Value Creation and Commercialization in Insular Ecosystems

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ABSTRACT

This article aims to evaluate the resources and capabilities in insular regions, and also to understand how value creation and commercialization take place in the existing ecosystems. A qualitative research methodology was followed through a case study, incorporating interviews with incubators managers of the insular regions of Portugal (Azores and Madeira). The results show some difficulties as a result of the ecosystem’s insularity. To shorten the insular regions dissymmetry compared to other non-insular regions, a new model is proposed to help these regions overcome their economic and social problems.

KEYWORDS

Commercialization, Ecosystems, Island, Quadruple Helix, RIS3, Value Creation

1. INTRODUCTION

In recent years, studies on innovation ecosystems have intensified. An innovation ecosystem aims to create a network of actors with a common strategy (Adner, 2017). These actors have the function of creating, providing and valuing the ecosystem (Adner, 2012).

All ecosystems have strengths and weaknesses. However, the difficulties in implementing a successful ecosystem are becoming more pronounced in insular regions. These regions have common characteristics and are confronted with similar economic, environmental and social problems, most of them are structural in nature, over which they have no control. Generally, the common characteristics of insular regions are: 1) insularity; 2) strong exposure to natural disasters and the effects of climate change; 3) limited institutional capacity; 4) open and poorly diversified economies; and 5) difficulties to access to external capital (Meneses, Ribeiro, and Cristóvão, 2012). Since resources are limited, the sustainable use of these resources is extremely important. As a rule, there are a limited number of qualified and available human resources in insular regions to work with specialists in sustainable development. In this sense, regional approaches that reinforce the sharing of experiences and knowledge, i.e., innovation ecosystems are extremely important.

Insular regions usually rely heavily on tourism and agriculture as a source of income from work and exchange. Coastal areas are considered of great importance for economic activity (Buhalis, 1999). These regions are still the productive areas of a wide variety of living marine resources and a high degree of biological diversity (Johannes, 1998). However, these resources need to be increasingly enhanced in order to have a positive economic and social impact in those regions.

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In this sense, the European Union (EU) has recently defined regional research and innovation strategies for Smart Specialization (RIS3). For the implementation of RIS3 to be effective, it is important that regions analyze different indicators in order to help regions in their economic and innovative diversity, as well as to distinguish the territorial differentiating characteristics (Foray, Goddard, and Beldarrain, 2012).

According to Biggs, Westley, and Carpenter (2010), the integrated and collaborative ecosystem management is not appropriate in all contexts and will certainly generate its own set of problems over time. In this way, new research is suggested to improve ecosystem management models so that they remain innovative and adapt to the difficulties they will find (Berkes, Colding, and Folke, 2008; Chapin III, Kofinas, Folke, and Chapin, 2009; Gunderson, 2001)

According to the research gap identified, this study aims to evaluate the resources and capabilities to be exploited by stakeholders of Portuguese insular regions (Madeira and Azores), in the context of their smart specialization strategies. In addition, this research also aims to understand how value creation and commercialization is carried out in these insular ecosystems contributing to our knowledge in this topic. This research is relevant because it aims to shorten the asymmetries of insular regions compared to other regions. Furthermore, it can help these regions and communities to develop territorial policies and practices management.

The article is structured as follows: this introduction that presented the framework and the importance of this research. The second section presents the literature review, addressing the innovation ecosystems. The third section sets out the used method, detailing it in order to be replicated in future investigations. The fourth section analyzes the results. The next one proposes a model for a successful ecosystem in an insular region. Finally, the conclusions, study limitations and future research lines are presented.

2. INSULAR INNOVATION ECOSYSTEMS

The globalization of innovation networks is a recent trend that significantly influences local innovation clusters and regional innovation systems (Komninos, 2009). Social and economic relations intensified by linking remote regions (Giddens, 2013). These relationships were also beneficial in R&D and innovation, where the ability to coordinate networks and transactions in real time on a global scale was achieved (Castells, 2000).

In general, innovation is done primarily in technological and economic terms, by looking for new products based on the latest technological developments or private sector entrepreneurs, that may come to fill a niche market (Kelman, Burns, and Johansson, 2015). These innovations are important and should be investigated and incorporated into regions’ governance and culture to create sustainable value (Fagerberg, Mowery, and Nelson, 2005). Innovations in governance concern new public, private and hybrid regulatory regimes and related institutional arrangements. Cultural innovations refer to the creation and development of new conceptions, paradigms and value systems. As a rule, technological and economic innovations can rarely be successful without government adaptation and cultural innovations (Kelman et al., 2015).

The insular regions need to innovate. Innovation in these regions typically results from unique crafts, food and beverage products and remote services for information and communication technologies (Baldacchino, 2005). In insular regions, entrepreneurship is dominated by small and medium-sized enterprises and the geo-economic circumstances of these regions are often mercantilist: imports are more pronounced, deferred exports, and trade and consumption are higher than industrial production. These are some of the circumstances that attract the interest of local trading community. Politically, the importing elite usually has advantages and tend to acquire imported products (possibly cheaper and better) in deferment of local products (Baldacchino, 2005). Locally, consumers prefer to sponsor high-level foreign goods from the mainland or the core, even when they are more expensive or of inferior quality (Worsley, 1968).
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