

INVESTMENT IN KNOWLEDGE BASED ECONOMY AND FIRM'S INNOVATION PERFORMANCE IN DEVELOPING COUNTRIES: EVIDENCE FROM TUNISIAN FIRMS

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Abstract

This paper investigates two set of hypotheses related to the relationship between the investment in the knowledge based economy (KBE) and innovation performance in a developing country. The first set supposes that investment in information and communication technologies (ICT), organizational innovations and human capital, the main three pillars of KBE, has a direct effect on innovation performance of Tunisian firms. The second set test the hypothesis of complementary effect of these pillars such that their combination constitutes a significant production system affecting the innovation performance. Using recently firm-level data, we find evidence of direct effect of investment in the KBE on firm's innovation performance. The second set of hypotheses is partly supported. We find evidence of complementarity between ICT and human capital as well as between ICT and organizational innovations, but do not find evidence of complementarity between human capital and organizational innovations. Moreover, we find that full complementarity among ICT, organizational innovations and human capital does not apply to Tunisian firms.

Keywords: knowledge based economy, ICT, organizational innovations, human capital, product and process innovation, direct and complementary effects

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