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INNOVATION PROCESSES: THE RELATIONSHIP WITH FIRMS' INTERNATIONALIZATION

This study relates the two basic methods for companies' growth and competitiveness: Innovation and Internationalization. These two growth options contend for both the firms' and for government resources. Managers, especially those of Small to Medium-Sized Enterprises (SMEs), handle scarce financial and human resources, and must decide which option will bring about the highest profits, both on the short and long term, and has therefore priority: investing in R&D with the aim of developing new or better products/ processes; or dedicate the resources to open new markets, and offer internationally their existing products. Governments and public administration in general, must also decide what will result in more public benefits such as employment and economic growth: either allocate public budget in order to foster companies' innovation, or use the resources to create export agencies and programs that help firms to grow internationally.

At the same time, innovation and internationalization are intrinsically related, and are therefore not only substitutable but complementary: when companies enter in a foreign country they are exposed to a different market context, which may help/ force them to innovate regarding their products or processes. Also, the more innovative companies are more likely to be successful in the international markets.

In this study we comment the results of several studies relating innovation and internationalization, and others studying the relationship between export promotion programs, and export performance. This enables us to draw some basic conclusions and recommendations both for companies' managers, as well as for policy makers.

Keywords: innovation, growth strategy, export performance, internationalization, profitability