The Oretical Approaches for the Analysis of Innovation Capacity as a Factor that Affects the Competitiveness of Software Industry of Jalisco

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Abstract: The aim of this work is to review the theoretical approaches to analyze the innovation capacity of enterprises in the software industry of Jalisco, based on a survey of companies in the Software Center of the State, as well as evaluating the influence that has the capacity for innovation on competitiveness, seeking empirical evidence to answer the question formulated. The main hypothesis for this research is the ability to innovate is a factor that positively affects the performance of companies in the software industry, which is reflected in the competitiveness of the sector. The methods used in this research are three: innovativeness index (ICI), Linear Regression Model with OLS and Soft Computing using evolutionary algorithms: FUZZY CESAR, the latter something completely new which puts us in the forefront of knowledge methods is still.

Keywords: Competitiveness, software industry, innovation.

JEL: 

Resumen: El objetivo de este trabajo es revisar los acercamientos teóricos para analizar la capacidad de innovación de las empresas de la industria del software de Jalisco, partiendo de una encuesta realizada a las empresas que componen el Centro de Software del Estado, además de evaluar la influencia que la capacidad de innovación tiene sobre su competitividad, buscando la evidencia empírica que permita dar respuesta a la pregunta formulada. La principal hipótesis que guiará esta investigación es la capacidad de innovar es un factor que incide positivamente en el desempeño de las empresas en la industria del software, lo cual se ve reflejado en la competitividad del sector. Los métodos usados en esta investigación son tres: Índice de capacidad de innovación (ICI), Modelo de Regresión Lineal con Mínimos Cuadrados Ordinarios y Soft Computing aplicando algoritmos evolutivos: FUZZY CESAR, siendo esta última algo muy nuevo que nos sitúa en la frontera del conocimiento en cuanto a métodos se trata.

Palabras clave: Competitividad, industria del software, innovación.

INTRODUCTION

The economic outlook is forcing companies to rethink their business, because the complexity of the environment is causing a progressive decline of many business models considered valid until recently. In some sectors, innovation has become an essential survival factor. But still for some companies, especially smaller ones, innovation is synonymous with complexity and ignorance, leading to a sense that is exclusive to large companies. The ability to innovate is a resource of the company like their financial, trade and productive capacities and should be managed in the same manner and with the same importance.

Moving toward service economy with high added value and dynamics oriented towards innovation requires an information and communication technologies (ICT) industry, more competitive and tightly integrated with other national economic sectors. In a globalized economy, built by information and knowledge, these are the primary software solutions for the problems facing the industry, academia and government. This is how the software industry offers new opportunities for economic and social development of countries (Secretaria de Economía, 2012).

The software industry in Mexico is relatively small and little commercial development, based mainly on the production of customized software or standardized software adaptation to the needs of users. This lack of development of production of basic software, operating systems and applications, is expressed in the structure of national accounts of Mexico, who has not a section that allows to account the magnitude of domestic production of such software (Mochi, 2006).

In this context, this research aims to analyze the competitiveness of the software industry in Jalisco depending on the capacity for innovation. It is intended to determine the index of innovation capacity to analyze and discuss the application of this indicator to a sample of 44 companies of the State of Jalisco (ens para el Centro for Software (Centro de Software) and likewise interested in evaluating whether firms with greater capacity to innovate have outperformed the market, which is reflected in the sector's competitiveness.

PROBLEM

The technological advances that have occurred in recent years have generated a demand for new and innovative technologies and processes that many have been defined as a new product innovative industrial revolution (Dabat, 2002). These events, as mentioned by Mochi (2006), are related to the emergence of new stage of capitalist production, which is characterized by increasing importance of technological innovation and knowledge as a major factor generating value in a context of economic globalization. In this scenario, the information...
and communication technologies (ICTs) have become very important. This is related to the development and increased use of multifunctional technology: Software. This has generated a major industry, whose key fields are software engineering and IT services (ISSI), which have a complex structure and require a great capacity for innovation.

The software industry in Mexico and Jalisco is going through a stage of maturity, which manifests itself in an increase in recent years. In addition to the generation of active public policies that are aimed at encouraging entrepreneurship and development of existing businesses, the promotion of technology and infrastructure (Secretaría de Economía, 2012). As Mochi (2006) argues, opportunities and challenges consolidate the software industry make clear the need to convene, in order to exploit the advantages offered by this sector, for insertion into the international economy, and development of different sectors of the national economy.

It is important to also consider Jalisco as being the leading producer of embedded software in the country. Then, it can be said that, as noted by the OECD to Mexico, it is still competing in niches with low value added (OECD 2006), low innovation (Rodríguez 2010) and little expertise. Hence, the issues that it is intended to address in this research depart from some work and international sources. From this, it is possible to draw a number of elements to determine an index that allows measuring the innovativeness of a representative group of the software industry in Jalisco. In order to study this it is considered as a factor affecting performance companies in the sector, which it is reflected on competitiveness.

**RESEARCH QUESTION**

Does the ability to innovate is a factor affecting the performance of companies in the software industry Jalisco, making the sector competitive?

**THEORETICAL FRAMEWORK - CONCEPTUAL COMPETITIVENESS**

Studies on the competitiveness have been approached from two perspectives. One of them considers that organizations are open systems that are influenced by external factors over which the company has little or no control. From this point of view, the external environment will determine the success or failure of enterprises. However, Porter (1991) opined that the structural characteristics of the sector are unstable and that the behavior of these influences decisively. From another perspective, competitiveness is determined by the internal factors of the company. One theory that has come to support this idea is the theory of resources and capabilities of enterprises (Barney, 1991; Penrose, 1959), which argues that competitive success is due to the set of resources and capabilities it possesses and make it different from other competitors in the industry.

