

The relationship between innovation and exporting behavior, Case of Albania

Abstract

The aim of this paper is to provide evidence and new findings about the relationship between innovation and export behavior. General hypothesis of this study is that innovations has positive effect in exporting behavior of firms, it rises firm's competitiveness (opening new markets, increasing productivity, creating new products etc.). Moreover, one complementary assumption, highlights internationalization of firms, as a hypothesis that push firms to increase their innovations performance (learning by exporting hypothesis). From a macroeconomic viewpoint, many policymakers and academics argue that this relationship between is a valuable source of technology and know-how, promote growth by stimulating productivity gains, help in financing current account deficits. Product innovation may play a more important role in the decision to start exporting, while the decision for process innovation may be triggered by successful exporting. This suggests that the causality between innovation and exporting may run from product innovation to exporting and consequently from exporting to process innovation and reverse productivity improvements (J.P. Damijan, Črt Kostevc and Sašo Polanec, 2008). Using microdata, including innovation survey, industrial survey and information on trade, for Albanian firms, we investigate this dual relationship. The study combines different variables concerning innovation (R&D and innovations decision, types of innovation), structural characteristics (size and sector), and export behavior of firms (decision to export and export intensity, weight of export in total sales). Our analysis combines two levels of analysis, firstly we make a descriptive analyze and secondly we estimate a multiple and nonlinear regression (logit and tobit).

Empirical studies on relationship between innovation and exporting behavior in Albania are rare and this paper attempts to fill the gap in the literature.