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INNOVATION AND VALUE APPROPRIATION IN LATIN AMERICA: WHEN ARE THE BENEFITS “LOCAL”? (SUMMARY)

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INNOVATION AND VALUE APPROPRIATION IN LATIN AMERICA: WHEN ARE THE BENEFITS “LOCAL”?
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Principal Topic
Latin America has been less successful on average in improving economic performance compared to other emerging markets (Blejer, 2006; López-Claros et al., 2006). As a result, stimulating innovation and entrepreneurship has become a priority in many Latin American countries. At the foundation of many of innovation policies is the hope that the value created will benefit the home country. At the same time, though, multinationals increasingly seek out country contexts in which to source knowledge e.g., Barlett & Ghoshal, 1989, Dunning, 1994; Hedlund, 1994; Zander, 1997; Almeida et al., 2002; Almeida and Phene, 2004). Where, then, do the benefits from innovations in these countries go?

Building on research related to the idea that knowledge can be geographically localized, or “sticky” (Jaffe, Trajtenberg & Henderson, 1993) and that technology sector development across countries can be distinct (Cantwell, 1989; Patel and Pavitt, 1991), we hypothesize that local invention (compared to inventions by multi-nationals from outside the host country) will be positively related to relative local value appropriation (H1).

For knowledge stocks that are more “sticky”, we hypothesize that there will be a positive moderation of the above relationship. Specifically, the degree to which an invention draws on applied (rather than basic) knowledge (H2) and the extent to which there are country level relevant knowledge stocks (H5) will positive moderate this relationship, while the internationalization of the inventive team (H3) and the technological scope of the invention (H4) will negatively moderate this relationship.

Method
We test these hypotheses with data on inventions from Argentina, Brazil and Chile over a 27-year window, combining data from different USPTO databases, using multiple linear regression models controlling for fixed, country, and year effects.

Results and Implications
Our initial analyses show no support for the direct effect in Hypothesis 1, but we find strong support for Hypotheses 2-5. As countries in Latin America increasingly turn their attention to stimulating innovation and entrepreneurship, understanding when the home country context benefits from these efforts is increasingly important. Our findings have theoretical and public policy implications related to economic growth in Latin American and other developing countries.

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