In this section, the focus of competitive forces of Porter is reviewed, for which it is important to consider that many countries, regions and industries are experiencing an economic situation whose key factors are different from those that were valid until a few years ago. In this new context, competitiveness is expected to play a key role. It has become one of the most important development concerns. However, this concept is still unclear, due to its generic nature and the wide range of elements that converge around it.

Be aware that competitiveness is rather the product of a pattern of complex and dynamic interaction between the state, enterprises, intermediary institutions and organizational capacity of a society. The competitiveness of a sector of economic activity is based on the organizational pattern of the society as a whole, the parameters of competitive relevance and interaction between them, which is, ultimately, interaction that generates benefits for the region. The factors identified as core are: innovation, knowledge and the close relationship between institutions, public, academic and private (Salazar, 2010).

**Theoretical review**

To clarify the concept of competitiveness it is necessary to specify in which field applies: countries (macro level), economic sectors at national and regional level (meso level) and businesses (micro level). Romo (2005) classifies these areas in what he called a hierarchical structure of concentric levels of competitiveness, as shown in Figure 1.

Levels are represented graphically in the form of concentric rings to illustrate the idea that business competitiveness influenced by conditions in the industry and region, while the competitiveness of companies, industries and regions is determined by national conditions.

**Businessscope**

The meaning of the competitiveness of a company derives its competitive advantage, and introduction methods and organization (price and quality of the final product) over its competitors (Romo, 2005). The ability to compete in the business is the ability to stay in the market, providing goods and services more effectively and efficiently than its competitors, generating return on invested long-term capital. From the design, production and marketing of premium products, wheressuperiortycan be evaluated based on factors such as price and/or differentiation, quality and technological advancement and physical resources of a company, capabilities, organizational culture, patents, trademarks, strategies, information and knowledge, etc.

One of the ways in which competitiveness is measured is by its financial performance. Therefore, the existence of a good...
financial performance suggests that a company increases its competitiveness. The competitive performance can also be measured by the return on sales and assets and the value added per employee. There are separately nonfinancial indicators such as market share, the percentage of loyal customers, the percentage of loyal suppliers and staff turnover results. Costs, productivity and export capacity are also indicators of competitiveness. It should be noted that a single factor is not an adequate indicator of competitiveness.

Beyond the financial or market-based indicators, measures of competitiveness increasingly include other variables such as innovation, quality, management enhancements, and social and ethical duties and responsibility (Robeil, 2006). At the enterprise level among the factors contributing to competitiveness are: good management of production flows, raw materials and supplies, R & D, design, engineering and industrial manufacturing, cooperation with universities and other companies, developing strategies in response to demand and market developments and finally, the measures taken by companies to increase employee skills through training and the establishment of a greater degree of responsibility in production (Robeil, 2006; Romo, 2005).

In relation to the above Romo (2005) comments that apart from therelevantinternal factors in performancecompetitivenessare thesize of the business, labor productivity, total factor productivity, performance in exports, investment in R & D-in particular product, processandmanagement capacityof innovationand human capital-external variables with significant effectson competitivenessare related to the following levels described by Romo (2005). The ability of firms to compete conditioned upon the circumstances of the environment in which they operate, and the search for a favorable position in an industry company (Porter, 1996).

**Industrialscope:**

In an industry, understood as a set of companies engaged in similar business activities, competitiveness is derived from higher productivity, lower costs facing either their international rivals in the same activity or through the ability to offer products with a higher value (Depperu, 2005; Estrada and Heijls, 2005; Romo, 2005). This is the competitive level that is the result of the level of competitiveness of individual firms, but also the competence of enterprises increased by the competitive environment prevailing in the industry.

Not all industries are the same, so their characteristics determine competitiveness, features such as the nature of the goods produced, market concentration and entry barriers, capital intensity and technical complexity, maturity of the technology used, export potential, foreign presence and strategy followed by foreign investors (Romo, 2005). The competitive race between companies stimulates innovation, lower costs and improves the quality of products in the industry, causing demand increases.

**Regional level:**

For national and regional economic sectors and groupsofcompanies (meso level), competitiveness is the ability of companies to achieve sustainable success against their competitors in other countries, regions or groups (Biggeri, 2007; Siggel, 2007). In the view of Porter (2009), the paths of the evolution of a sector depend, among other things, on strategic choices of firms. Also, the performance and development of a company is determined largely by the prevailing conditions in their environment, especially those related to their immediate geographical proximity (Romo, 2005).

According to Romo (2005) once the business climate improves, companies begin to concentrate on specific geographic regions, forming clusters with the potential to positively affect competitiveness, especially through three mechanisms:

- Increasing the productivity of constituent firms or industries,
- Raising the innovation capacity and hence the productivity growth, and
- Encouraging the formation of new businesses that expand the conglomerate

Therefore, the importance is to give greater support to innovation. The importance of geographical agglomeration is all this gives rise to the generation of so-called “external economies”, which can be of two types: Technological and pecuniary. The first involving transfer and spillover of knowledge between companies, which contributes to the receiving party for technological capabilities that tend to strengthen the competitive edge of the industry. The latter, includes the creation of a market for skilled labor and suppliers, which again tends to strengthen the advantage of the competitive industry (Romo, 2005).

**National level:**

Magda (2005) has commented that competition at a national level is defined in terms of trade performance of countries, according to their comparative advantage. Meanwhile, Romo (2005) points out that the competitiveness of a country is defined as the share of its products in international markets adding diversification of the export basket, sustaining higher growth rates in these over time, increased technological content and skills in export activities, and expanding the base of local firms able to compete internationally.

