Thesis Reviewer´s Report

Student: Osei Kwaku

Title: The effect of institutional quality on innovativeness of firm in emerging economies

Supervisor: Dr. Ing. Solomon Gyamfi

Reviewer: Assoc. Prof. Dr. Viktor Prokop

Reviewer's job title: Vice-Dean for External Affairs

Assessment criteria

	excellent	very good	acceptable	unacceptable	N/A
Achievement of the aims of the thesis	☐	☐	☒	☐	☐
Use of appropriate methods	☐	☐	☒	☐	☐
Depth of analysis (in relation to the topic)	☐	☐	☒	☐	☐
Structure and extent of the thesis	☐	☐	☒	☐	☐
Use of Czech and foreign sources (including references)	☐	☒	☐	☐	☐
Formal aspects (text, diagrams, charts)	☐	☐	☒	☐	☐
Quality of language (style, grammar, terminology)	☐	☐	☒	☐	☐

Usability of the results

	high	medium	low	N/A
In theory	☐	☒	☐	☐
In practice	☐	☐	☒	☐

Other comments

The diploma thesis works with a relevant topic and aims to analyze the influence of institutional quality (IQ) and infrastructure base (IB) on the innovativeness of emerging economies.

Starting with the first chapter, in my view, it is divided into a large number of sub-chapters, the order of which is debatable. Some passages are also incomprehensible to me. For example - in section 1.4 the author describes Government Effectiveness, but in the second paragraph of this section he writes: "Institutional quality includes factors such as the independence and impartiality of the judiciary, the rule of law, and the protection of property rights (Tennant & Gilmore, 2020)." - I do not understand why the author defines institutional quality again in this section and repeats himself. I would also appreciate it if the author did not create chapter divisions of the 1.7.1.1 type, which is very confusing for readers. On the contrary, I would appreciate it if the author created simple, clear tables where he would summarize and describe this division. The section 1.8 is also a bit confusing – why the author put the issue of IQ and FDI in this Chapter? One would expect links between IQ, IB and innovativeness. For firms' innovation theories, I would expect better elaboration of this issue. For example, I would appreciate the mention of other significant approaches to corporate innovation. By contrast, I appreciate the amount of literature the author worked with and the extent of the research.

Chapter 2, according to officially submitted document, does not start at the new page. Next, considering the topic of this diploma thesis, I would expect a different title of this chapter/different structure of the thesis. Economic resilience is a completely new term and concept that the author introduces without the reader expecting it. Why the author pays as much attention to the impact of innovation on economic resilience (part 2.1.1)? This was not the aim of this thesis. I would recommend a more logical structure of the thesis and chapters. The author jumps between concepts and terms - for example, in chapter 1, section "10.10.3 Theories of Innovation" and in section "10.10.4 Diffusion of Innovations" he defines innovation. Subsequently, again, in section "2.2.1 Firm Innovativeness", he deals with the definition of innovation, i.e. innovativeness. Again, part 2.3 is about firm innovation. The author keeps repeating the same information, but with different words and terms and headings.

I have a crucial problem with the fact that the author chose countries such as Romania, Poland, Greece, Czech Republic, Hungary as emerging economies but, in his theoretical framework, he is explaining the link between IQ and Innovativeness in Emerging Economies (part 2.4) by using studies focused on countries like Chile and Peru (Pérez, J. A. H., Geldes, C., Kunc, M. H., & Flores, A. (2019). New approach to the innovation process in emerging economies: The manufacturing sector case in Chile and Peru. Technovation, 79, pp.35-55.) or developing countries (Sabir, S., Rafique, A., & Abbas, K. (2019). Institutions and FDI: Evidence from developed and developing countries. Financial Innovation, 5(1), 1-20.). I would expect using studies focused on European emerging Economies.

