

Chapter 2

Innovation Propensity in Knowledge Intensive Business Services (KIBS): A Comparative Study in Portuguese Service Sector

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ABSTRACT

This research intends to contribute with some insights towards a better understanding of Portuguese KIBS. And analyze their propensity to innovation when comparing with service sector. The chapter firstly presents a literature review about KIBS and secondly, provides a descriptive analysis and a multivariate analysis using CIS2008 (Community Innovation Survey2008) and CIS2010 applied to Portuguese KIBS.

INTRODUCTION

Service firms represent a high weight on developed countries economy. And just this argument would justify their study in a regular basis.

According to World Bank data, more than a half of the gross domestic product (GDP) comes from service firms. Developed economies present larger values of this proportion [e.g. for the year

of 2010: Australia (70.6%), Denmark (75.8%), Ireland (72.4%), Japan (71.3%), Sweden (69.4%), United Kingdom (78.7%), United States (78.4%)]. In Portugal GDP generated by service sector increased from 68.8% in 2000 to 75.2% in 2010 (World Bank data).

Although the evidence of service sector GDP impact and proportion in world economy, the widespread perception that services are, at the

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best, less innovative than manufacturers, if not passive adopters of technology, continues (Tether, 2005). There are even labels as “supplier dominated” (Pavitt, 1984; Miozzo & Soete, 2001) or “technology users” (Evangelista, 2000).

One of the possible explanations for this perception could be supported on the difficulties in measuring output, growth and employment rates in services, until the 60’s, due to the lack of experience in that sector while comparing with the experience on commodities sector (Griliches, 1992; Gallouj & Savona, 2009).

If those perceptions were correct, then developed economies would be in a path of less innovation for they are shifting away from manufacturing towards services.

In this context, innovation dynamics studies are more and more required. Research in this field may involve different types, forms or sources of innovation, which have been studied and documented over the years (Abernathy & Utterback, 1978; Abernathy & Clark, 1985; Christensen, 1997; Hippel, 1988; Acs, 1990; Sundbo & Gallouj, 1998, 1999; Jensen, Johnson, Lorenz, & Lundvall, 2007).

In a small economy as Portugal, innovation dynamics study is considered as a very important issue. The weight of service sector assumes also an important contribution to economy.

This chapter intends to contribute with some insights towards a better understand of Portuguese KIBS and analyze their propensity to innovation when comparing with service sector as a whole.

Having in mind that service sector is characterized by heterogeneity, its fundamental to avoid generalizations when conducting studies or applying public policies and for that matter KIBS study allows a segmentation on that study.

The chapter firstly presents a literature review about KIBS and some studies applied to Portuguese KIBS.

Secondly, chapter provides a descriptive analysis using CIS2008 and CIS2010 data for all service sector firms and some comparisons with KIBS. Some highlights arise from the descriptive analysis.

At the end, a multivariate analysis will be presented, allowing some considerations and remarks about this sector. At the end, conclusions and future research directions are presented.

To pursue this study, one main investigation question is presented to discussion and analysis:

1. Do Portuguese KIBS reveal more propensity to innovation comparing with service sector as a whole?

The overall objective of this chapter is to underline Portuguese KIBS evolution and to present an empirical study based on a survey to answer the above question.

This research has been developed to Portugal, however characteristics and role of KIBS may vary according to cultural, geographical and institutional characteristics of each context (Muller & Zenker, 2001; Doloreux, Freel, & Shearmur, 2010; Huggins, 2011). Despite those facts, patterns are found in this study that can also be identified in other studies (IOIR, 2003; Kam & Singh, 2004; Wong & He, 2005; Miles, 2007).

BACKGROUND

Issues related to the study of innovation have been debated over the years around manufactory firms, reflecting the historical evolution of economies (Drejner, 2004). Service activities, which are today recognized as autonomous, passed through a phase of subordination to manufacturing activities and its existence was generally more associated to a supplier than to an authentic developer (Djellal

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