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Co-evolution of actors and institutions in regional economies – the case of Cognac

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Interests: Innovation Studies, Evolutionary Economic Geography

Presentation EU SPRI: 2nd paper in PhD process

Institutions and their role for innovation

Institutions ≠ organizations

Here understood as:
Regulations, norms, cultural-cognitive boundaries
(Scott 2008)

or: ’rules of the game’, as in e.g. Gertler 2010

Well-working institutions are crucial for the functioning of innovation processes and innovation systems
(e.g. Nelson 1993, Gertler 2010, Moodysson & Zukauskaite 2011)

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Cognac = small town in Western France
Cognac = appéllation d'origine controllée (AOC)
origin of oak aged distilled beverage

AOC regulation, established 1909

- Ugni blanc grapes from Cognac growing areas
- After fermentation distilled in (relatively inefficient) copper pot alembics
- Distillation period: harvest to 31st March
- Aged in oak barrels for a minimum of 2 years
  (oak from specific regions in France)
- Categories: VS (2 years), VSOP (6 years), XO (10 years)

If any of those rules is not expected: product = ”brandy”
-> looses up to 80% of its value

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RQ (previous paper)

Moodysson & Sack, forthcoming

What happens when product-specific institutions don't change over long time periods (~100 years) in a geographically limited setting?

Main finding:

Constraining/restrictive institutions in the short run may *turn into enablers* for innovation and renewal in the long run

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RQ

Main question:

When different firms are operating within the exact same (product-specific) institutional configuration over a long time period, will they develop in the exact same way?

Looking in detail:

If they diverge, what attributes/ determinants would make them do so?

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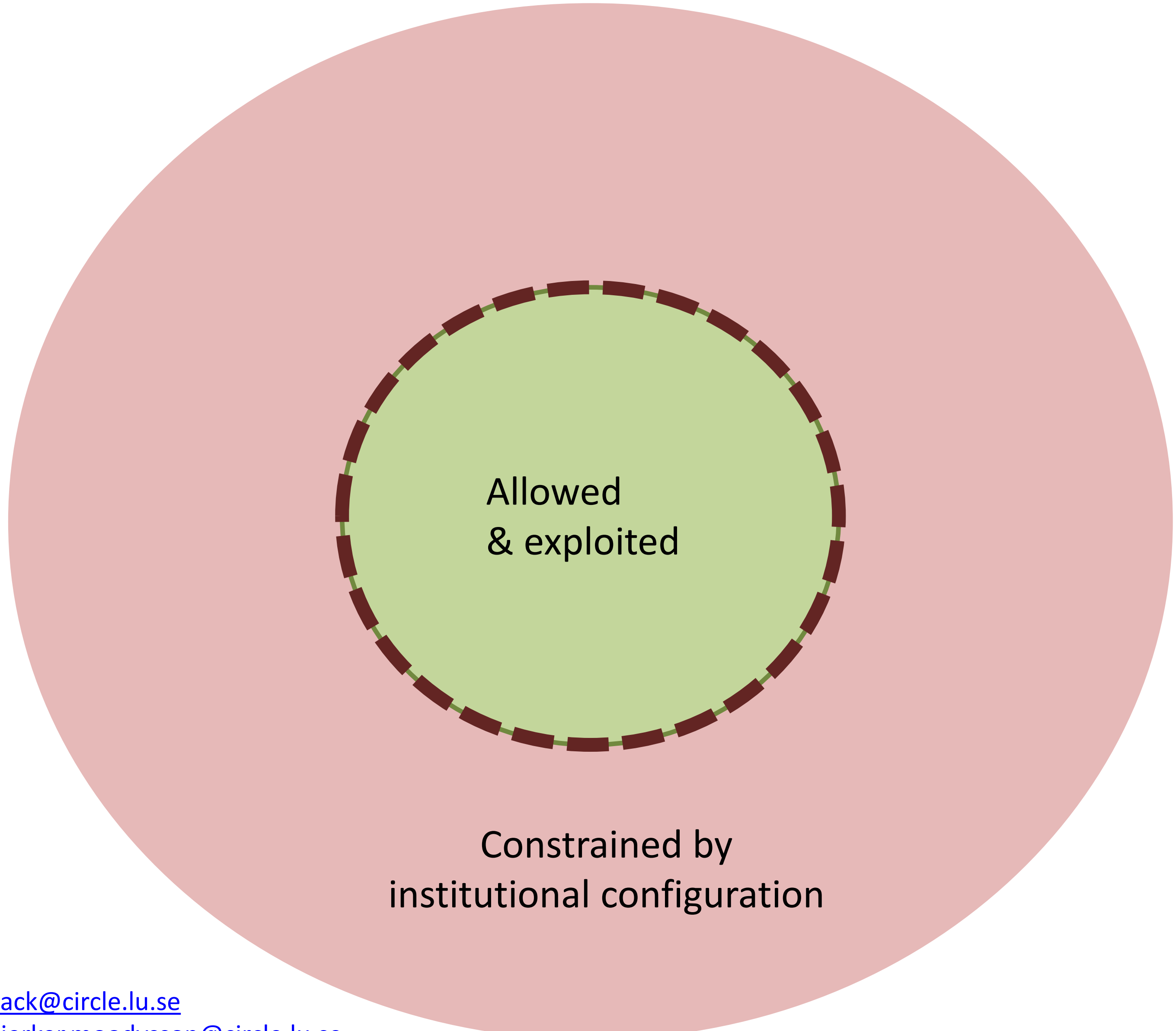
Actors, institutions and systems

