

Macro Roundup Article

Headline: [Big Firms Have Different Incentives](#)

Article Link: <https://mattsclancy.substack.com/p/big-firms-have-different-incentives>

Author(s)	Matt Clancy and Arnaud Dyèvre
Publication	What's New Under the Sun
Publication Date	August 24, 2023

Tweet: [. @mattsclancy @ArnaudDyevre argue large firms have different incentive structures for innovation than small firms, causing large firms to emphasize high-volume process innovation vs. patent applications and new product development.](#)

Summary: In the figure above, the gap in patent applications and earnings between inventors who go to incumbents and entrants are indistinguishable before the job change, and then begin to diverge after they start working in different types of firms. Two equally productive inventors, one working for a young/small firm and another working for an incumbent/large firm, will be told to work on problems that are different. The inventor in the large firm might be asked to work on innovations that are less likely to threaten the firm's existing product lines, and therefore less likely to lead to patents (let alone high-impact patents). Akcigit and Goldschlag (2023) suggest that's because large firms are paying their inventors better but asking them to work on projects less likely to lead to new patents and products. Related: [The Size of Firms and the Nature of Innovation and America's Corporate Giants Are Getting Harder To Topple and Where Have All the "Creative Talents" Gone? Employment Dynamics of US Inventors](#)

Primary Topic: Innovation/Research

Topics: Innovation/Research, Institutional Capabilities, Investment, Op-Ed/Blog Post, Productivity

Permalink: <https://www.edwardconard.com/macro-roundup/mattsclancy-arnauddyevre-argue-large-firms-have-different-incentive-structures-for-innovation-than-small-firms-causing-large-firms-to-emphasize-high-volume-process-innovation-vs-patent-applications-and-new-product-development>

Featured Image Link: <https://www.edwardconard.com/wp-content/uploads/2023/08/Incumbents-and-Innovation.png>