Romo (2005) argues that countries in their competition to attract foreign investment capital must ensure stability, good governance and opportunities for profitable investment for investors. In this regard, Robeil (2006) explains that the factors affecting the competitiveness of a country are:

1. The overall performance of the country (GDP, investment, employment, imports, exports and inflation).
2. Efficiency in government operations (public finance, fiscal policy, regulatory framework, institutional framework and social context).
3. The existence and quality of infrastructure (facilitation work, adequate transportation of people, goods and information).
4. The business efficiency (productivity, labor market, finance, management practices, values and attitudes).

Macroeconomic competitiveness from long-term perspective, it is considered as the ability of the economy of...
a nation to rapid and sustained increase employment rates, living standards of the population and the returns on investment, in terms of growth productivity (Estrada and Heijs, 2005; Magda, 2005; Romo, 2005). The differences in values, culture, economic structure, institutions and history of different countries contribute to their competitive success. Note that any country can or will be competitive in all or even in most industries (Romo, 2005). The analysis of competitiveness goes beyond macroeconomic variables that influence structural factors affecting economic performance in the medium and long term, and are related to productivity and innovation. Technological innovation is important to support the economic growth and social welfare (Estrada and Heijs, 2005; Robeil, 2006; Romo, 2005).

Finally, the competitiveness of a country is the result of both the competitiveness of their companies, and the legal, economic and prevailing social conditions and public policy - monetary, exchange rate, fiscal, trade, finance, infrastructure, etc., and should be considered a relative comparison or benchmarking of performance to evaluate how well each participant has made in its development capacity to innovate and grow (Robeil, 2006).

THEORETICAL FRAMEWORK - CONCEPTUAL INNOVATION CAPACITY

In the new competitive scheme have become important some issues such as the ability of companies to adapt to the market environment, creating and / or effecting development and improvement of products and processes, and organizational changes for creating and sustaining competitive advantage. I.e. the agents aim to increase, what is called in this paper the "Innovation Capacity".

Theoretical review:
The study of strategy advanced towards the paradigm based on resources and capabilities that a firm has (internal focus), or to be acquired to compete strategy. In short, it goes from an outside to inside approach when it comes to support the creation of competitive advantage.

Theory of resources and capabilities (RBV):
The theory of resources and capabilities becomes the precursor of knowledge management during the years 90s. A concept much more closely linked to business practice, this theory has received significant contributions from the field of business strategy over the past two decades. The determinants of success of the company have been a topic of central importance in the field of research in strategic management. In particular, various scholars have placed particular emphasis on the role played by the resources and capabilities that have these to achieve competitive advantages (Wernerfelt, 1984; Itami & Roehl, 1987; Barney, 1991; Teece, 1997; Pisano & Shuen, 1997).

In fact, Edith Penrose (1959) pioneered the development of the theory which states that a firm is more than an administrative unit; it is also a collection of ready productive resources between different users and over time, given an administrative decision. When looking at the business process of private business from this point of view, the size of the firm is better calibrated by measuring the productive resources it employs. The traditional concept of strategy by Andrews (1971) is formulated in terms of resources and position of the strengths and weaknesses of the company, while most of the tools in the formal economy operate on the side of the product market. While these are two perspectives, they ultimately should lead to the same idea.

Wernerfelt, in his paper published in 1984, mentions that for the company, resources and products represent twosides of the coin. He says that most products require the services of several resources and more resources can be used in various products. To specify the size of the company's business in different product markets, it is possible to infer the necessary minimum commitment of resources. The central discussion focuses determining the attributes that must have the provided resources and capabilities in order to isolate the competition and enjoy special benefits for longer. In this thesis Barney (1991) identifies as key attribute that any resource should underpinto become a factor for competitive advantage for the company.

The only resources that are able to achieve these four attributes previously described as intangible but such as particular technology, accumulated consumer information, brand name, reputation and organizational culture and corporate culture. These assets are difficult to build and acquire because they require unique and complex conditions to achieve, independent of the environment in which they operate. Itami and Roehl (1987) emphasize that intangible resources, such as particular technology, accumulated information of consumers, brand name, reputation, innovation and corporate culture are invaluable assets to the comparative advantage of a company. In fact, they claim that the "invisible resources" are often the only real resources of a firm to competitivenes can be sustained over time.

For its part Teece (1997), mentioned that since the resources are heterogeneous firms, the entry decision process suggested by this approach is as follows:

a) Identify the specific resources of the company.
b) Decide on which markets such resources can earn higher incomes.
c) Decide whether income assets are more effectively used by:
   (a) Integration in the related market,
   (b) The sale of the intermediate product to affiliates, or
   (c) The sale of the assets themselves for a related company.
Summarizing, resources and capabilities essential guide strategies and contribute to achieve the potential benefits of the company, as presented by Grant (2006) in Figure 2:

![Figure 2: Relationship between resources, capabilities and competitive advantage. Source: Grant (2006)](image)

It is important to distinguish the concept of capacity, which is also useful to analyze the relationship between business objectives and use the resources that the firm possesses. The capabilities are the ability that allows resources to act jointly to achieve efficiently differentiate (Fong, 2005). The capabilities created by everyday activity in the company, which has strong implications: are cumulative and are the process of internal collective organizational learning. Capabilities are embedded in organizational processes of the company and are supported by the minds of the members of the organization. For this reason are socially complex (Fong, 2005).

**Theory of dynamic capabilities:**

In recent decades, the efficiency of the Theory of Resources and Capabilities has been questioned because turbulent environment sits approach static. In this environment, there are key capabilities that enable rapid adaptation of company resources, allowing proper positioning and securing of unique resources to cope with the dynamism of businesses today. This extension of the prospect of Resources and Capabilities is what is known as the Dynamic Capabilities Approach (Teece, 1997). This view was proposed first by Teece, Pisano & Shuen (1997) and was later developed by Teece in 1997. These authors defined the dynamic capabilities as the ability of the company to generate new forms of competitive advantage from the reconfiguration of competencies or organizational resources.