Firms will act upon insitutions when

Benefits > costs

(Scott 2001)

Institutions as boundaries between what is allowed and not allowed



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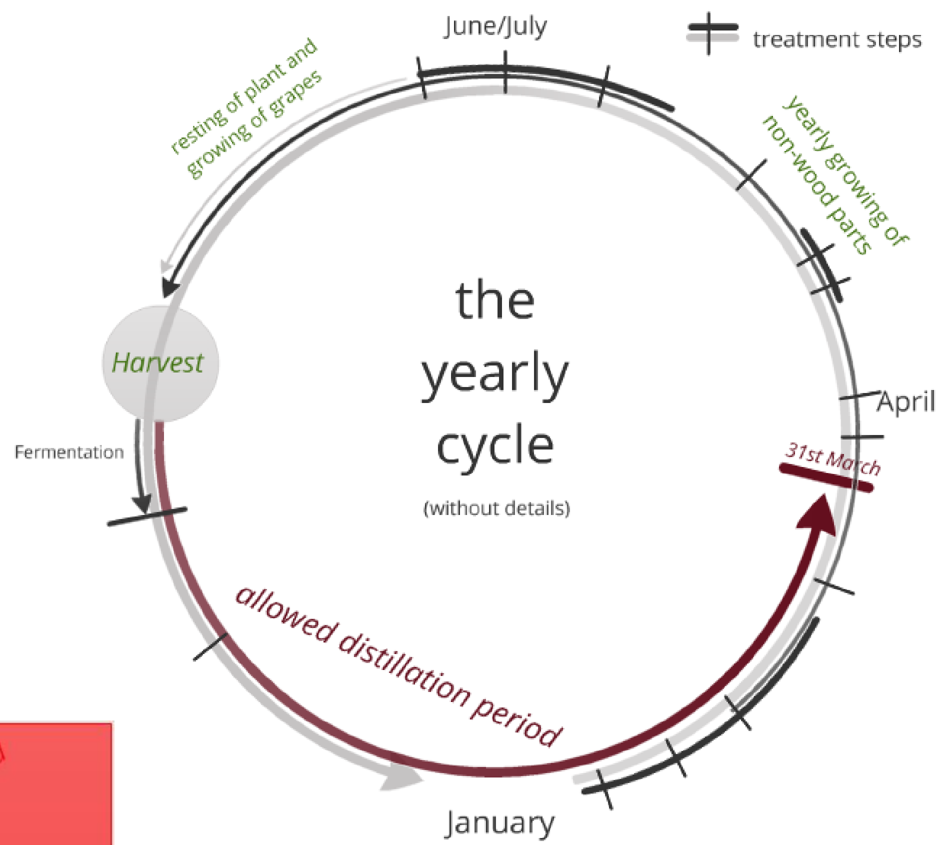
Institutions & emerging pressures: illustrative examples