The part "Research problem" – first, author is again repeating himself. Next, the author, again, describe the problem and emerging economies by using literature focused on completely different countries than he chose for his analysis. For example, the study by Wadho & Chaudhry (Wadho, W. and Chaudhry, A., 2018. Innovation and firm performance in developing countries: The case of Pakistani textile and apparel manufacturers. Research Policy, 47(7), pp.1283-1294.) analysed Pakistani textile and apparel manufacturers and state that "Emerging economies often have fragile and poorly functioning institutional architectures, emphasizing the disproportionate impact of institutions on enterprises in these markets". Are these statements relevant also for Romania, Poland, Greece, Czech Republic, Hungary?

Research objectives – why the research objective no. 1 is about the effect of FDI on IQ and innovativeness and economic growth? Those are not in line with the main aim of the diploma thesis. Figure 1 is not clear - the author points the arrows from IQ to, for example, FDI, Political stability and others - does this mean that all these variables belong to institutional quality? Why is the arrow from IQ to FDI when the author has a hypothesis showing the effect of FDI on IQ - the arrow should be the other way around I suppose. Why does the author define hypotheses only for selected variables and not all from figure 1? I also have some problems with selected variables – see section below.

For country selection – the author described selected countries in general, but I miss arguments that would justify the selected states. In the research problem section, the author writes that emerging economies have problems, for example with "fragile and poorly functioning institutional architectures" and subsequently states that "The institutional quality in the Czech Republic is generally considered to be good". So why did the author choose this country?

The results and discussion have a standard form, in any case, for some results I would expect more attention from the author and more analysis within the selected countries - for example for a result like: "In Hungary and the Czech Republic, there is a statistically significant negative relationship between government effectiveness and firm innovativeness."

In the last part, the author states some implications, however, at least for some states, he contradicts himself when he proposes increasing "government effectiveness in order to promote firm innovativeness", because for the Czech Republic and Hungary he found that, on the contrary, the growth of this effectiveness reduces innovativeness. I would therefore recommend that the author consider his recommendations more and, on the contrary, look for ways to prevent these paradoxes + to define more country-specific recommendations.

In general, the author has done a lot of work in this thesis, but I would recommend that the author focus more on the quality of his work. The author should be more concerned with the logic of his arguments, results and composition of chapters.

Questions and suggestions for the defence

A) Why the author list only selected countries from his analysis in the list of keywords? What were the selection criteria for the selected countries?

B) The author describes emerging economies like those economies with fragile and poorly functioning institutional architectures, emphasizing the disproportionate impact of institutions on enterprises in these markets - do these arguments, when the author uses them in the definition of the research problem, apply to the European countries chosen by him? If so, please provide specific references to studies that support these conclusions. If not, please explain, why the author presents these arguments in the research problem section.

C) The author should react to this comment "*Figure 1 is not clear - the author points the arrows from IQ to, for example, FDI, Political stability and others - does this mean that all these variables belong to institutional quality? Why is the arrow from IQ to FDI when the author has a hypothesis showing the effect of FDI on IQ - the arrow should be the other way around I suppose. Why does the author define hypotheses only for selected variables and not all from figure 1?*" and he should explain Fig. 1.

D) Why the infrastructural base is not in the Figure 1 since the author aims to analyse its effects on firm's innovativeness?

E) Why is the variable Electricity consumption in the model? Does "the amount of electrical energy used by individuals, households, businesses, industries, and other entities within a specific timeframe" refer to IQ? I do not understand why the author used this variable in his model and why he analysed its effect on „Firm innovativeness".

F) For control variables - these variables are usually listed because they are expected to influence the dependent variable and should strengthen the model - please the author to list studies that expect a relationship between "Audio-visual and related services exports" and firm innovation. Why did the author choose such a variable?

G) How does the author explain that the growth of government effectiveness reduces firm innovativeness in the Czech Republic and Hungary? What is behind this result and what is specific about these states that this paradox occurs? What, for example, should the Czech Republic and its policymakers do to prevent this paradox?

Overall evaluation

I **recommend** the thesis for defence.
The proposed grade for the thesis: E

In Pardubice on 18.1.2024

Signature