In the environment of new businesses, time is considered a critical variable, the rate of technological change is very high and changes in inceptive competitive environment and the markets are difficult to determine. The setting of such companies is characterized by high turbulence. In this situation, their success will be determined by the rapid adaptation of internal and external capabilities to achieve consistency with the changes that occur in the business environment capabilities.

The dynamic capabilities theory states that the company may increase its generation of potential benefits, if it achieved distinctive resources and capabilities to develop forms, set strategies, accelerate the discontinuity of the same and direct the strategies of the company (Mintzberg 1994; Peteraf, 1993; Hamel & Prahalad, 1994; Teece, 1997; Grant, 2006).

**Innovation:**

Innovation is the creation of a product, and its introduction into a market. An essential aspect of innovation is its successful commercial application. Do not just invent something, but, for example, introduce and spread the product in the market so that people can enjoy it. Innovation requires awareness and balance, to carry the ideas from the imaginary fictitious field, to the field of embodiments and implementations.

The concept of innovation that is used for this research, depart from a broader vision that includes the set of interconnected changes made in different areas of the company and aimed at improving their competitiveness and economic efficiency (Yoguel & Boscherini, 1996). Therefore, from this perspective, innovation not only reduces the isolated activities but also involves the set of developments and incremental improvements in various areas (organization, marketing, production, etc.) and activities aimed at developing quality.

Beyond development activities planned a priori, innovations are also generated from various routine activities undertaken in the firm that are not necessarily linked to the productive area (Ernst & Lundvall, 1997). The interaction of the company, the continuous exchange of views to solve problems, or to face new situations and responses, that are arising are used for the company to operate and improve economic efficiency, are important sources of inputs for the development of innovative activities (Yoguel and Boscherini, 1996). Yoguel and Boscherini (1996) mention that the development of innovative activities is necessary...
condition but not sufficient to ensure good economic performance.

Early work on innovation dating back to the first half of last century, when Schumpeter (1934) conceptualized the entrepreneur as an innovator, since then, many authors have argued that innovation is a source of growth. For Schumpeter, innovation of enterprises is the driving force behind sustained economic growth in the long term, although the road can destroy the value of established companies. For this reason, the study of strategy advanced towards the paradigm based on resources and capabilities that have (internal focus), or to be acquired to compete strategy. In short, it goes from outside in, inside a approach when it comes to support the creation of competitive advantages.

The theory of resources and capabilities becomes the precursor of knowledge management in the 90s, a concept much more closely linked to business practice. This theory has received significant contributions from the field of business strategy over the past two decades. An alternative to face this reality is innovation. The firm must seek new market niches, redefine the commercial horizons, stop competing with the same customers, and develop products that others prefer. Schumpeter defines innovation as the time when a new product, process or service is introduced in a specific market (Cardona Trevino, 2011).

Process innovation:

According to Yoguel & Boscherini (1996), in the process of innovation, it comes together different knowledge and skills that are present in different areas of the company, whose use depends on the organizational culture of the firm. That is, the modalities and characteristics assumed by management determine the criteria that guide the decision making process. Overtime, the interaction between this set of factors generates wealth of skills, often intangible and specific firms that determine their capacity for innovation.

Innovations are also generated with daily activities in the company, so it is very important to feedback that can be given to developing these activities that promote innovation within the firm. From this perspective, there are strong interactions and links between the decisional process and innovation activities. I.e., innovative activities are a prerequisite for the strategic decision related to the management of the firm and have impact on the capabilities of the company. However, the full utilization of the results of innovative activities basically depends on the capabilities of the company to develop and conduct (Yoguel & Boscherini, 1996) consistent competitive strategies.

In this direction, it is observed that the innovative process of the company is multidimensional, being able to differentiate two levels of influence not only the importance of innovative activities, but also the forms and responses under which they occur. First, it emphasizes the set of elements located at the micro level, and secondly, the environment, i.e., the socio-institutional environment and its influence on the process of building skills. Both planes are linked from the set of interactions between the actors involved.

Finally, Yoguel & Boscherini (1996) conclude this review by saying that the process of innovation in firms can be seen as the result of the dynamic interaction of skills developed over time, learning that is generated and culture organizational under a certain atmosphere. That is, innovation is a learning process aimed at solving business problems and improves competitive positioning in the market. It is influenced and, in turn, affects the powers of the firms, which depend on the dominant organizational culture.

Capacity for innovation:

As mentioned, for purposes of this research, the concept of Innovation Capacity is defined as the potential of combining effectively the set of resources and capabilities of the company to improve and create new knowledge. This section will describe the theoretical foundations that support this definition and underpinning the approach proposed to achieve the objectives.

In this context, the concept of innovation used, arises from a broad vision that involves the interconnected changes made in different areas of a company and aimed at improving its competitiveness and economic efficiency. Therefore, it is important to emphasize that staff interaction between different areas that make up the company, the exchange of views, among others, constitute an important source of inputs for the development of innovative activities (Yoguel & Boscherini 1996).

In developing its "innovative capacity", the production and development of this knowledge is the firm is dynamic, continuous and cumulative process, amending and recreating the organizational and technological static skills. Thus, learning both individually and collectively plays a central role in establishing the dynamic interactions between different areas of the company to improve and create new knowledge. In sum, over time, the interaction between this set of factors generating wealth of skills, often intangible and firm's specific (Hamel & Prahalad, 1994) that determine the dynamic capacity for innovation. Given the theoretical analysis and guidelines that arise, proposed concept into research on innovation capacity to innovate concept supported by three theoretical that have already been described:

a) Theory of dynamic capabilities (Teece, 1997).

b) Theory of intangible assets (Prahalad and Hamel, 1994).

c) Evolutionary theory (Nelson and Winter, 1982).