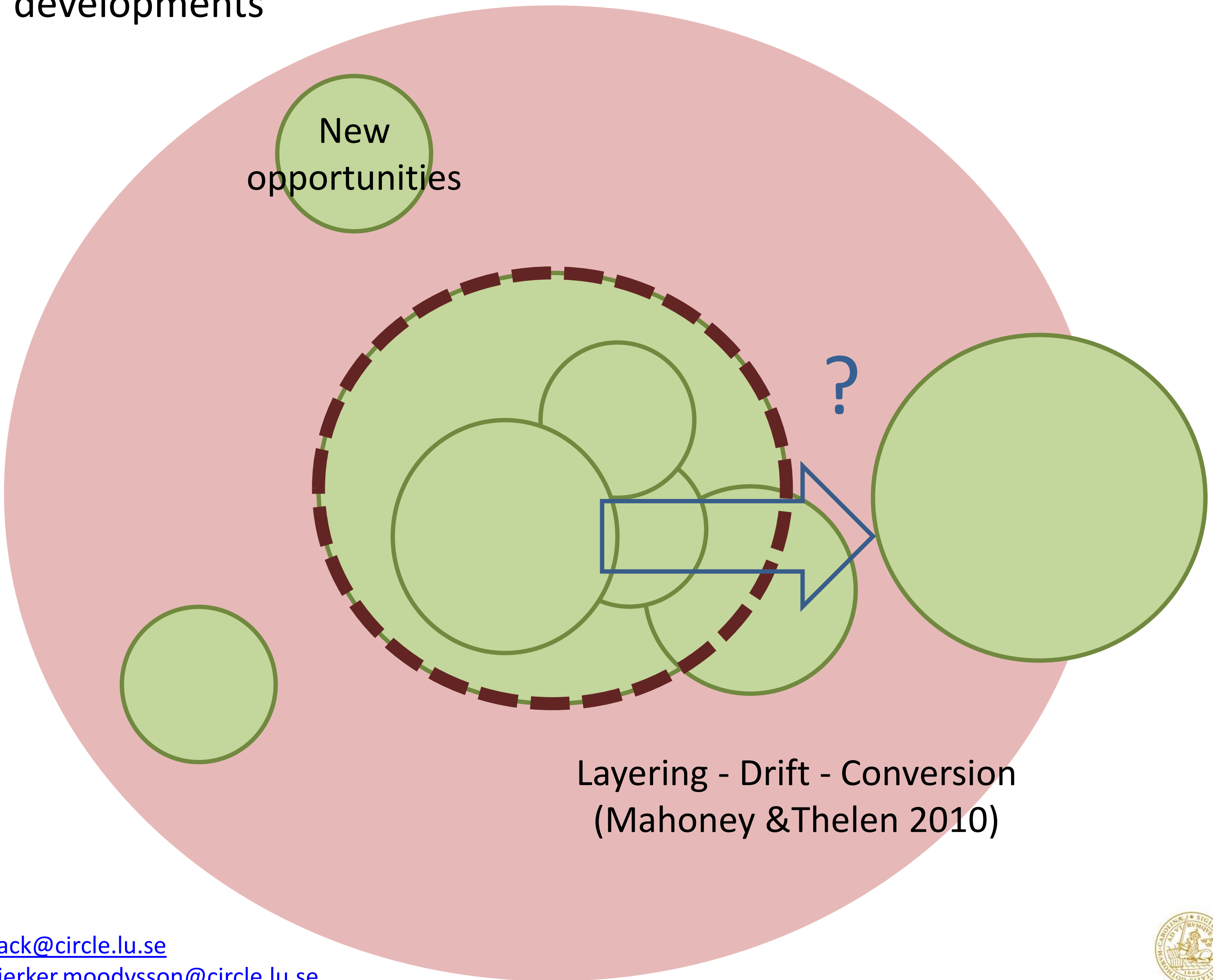


(own schemes, after BNIC 2012)

New opportunities:

Shifts in the industry (e.g. markets, consumer prices)

Technological developments



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Findings

We identify 4 different trajectories in the Cognac setting
(no definite number)

Two broad developments: cumulative vs. recombinatory dynamics (Strambach 2012)

Cumulative dynamics are observed among majority of firms, recombinatory dynamics represent a small but powerful minority (compare Giuliani 2006)

In the cumulative groups **hierarchies and scale** seem to matter more than in the recombinatory.

Attributes that lead to different trajectories
(despite identical institutional configuration)

We identify

- Strategic pull by new opportunities (e.g. DiMaggio 1988)
- Firms’ position in ’system hierarchy’ (e.g. Battillana 2006)
- Managerial drive of firms

Periods of crisis are likely to amplify divergence

Benefits > cost

Thank you for your attention

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