



InnovaLatino Survey: Surprises in Latin America

There's one thing about innovation: you never know where you'll find it. A new report shows that there's an abundance of innovation in Latin America that more than compensates for the region's information technology challenges. INSEAD and the Development Center of the OECD surveyed more than 1,500 manufacturing firms from eight countries (Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru and Uruguay) to compile the InnovaLatino Report which documents Latin America's tech-readiness and was funded by Fundación Telefónica.

Latin America faces numerous geographical and geopolitical challenges and generally suffers low rankings as a result. But this is not the whole picture; indeed, the contrast between popular conception and underlying activity only serves to make the region's technological "leapfrogging" all the more impressive.

"We [tend to] measure innovation in very traditional ways," says Lourdes Casanova, INSEAD lecturer in comparative management and one of the authors of InnovaLatino. "We measure in terms of investments, in R&D, in patents, in the number of Ph.D.-holders, and in the number of published work." The report's findings show that these measurements are insufficient to create a true picture of potential in Latin America, and that despite traditionally low rankings, there is a high level of innovation that doesn't appear in the rankings. "Capturing innovation [in Latin America] does not come from traditional sources," she states.

Efficiency in private & public sectors

Latin America's economy remains commodity-driven, relying heavily on agriculture and natural

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resources. But even in these sectors, technological innovation makes the difference between being a world leader and being a developing nation. Both the public and private sector are leading initiatives, she explains, and examples are legion.

Brazil's innovation agency, FINEP, has been critical in fostering innovation providing grants to non-profit institutions such as universities and research centers and lending to corporations big and small. The Brazilian Agricultural Research Corporation (EMBRAPA), for example, is a public institution largely responsible for much of Brazil's success in becoming an agricultural giant, through commitment to sustainable development, through knowledge and technology generation and transfer. "Today, Brazil is the second largest agricultural power in the world, after the United States," says Casanova.

In Colombia, an initiative led by the Information and Communications Technologies sector gave Colombia's National Federation of Coffee Growers an "Intelligent Coffee ID system"- a mobile banking service that allows farmers to check coffee prices and the last five market transactions through their

mobile phones.

On the private sector side, Latin America is redefining global business. The Argentine firm Los Grobo, for example, is one of the largest grain producers and agricultural service providers in the world, yet its business model is based entirely on a technical network of 3,800 small- and medium-sized agricultural suppliers rather than ownership of agricultural machinery.



Latin America also pays particular attention to “green issues” (it’s the second largest biofuels producing region in the world, behind the EU), and the report predicts that Brazil could soon move into “second-generation” biofuels production.

Education and social innovation

But it’s not all about technology. Behind all great innovation lies human talent and the key is education. “It’s not only these large public and private institutions in Latin American countries that are encouraging innovation,” says Casanova. Many small companies have young leaders who have been educated at the world’s top universities who then return to their native countries with what Casanova calls a “global mission” – ready to start their own companies with a global vision in mind. “We have a number of companies in the IT sector, in business processes and software development, for example, Stefanini in Brazil; SONDA in Chile; Softtek Solutions in Mexico – and they are all world leaders.” A high level of mobility in the work force within the region is also a factor in the region’s ability to innovate, according to Casanova.

What’s next?

“There are three very important elements that are going to be very positive over the next few years,” says Casanova. “Number one is commodity prices that continue to be high, and as the region is a commodities exporter the extra revenues can help Latin America to solve its enormous social problems and thereby increase the number of middle class citizens”. Another is the rising new middle class that will stimulate and increase domestic demand and consumption. Finally, two upcoming events will put Latin America on the world stage: the World Cup in 2014, and the Olympic Games in 2016 – both to be held in Brazil. The world will be watching.

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