It is the existing studies on the subject are several proposals on the various factors that can be expected to contribute to the accumulation of innovation capacity, same as most authors have grouped into: internal factors and external factors. As mentioned, internal factors include the interaction of internal company resources within the framework of organizational running business, which through knowledge are developing innovations that are capitalized. According to evolutionary theory (Nelson and Winter, 1982), interaction with external factors provides a boost to survive and compete for improving organizational learning and experience. As a
result, technological innovation is essential for a company to acquire and maintain competitive advantages and improve performance in a dynamic environment.

![Capacidad de Innovación Diagram](image)

**Innovation capacity index:**

This research arises from determining an indicator of innovative capacity, which was designated as the Innovation Capacity Index (ICI), same as it was proposed by Yoguel & Boscherini (1996), who considered qualitative and quantitative elements. The authors start from the idea that the generation and dissemination of knowledge, both internal to the firms and between firms, is a complex process positively associated with the need to solve problems under uncertainty, to the demand for solutions not easily codified to the degree of development of skills such as human resources of the firm, to how the work process and the degree of importance of the firm's interpretation and adaptation of external codified knowledge is organized. This set of factors makes the tacit knowledge of particular, specific and non-appropriated elements by other agents, which is done through what is known as organizational learning.

Therefore, to increase the innovative and competitive capacity, it is needed to transform the information into knowledge, where by entities, large or small, public or private, disseminate and exploit. Within the perspective of organizational learning, change is a multidimensional process with both internal and external factors. The first organizational learning is understood as a process of change that interacts with the firms' environment (Hedberg, 1981, March & Olsen, 1976, Duncan & Weiss, 1979). The second, like stock market institutions, make a transformation and change their environment (Swieringa & Wierdsma, 1995, Kim, 1993)

The organizations of the first type are concerned about survival and their greater efforts are aimed at solving the problems of everyday life, so that their stay in the market is preserved. These second are interested in their surrounding innovation processes, to innovate products or services, first that competition. In this direction, Yoguel & Boscherini (1996) mention that traditionally, used indicators (research and development, patent number and publication of scientific articles) have been criticized because they do not explain the proper behavior of companies and countries with reduced expenditure on research and development (R & D) which led to have a significant industrial growth and improved their competitive position without making a formal attempt in innovative activities.

Neither the number of patented inventions is viewed as a suitable indicator for measuring the intensity of innovative firms (Griliches, 1990, Malerba & Orsenigo, 1993). Indeed, the weakness of this indicator is not necessarily invention results in effective innovation, i.e. the introduction of any product, process and service in the market. Furthermore, patents do not take into account the knowledge that arises from the interaction between firms and within the same product, process or service in the market.

Therefore, the indicator of innovation capacity of agents aims to assess: i) the development of the skills of the agents or innovative product, innovative and iii) the degree of movement of knowledge through formal and informal links developed with other agents and institutions in the territory in which they are located.

Yoguel & Boscherini (1996) mention that the current configuration of innovation capacity index (ICI) results from previous work. The old indicator was a first step to evaluate the process of innovation in SMEs using variables that do not necessarily reflect the inputs and outputs of the innovation process. The indicator used in this study contains two important changes that allow a closer approximation to the relevance of the innovative activities of SMEs. The first difference comes from the replacement of some of the variables considered and the inclusion of more appropriate for evaluating innovation capacity. The second change involves introducing weights for the variables.
In the previous indicator variables were not given any weight because innovation capacity from a simple average of the variables was estimated. Therefore, equal influence was assigned to each variable in the innovation capacity of enterprises.

The introduction of a different weight for each variable different reflects the importance of acquiring the various elements in the formation of skills. In this sense, the current structure of ICI is the result of simulations using different weights. Innovation Capacity Index (ICI) attempts to measure and give an synthetic approach of existing capacities in a company for innovation and the characteristic of the innovation process. The ICI is an indicator that evaluates the potential of innovative firms. Note that making the measurements a measurement ICI relative and not absolute. The innovation capacity of individual firms cannot be compared directly with that of companies operating in different environments-economic and historical contexts.

Innovative capacity indicator innovation proposed by Yoguel and Boscherini (1996), which is used in this research, it is a weighted average of 6 factors. Quality assurance, training efforts, scope of development activities, and participation of engineers and technicians in the development team, the first four factors are associated with the development of skills of the agents are estimated. Is also have been considered a factor which points to measure the innovative product which it is estimated from the weight of new products introduced by the firm in billing innovative product. Finally, proxy for the degree of innovation of knowledge is included.

Thus, the indicator of innovation capacity of the company is expressed as:

\[ ICI = \sum a_i \cdot F_{ij} \]

Where:

- ICI = Innovation Capacity Index
- \( a_i \) = Weighting assigned to each factor
- \( F_{ij} \) = Factors component of the ICI

In the table below the weights assigned by the authors Yoguel and Boscherini are listed, for the calculation of the index of innovative capacity, which show which the high aggregated weight assigned to the 4 factors associated with the development of the skills of the agents is followed directly from the theoretical framework explicated by the author. It also the author mentioned that it was found that the ordering of the firms according to innovation capacity is not significantly modified changes in the weights assigned to the factors (Yoguel and Boscherini, 1996).

In table 1, the authors explain how to construct a differentiating between those associated with the development of skills (training efforts, the degree of quality assurance, participation of engineers and technicians in development teams, scope and degree of development activities), the innovative product (weight of new products in turnover) and the circulation of codified and tacit knowledge from various mechanisms of formal and informal cooperation.

