How to Promote Open Innovation in Egypt? Answers from the Egyptian National Innovation Survey.

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Increased knowledge on the adoption of open innovation (OI) in less developed countries (LDCs) is required as emerging markets in these countries evolve. In this paper, OI in Egyptian firms is studied. A group of variables are investigated that directly affect innovative small and medium enterprises (SMEs) in Egypt to fathom how open are these firms to an OI strategy and what makes them more open than others. Our research focuses on SMEs in emerging markets and LDCs such as Egypt in an effort to understand and overcome the challenges associated with OI adoption and the activities a firm needs to undertake to ensure the successful adoption of OI before its benefits are realised.

Our research proposes to verify the following hypothesis: 1) Does OI exist in Egyptian manufacturing SMEs? and 2) what are the determinants that affect OI in such context? The independent variables investigated are both firm specific (size, location, absorptive capacity and ownership structure), and industry related (the technological intensity of the industry in which the firm operates and the availability of public financial support).

We used a dataset derived from the first Egyptian National Innovation Survey to test our research hypotheses. More specifically, two linear regression models are estimated to test the effect of the different determinants included in our hypotheses on the tendency of firms to connect with knowledge institutions and business partners for innovation purposes.

Previous research has addressed a relationship between the type of collaborating partners and the firms open innovative behavior. Our research confirms this relationship. Actually, our results show that some determinants of OI play a different role depending on whether it’s about openness to knowledge institutions or to business partners. Moreover, in previous literature that addressed developed countries, knowledge based partners such as universities and research institutes can be found in both small and large cities. In Egypt, where knowledge institutions and research activities are more centralized in the capital, being located in Cairo has a significant positive effect on openness to knowledge, but not to business partners. Business partners can be found in industrial zones that are geographically located all over Egypt.

Finally, although literature has highlighted that absorptive capacity has a significant effect on OI, our research shows that in Egypt, this relationship is only partially supported.

Our research contributes to the literature on OI in LDCs. The results open the door to several research avenues on OI in LDCs. Moreover, the discussion of our results allows to generate several recommendations for both managers and policy makers interested in fostering innovation and promoting an OI culture in Egypt.