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Proposed Contribution

Determinants of innovative activity in newly founded KIBS

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Abstract

The aim of this paper is to figure out and to analyse the determinants of innovative activity in newly founded firms in the sector of knowledge intensive business services (KIBS).

The KIBS sector is known as a new, economically and technologically highly dynamic sector. More recently, it is also recognized that the firms in this sector do not only provide highly qualified services for their customers (other firms), but that they themselves are also engaged in innovative activities. These activities are characterised by high levels of specialisation and orientation towards application and a subsequent intense interaction with clients within the innovation process (user-producer interaction).

Since the advent of evolutionary concepts in economic theory, innovation processes are no longer seen as linear sequences from research to application, but as interactive processes involving a wide variety of different actors. Thus, interaction and network integration are often seen as key variables explaining (the success of) innovative activity. These networks and interactions are believed to be most important in young small firms, as they usually do not dispose of the resources to promote innovative activities themselves.

The most important fundaments of innovations are often laid in the early stages of development of a young firm. Frequently, the ideas, the knowledge, and the networks of the founder are decisive for the development of new products or services. In a less

technically oriented sector like the KIBS sector, the linkages, networks, and interactions play an extraordinarily important role. The significance of these interaction and networking activities for innovation in the KIBS sector is not addressed explicitly in existing research. Thus, the present contribution aims at closing this gap by presenting the results of an own empirical study.

A new firm micro dataset was created in order to measure the determinants of innovative activity in the KIBS sector. The survey was conducted in autumn 2003 in three German metropolitan regions. In standardised telephone interviews, 547 founders of KIBS (1996-2003) were asked about characteristics of the foundation process and the interaction patterns of their firms, highlighting on innovation and networking.

Based upon a review of the existing theoretical and empirical evidence, econometric models are estimated to test hypotheses about the significance of networking, interaction, and spatial proximity as determinants of innovative activity in young KIBS firms. The data allows the measurement of a firm's innovation activities by input indicators (R&D investments) as well as by output indicators (different qualities of innovations).

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Keywords: Innovation; KIBS; Networks; Firm Foundations; Germany