

# Radical vs incremental innovation in Marshallian Industrial Districts in the Valencian Region: what prevails?

Jose-Luis Hervas-Oliver, Francisca Sempere-Ripoll, Sofia Estelles-Miguel & Ronald Rojas-Alvarado

## Abstract

This study's objective consists of deciphering whether collocation in MIDs, exerts a potential effect on a firm's discontinuous or radical innovative performance. The study explores and integrates economic geography with innovation literature in order to explore the relationship between Marshallian Industrial Districts (MIDs) and firm innovation. Specifically, we encompass radical or discontinuous innovation, as opposed to an incremental or imitative one. We build a framework from which MIDs' effect on discontinuous innovation is approached. Using CIS data in Spain in district and non-district firms in a region, our results show that: (i) collocated firms' innovative performance is positively related to the District effect, as long as the innovation pursuit is incremental; (ii) collocation in MIDs does not facilitate the pursuit of radical innovation but mainly supports an incremental one, and (iii) district firms show asymmetric capabilities and innovative output, as long as the innovation pursuit is incremental, nor discontinuous. Implications for the MID framework are discussed.

## Keywords

Innovation, Marshallian Industrial Districts, absorptive capacity, radical, SMEs