Table 1: Weighting factors of innovation capability index

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>PONDERACION</th>
</tr>
</thead>
<tbody>
<tr>
<td>DESARROLLO DE COMPETENCIAS</td>
<td>0.77</td>
</tr>
<tr>
<td>Esfuerzos de Capacitación del personal</td>
<td>0.25</td>
</tr>
<tr>
<td>Aseguramiento de Calidad</td>
<td>0.25</td>
</tr>
<tr>
<td>Alcance de las actividades de desarrollo</td>
<td>0.2</td>
</tr>
<tr>
<td>Peso de ingenieros en equipos de desarrollo</td>
<td>0.07</td>
</tr>
<tr>
<td>PRODUCTO INNOVATIVO</td>
<td>0.08</td>
</tr>
<tr>
<td>Peso de nuevos productos en la facturación</td>
<td>0.080</td>
</tr>
<tr>
<td>CIRCULACION DE CONOCIMIENTO</td>
<td>0.15</td>
</tr>
<tr>
<td>Cooperación tecnológica formal e informal</td>
<td>0.15</td>
</tr>
</tbody>
</table>

Source: Yoguel & Boscherini, 1996.

**Factors associated with the development of skills:**

The factor "staff training efforts" made by firms aimed at developing technical "competencies" assesses the proportion of staff involved in courses oriented toward quality assurance and the search for new developments. All these are reflected in the importance of training personnel according to the employer’s criterion that was applied to the assessment of this factor in this research.

The degree of quality assurance factor achieved by the firms is evaluated from a set of sequential elements that refer to the existence of quality control over production process, the use of quality control instruments in development of products, the use of forms of control checkpoints and complexity of the estimated by "statistics". Complementing this, it is achieved a set of control questions that allow to check the degree of reliability of responses. For purposes of this research, the analysis of this factor was limited to the fact of whether or not the company has any certification on quality, which was considered it includes the criteria originally defined by the author.

The degree of importance of engineers and technicians in the group dedicated to developments, both formal and informal is an estimator of the qualification of "team" of development and the complexity of the tasks that may be involved. In that sense, a gradient of situations ranging from the absence of this type of ratings to the case that account for significant proportion of the teams in the developments: In this direction is estimated ratio between the number of engineers and technicians dedicated to quality work and developments.
intotal employment in the formal labor informal teams dedicated to these tasks in the firm.

**Factor considering the innovative product:**
The weight of new products in billing is an approximation of what is called the literature the innovative product. This factor points to evaluate the importance achieved by the introduction of products containing technical improvements and/or new technologies. For purposes of this research, three aspects are evaluated: Development of new products and services, design modifications of existing products and services and technological conversion products and services.

**Proxy Factor circulation of knowledge:**
Given that a significant part of the required knowledge to carry out development activities have specific tacit component, its movement and its internalization by the agents need support of formal and informal linkages. The development of these links, which contribute to changing routines, movement of informal knowledge and skills development can be seen as an evolutionary process that requires a starting point the existence and/or the development of a mutual trust between agents to facilitate such dissemination. In this direction, the indicator of technological cooperation is a proxy that attempts to measure the degree of development of the interaction of local agents aimed at generating technological, business and learning skills.

In that sense, they are proxy indicators of environmental performance both formal and informal linkages that organizations perform with other agents, such as firms, consultants, public and private institutions, universities, etc., to:
1. Develop and improve products and processes.
2. Changes in the organization in the management of the company.
3. Modify the distribution channels, and
4. Improving and developing quality management.

Since the confidence intervals associated with each value of the 6 factors described alternatives correspond to ex ante indicator results referred innovative capacity can be compared in the various panels used and estimated panels used in other investigations. Thus, each firm is assigned a level of innovative capacity that is an equivalent result to the weighted average of the scores assigned to each of the six factors considered.

**Empirical review for innovativeness and competitiveness:**
There is still little empirical evidence on how it can be determined the innovativeness capacity of companies. It has not been reached a consensus in the scientific community about a method, being a relatively new concept and it is very qualitative. Despite this, there has been a literature review so it was decided to apply the proposed Yoguiel and Boscherini (1996) to determine the rate of innovation capacity of enterprises. It is the same that has already been already implemented by some researchers. It follows is a brief summary of the methods used, results and findings.

In 2001, Yoguel and Boscherini, after the proposal made by them, calculated the rate of innovation capacity in 1996, years later (2001), they applied their model in the work entitled "The Development of Innovative Capabilities of firms and the role of territorial systems", where they raised the central objective of their work to present an alternative indicator of the agents potential to learn, and create competencies, transform generic knowledge into specific knowledge and generate innovation. That is, trying to analyze the wealth of knowledge of the business, and in particular the methodology they use to acquire, organize, process, store and transfer information (technical, organizational, etc.), which contributes to increase their knowledge base.

The authors applied this indicator to 245 Argentinian companies, including the ones dominated by small and medium businesses located in areas with mixed generation of externalities. The authors note that their research also aims to assess to what extent the size of the agents and the degree of development of the territorial system, i.e., the socio-economic and institutional environment in which companies operate constitute significant elements for understanding the differences in innovativeness capacity. Finally, the authors were interested in assessing whether firms with greater capacity for innovation have had a more dynamic performance in the market that the remaining firms opened the process of opening up the economy and structural reforms.

The conclusions reached by the authors are:
1. The existence of a positive association between the development of innovative capacity of firms and the size.
2. The work has shown that in environments where positive externalities prevail, institutional development seems to be an important determinant of the level of innovative capacity achieved by agents.
3. The existence or the absence of a relationship between the size of the agents and the development of innovative capacity may be thought of as a proxy for development of the local environment.

