

# SPRU Friday Seminar

**Date** 18 January 2013

**Speaker** Fulvio Castellacci (Norwegian Institute of International Affairs (NUPI))

**Title** Business Groups, Innovation and Institutional Voids in Latin America

## **Abstract**

The paper presents an empirical analysis of the innovative activities of business groups in Latin America. It compares the innovativeness of group-affiliated firms (GAFs) and standalone firms (SAFs), and it investigates how country-specific institutional factors – financial, legal, and labour market institutions – affect the group-innovation relationship. The empirical analysis is based on the most recent wave of the World Bank Enterprise Survey (period 2010-2011), and it focuses on a sample of 6500 manufacturing firms across 20 Latin American countries. The econometric results point out two major conclusions. First, GAFs are more innovative than SAFs: we estimate the innovation propensity of GAFs to be 9% higher than that of SAFs. Secondly, across countries, the innovativeness of GAFs is higher for national economies with a better institutional system than for countries with a less efficient institutional set up.