

# INNOVATION ACTIVITIES AND FIRMS' FUTURE EXPORTS DECISIONS A multi-treatment analysis

*P. Morone<sup>a</sup>, F. Renna<sup>b</sup> and G. Testa<sup>c</sup>*

## ABSTRACT:

This study aims at estimating the effect of innovation on export growth. The empirical investigation is challenged by the fact the export strategy itself may induce innovation. In presence of this reverse causality, it is difficult to disentangle the effect of innovation on export. In this study we define two classes of innovation, namely technological and non-technological (which, in turn can be broken down respectively in product and process innovation and marketing and organization changes). For each class of innovation, we use a propensity score matching strategy to assess if innovating in period  $t-1$  lead to an increase in firms' probability of seeking for new exporting markets in period  $t+1$ . Moreover, we assess the combined effect of both classes of innovation upon the probability of seeking for new markets, as we believe that highly productive firms often undertake technological and non-technological innovating activities simultaneously. We use data from the 2004 Tagliacarne survey, which contains detailed information on about 2600 small and medium size manufacturing Italian firms. We found that a technological innovation increases the probability that a firm will plan to look for new markets abroad by 6.6 to 8.8 percentage points. The effect of a non-technological innovation is even larger, at 12.5 to 13.4 percentage points. Finally, the estimated effect of both forms of innovation is about 19 percentage points on average.

---

<sup>a</sup> University of Foggia, Department of Economics (DSEAGMEG), Via R. Caggese 1, 71121-Foggia, (Italy)

<sup>b</sup> University of Akron, Department of Economics, Akron, OH 44325-1901 (USA)

<sup>c</sup> University of Foggia, Department of Economics (DSEAGMEG), Via R. Caggese 1, 71121-Foggia (Italy)