In 2003, Velasco & López, Pontificial Catholic University of Peru, conducted a study entitled "Innovative Capacity of Peruvian SMEs in APEC Universe", which aimed to develop an Innovation Capacity Index (ICI) that allow to establish the degree of efficiency and finding new markets, factors which may affect the export potential and level of profits of SMEs. Furthermore, the study aimed to assess the impact of business development services (BDS) on the level of profits and production. In the methodology of their work, the authors based the calculation of Innovation Capacity Index Innovative Capacity or as they call it, in the proposed Yoguiel and Boscherini (1996) model, besides using an econometric model to evaluate the relationship between the ICI and the level of utility and production, reaching the following results:

1. SMEs that export increased their level of earnings by about 1%; in addition, for every percentage point increase in SME innovation in terms of ICI, level of profits grew by about 4%.
2. The elasticity of the utility on the number of workers is 1.2 approximately. The age of the company almost has an effect; assets of SMEs increased by 2% if they grow by 10%; and in respect of industries, SMEs...
belonging to the branches of electricity, gas and water (very few), the business services and wholesale trading are those with more profits respective to the rest.

And reporting the following findings:

1) The ICI built it affects the ability to export, although the level of significance is not entirely solid.
2) It is noted that there is a weak relationship between the ability to innovate and export, similar to Yoguel and Boscherini result (1996) to the Argentine case.
3) The built ICI was also positively correlated with the levels of profits of SMEs.

In 2009, Hernández, in his thesis presented at University of Guadalajara entitled "Capacity of innovation in software companies. A comparative study between Guadalajara and Tijuana” took as a case study companies that are part of the software industry in Tijuana and Guadalajara. The differences between the two Mexican cities were analyzed, both in form and manner in which they were born and in structure today. It was weighted and pondered the differences between the detonator competitiveness factors and their relationship with economic variables such as sales, size, and the fact that they are exporting or not.

The methodology proposed by the authors, was to use the survey conducted to Software companies in 2006, to calculate an index of innovativeness applying the model proposed by Yoguel and Boscherini in 1996, and then make a linear regression with OLS to determine how it affects sales, size and state innovativeness.

The results were:

1) The companies have a skill level above the average considered ideal.
2) The relationship between sales and capacity for Innovation is negative, which it explains that the author may be due to the existence of a linear relationship between sales and company size and samethat causes the largest companies size having consolidated entities market by reducing their levels of innovation. In fact, the size variable was not significant and was dropped from the model.

A summary of the empirical studies that have been described and considered most relevant to take the focus of this research:

<table>
<thead>
<tr>
<th>AUTHOR</th>
<th>Country</th>
<th>OBJET of STUDY</th>
<th>SAMPLE</th>
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</thead>
<tbody>
<tr>
<td>Yoguel y Boscherini(2001),</td>
<td>Argentina</td>
<td>Argentinian companies</td>
<td>275</td>
<td>ICI calculus</td>
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<td>Multiple regression with OLS</td>
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<tr>
<td>Velasco &amp; López (2003)</td>
<td>Perú</td>
<td>SMEs</td>
<td>379</td>
<td>ICI Calculus</td>
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<td>Multiple regression with OLS</td>
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Source: Own elaboration.

Software industry:
The software industry's main producer and consumer in the global scope is the United States (US). Countries like Ireland, India and Israel have reached agrowth and integration into international markets. It can be mentioned late in several countries, the result of the dynamism of the software industry, the entrant countries such as Taiwan, China, Singapore, Thailand, Korea, Malaysia, the Philippines and Vietnam. They are also taking an interesting development, although clearly much more limited in the countries mentioned, some Latin American countries like Brazil, Argentina, Uruguay, Costa Rica, and Mexico (Mochi, 2006). Is complexo adopta concept of software due to the intangible nature of the products and in part to the constant technological changes, making it difficult to determine whether it is a product or a service. Mochi (2006) mentions that it can be said generally, that the software is codified knowledge and information.

The most common definition proposed by the Organization for Economic Cooperation and Development (OECD) and similar to those used by the International Standardization Organization (ISO) and the World Intellectual Property Organization (WIPO), says that software means production of a set of instructions, procedures of a structured instructions, procedures, programs, rules and documentation in different types of media (tapes, disks, electrical circuits, etc.) in order to make the use of equipment which might set electronic data processing (EDP) (OECD, 1996). In terms of competitiveness, the World Economic Forum (WEF) (2012) in its publication "Global competitiveness Report 2012-13" places Mexico in the position number 53 of 142 countries.

In one of its pillars, this index ranks "Efficiency enhancers" or boosters efficiency in which technological readiness, technological readiness, is one of the sub-indices analyzed. Mexico ranks number 63 which puts the country in a position that almost reaches the average of the sample. The indicators mentioned are merely the result of the countries of Latin America that have not had state government policy made public in order to know their pronouncements on social information, except Mexico that is having a consistent work since the early 90s. But today is marked by numerous agreements and partnerships for the development of new technologies on the continent.

It is also important to mention that Mexico has a backlogging the use of information and communication technologies. It ranks 76 in the world list of Information Technology 2012 which is given by an index composed of four sub-indices measuring the environment for information technology and communication (ICT), the willingness of...
society to use ICT, the actual use of all the main actors and, finally, the impact that ICT in the economy and society. These four sub-indices are divided into 10 columns and 53 variables according to the following structure (WEF, 2012).

The software industry in Latin America also has partnerships through different integration initiatives. These partnerships aim to promote policies, improving markets and supply chains, to help its partnersto improve their competitive capabilities, and seek alternatives for development of joint programs based on mutual benefit. Mexican counts on the Mexican Association of Information Technology (AMITI) created in 1997, which has more than 180 members companies. Other Mexican alternative is the Mexican Association for Quality in Software Engineering (AMCIS), formally established in 1999 in order to ensure the quality of IT processes generally that allow it to ensure its international competitiveness and meet the international quality standards in the software production.

