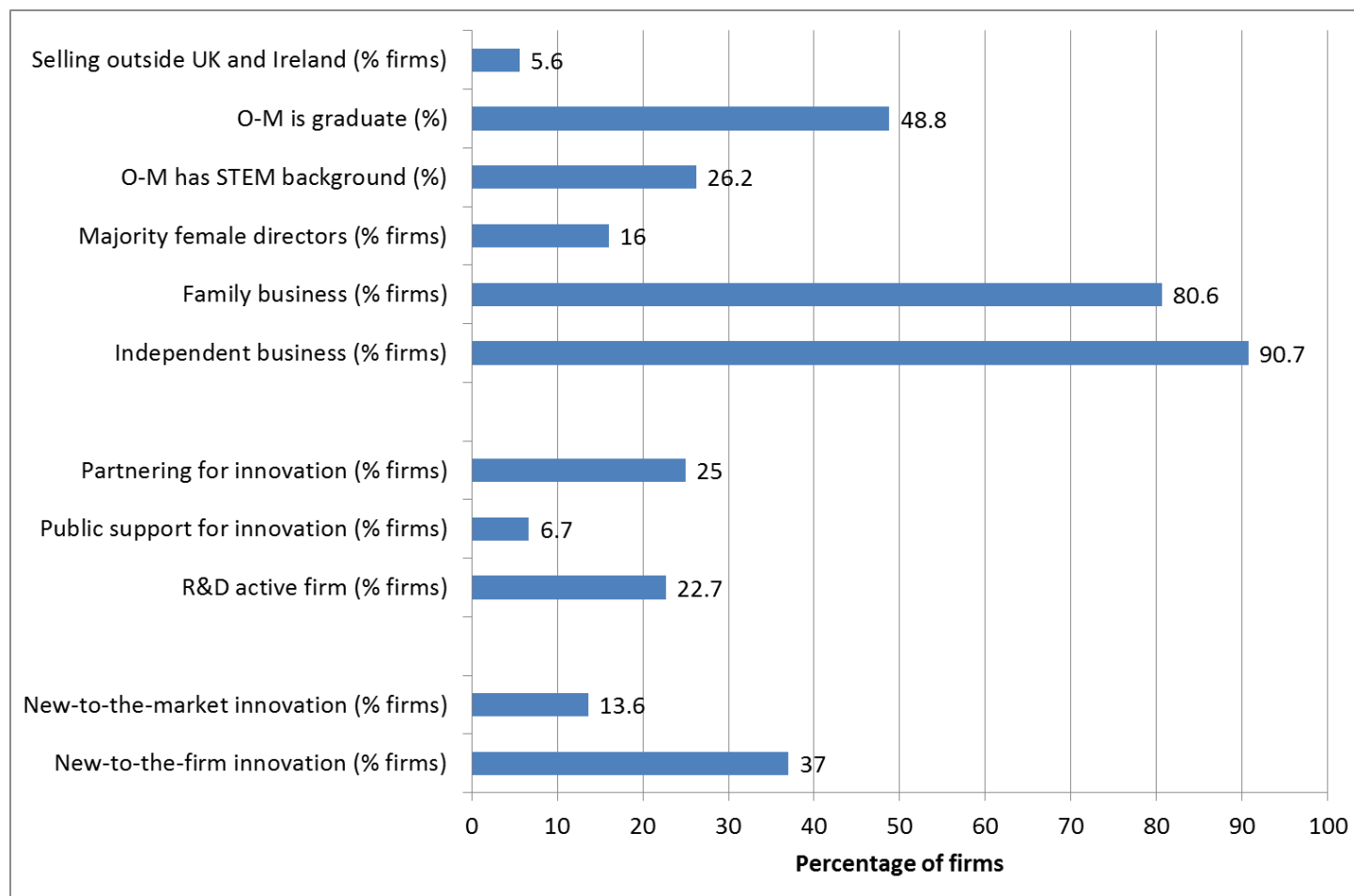
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- We perhaps need an interactive CD model where we recognise that firms' advantages may come through interaction as well as internal resources – integrating CD and open innovation
- Key to ICD process is micro-firms ability to introduce new to the market innovations. How important are:
 - Resources and investment in knowledge gathering and creation
 - Partnering of different types
 - Ownership structures – particularly family ownership – which may limit risk tolerance
 - Diversity in firms' leadership team

Surveying micro-innovation

- Survey of innovation among micro-enterprises (with 1-9 employees) conducted in Northern Ireland and relating to firms' innovation activity during the three year period 1st January 2010 to 31st December 2012.
- Telephone survey following EU Community Innovation Survey but with some additional questions on ownership, diversity etc.
- In the micro-enterprise survey our focus is whether or not firms introduced new-to-the-market products or services over the 2010 to 2012 period.
- **13.6** per cent of micro firms reported introducing new-to-the-market innovations compared to only **7.9** per cent in the UK Innovation Survey which provides representative figures for all UK businesses.

Micro-business characteristics (N=762 – estimation sample)



Summary of key econometric results

Influence on new to market innovation	Measures	Results
Resources and investment in	R&D activity, other innovation investments, public support	Strong positive linkage
Partnering of different types	Breadth of cooperation (number of partner types)	Strong inverted 'U' linkage
Family ownership	Family business (yes/no)	Positive and significant linkage
Diversity in firms' leadership team	Share of female directors (%)	No significant link

Key Findings

- Strong evidence of innovative orientation of some micro-firms
-> potential for CD
- Interaction really (co-operation) matters for micro-innovation
-> importance of ICD model
- Family owned firms are **more** likely to be new to the world innovators – ambition outweighs risk aversion?
-> a different view?

Implications

- Results emphasise the range of capabilities necessary for new-to-the-market innovation.
- Resource co-ordination and partnering skills equally important as more technological competencies. *How do we support these activities/capabilities?*
- Barriers to innovation cited pretty standard (e.g. excessive economic risk, 45.4 per cent of firms; availability of finance, 42.7 per cent). So resources remain an issue. *Can partnering help here too?*
- Note also: Lack of information on potential support for innovation 33.9 per cent. *How can we ensuring micro-enterprises are aware of potential innovation supports?*

Thank you!

For copies of the paper
or other questions....

Stephen.roper@wbs.ac.uk
nm.hewitt@qub.ac.uk

