

Chapter 3: Value appropriation through eco-innovation. Evidence from Italian manufacturing firms

Meloni Damiano

Extended abstract:

This research article investigates the influence of eco-innovation on the ability of firms to capture value along the vertical value chain and, consequently, enhance their competitiveness. Despite the widespread belief that eco-innovation positively impacts firms' financial performance and productivity, it is still unclear whether it leads to greater value capture and how the division of value is determined by the bargaining between the players. The study is based on a dataset of 4,158 Italian manufacturing SMEs and uses the Crepon, Duguet, and Mairesse model to link eco-innovation and value capture. The results show that eco-innovation plays a unique role in the process of value appropriation, improving firms' bargaining power within the vertical value chain. Eco-innovation positively affects both productivity and value capture, while standard innovation only affects productivity. This study fills the gap in the literature as it explores the relationship between eco-innovation and value creation and appropriation from a quantitative and empirical perspective, providing evidence that eco-innovation is a powerful driver of competition, allowing firms to not only generate value from business processes but also capture value from other players along the vertical value chain. Furthermore, this research provides insights into the influence of eco-innovation on firms' competitiveness, confirming the momentum of environmental consciousness among consumers and the rigid international regulations on environmental protection. Eco-innovation is a crucial tool for businesses to increase their market share, gain a competitive advantage, and improve their overall position in the market.