Mexicalisco developed the Process Model for Software Industry in Mexico (Prosoft) in 2003, which is the Mexican industry standard for development and maintaining software for small and medium enterprises. This model is compatible with CMMI, ISO 90000: 2000 and ISO 15504. Moreover, the ESICenter Mexico, home of the European Software Institute (ESI), in Guadalajara and Monterrey offers training, consulting, and an Education in Software Quality. Mexico's intention is to surf on the wave of the creation of wealth of ideas between the public sector and producers of software. This materialized in the Program for the Development of offthe Software Industry (Prosoft). The debate has been very intense, because many of the participants see the reproduction of export models from India, Ireland and Israel as a development option, while others advocate a more domestically oriented model.

This discussion of information technology for development is an update of the late eighties, when the outwards development was considered a formula to solve the problems of growth. From this perspective it is necessary further to show that successful cases are just an entry point, in no way the only valid for industry development option. Each follows a particular history of industrial, technological and business development that has driven the viability in the global economy.

Software Industry in Jalisco:

In the case of the software industry in Guadalajara, the origins of this industry date back to early 2000, when Jalisco began to resent the slowdown in the electronics industry. This crisis caused that twenty seven companies closed operations in the period 2000 to 2004. These external phenomena were the incentive for the state government, through the State Council for Science and Technology (COECyJal) to announce the promotion of the software industry as a way to convert the industrial state economy. These objectives were set out in the (PECyT-Jal) State Science and Technology Plan 2001-2007, published in early 2003. Then, from the guidelines and strategies of Prosoft, and its derivative objectives of PECyT-Jal, it was promoted, since 2003, the State of Jalisco Software Program (PROSOFTJAL) with the support of the National Chamber of the Electronics Industry, Telecommunications and Information Technology (CANNET).

Jalisco accounts since the late nineties with a favorable environment for the development of the software industry. On the demand side, the company already had, from the thirtieth century the cluster of electronics, a market dominated by large subsidiary of transnational corporations and smaller companies operating with domestic capital suppliers of products and specialized system components. On the supply side, Jalisco had more than ten universities, all with programs related to information technology, electronics, microelectronics, mechatronics and telecommunications.

In 2001, 27 companies formed an integrative company known as Aportia, which was intended to increase individual and collective entrepreneurial skills based on CMM (Capability Maturity Model) and attract projects and resources together (Jaen & Hernandez, 2009) which formed an innovative and important precedent association and organization for the state. In 2004, a group of entrepreneurs, along with COECyT, began to develop a project that aimed to create a Software Center, the first in the state. On September 28, 2006, by leaps and bounds initiative it was established a Software Center in the state of Jalisco.

Territorial delimitation:

The research study delimited Software companies of the state of Jalisco, which are located in the Software Center State.

The Software Center of Jalisco was inaugurated on September 28, 2006 by President Vicente Fox Quesada. The Software Center is a joint project of the federal government, through the Ministry of the Economy (2012) and the Prosoft fund and the Government of Jalisco through COECyTJAL. The center has capacity to accommodate 52 software development companies, which provide about 700 jobs added value. 65 percent for developers (Software Center, 2012).
The business focus of these software developers can be divided into the following categories:

a) Applications Web and multimedia
b) Business applications and IT services, education
c) Specialized consultancy
d) Consulting for quality systems in information technology
e) Factory software outsourcing and offshore
f) Software testing
g) Testing of embedded systems

The objectives of the Software Center are to host small and medium enterprises engaged in software development and provide them with a common infrastructure to take advantage of working together, creating a synergistic model of high value, to promote growth of the Technology Information Sector, Microelectronics and Multimedia, to increase the competitiveness of the strategic sector of the state through the adoption of information technology in their business processes and promote the formation of specialized human resources in areas of engineering. It is a collaborative effort between government, academia, and the private sector to enrich the area, positioned to host the high technology sector of the country.

Among the projects in which the Software Center is currently working, there is an agreement with the IPv6 Task Force for joint research and development with other business centers. This project aims at the promotion, dissemination and development of the second generation Internet, a necessary migration for many companies worldwide. Agreements with RIM (Research In Motion) are also developed for the development of applications compatible with computers BlackBerry through integrative AportiawithInteltos develop joint applications.

Among the services for the developer companies, the Software Center includes:

a) Support and guidance in connection with other companies with whom they can exploit business opportunities together.
b) Crossed sales as a result of this constant interaction and references for prospects.
c) Linking with the Academic sector in providing a competitive human capital formation.
d) Interaction with larger companies in the electronics industry, information and communications technology who serve as suppliers for different projects.
e) Approximately 10 thousand square meters of facilities which include offices, communication infrastructure, security, and common multipurpose rooms.

Among the services for clients are included:

a) Integration of IT services and products.
b) Multidisciplinary integration to provide complete solutions that involve the participation of multiple companies, skills and products, the Software ecosystem tropicalisation.
c) Modifications, translations or certifications of various programs for the Mexican market, in order to facilitate market entry; likewise to foray into other regions of Latin America.
d) One Stop Shopping, a mixture of different products, solutions and services companies in the Centre, in order to meet specific requirements.

Within the versatility and different twists to companies that integrate the Software Center engaged government, educational, nutritional, pharmaceutical, health, agriculture, construction, finance, footwear and care sectors.

B. Purpose of study

The research is focused on studying the capacity of innovation in the software industry in Jalisco. Therefore, it can be defined the object of study, which is composed of a significant sample of the software industry that consists of 44 of the 52 companies in the state Software Center

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