

## Policy-making contexts for innovation in firms

The larger number of policy instruments used, the variety of objectives pursued and the wider number of actors involved in innovation policy has increased the complexity of the policy landscape. The challenges of policy-making contexts for innovation in firms include, in particular, challenges related to institutional governance, and to strategy and to policy coherence.

### How do policy-making contexts affect innovation in firms?

The larger number of policy instruments used, the variety of objectives pursued and the wider number of actors involved in innovation policy has increased the complexity of the policy landscape, and increased the risk of inconsistencies and redundancies between policies and programs. Seeking coherence and balance in the set of policies affecting innovation in firms, and co-ordinating with the actors involved in these policies have, consequently, become increasingly important issues for policy efficiency.

### What are the policy questions regarding policy-making contexts for innovation in firms?

Common policy challenges include the following:

- How can governments ensure coordination between the various actors involved in innovation policy?

Institutional governance (see [Institutional governance](#) [1]) refers to the set of publicly defined institutional arrangements, including incentive structures and norms that shape the ways in which various public and private actors interact when they allocate and manage policies, and related resources.

- How can governments achieve coherence and balance in policy portfolios? How can they avoid inconsistencies and redundancies between individual instruments and create synergies between them?

Strategy and policy coherence (see [Strategy and policy coherence](#) [2]) deal with coherence in expectations, rationales and instruments deployed within a policy portfolio.

### What are the main policy approaches to address policy framework challenges?

The main policy approaches to addressing policy framework challenges deal with:

- Institutional governance (see [Institutional governance](#) [1]) by:

Ensuring the coherence of policies in support of innovation in firms (e.g. by coordinating the local, regional and national levels at different stages of the policy cycle through the establishment of a high-level policy council).

Involving a variety of stakeholders, including innovative companies, meaningfully in the policy process.

Being able to adapt to the fast-changing environment of innovative businesses (which can be facilitated by an openness to new ideas and provisions for evaluation, for instance).

- Strategy and coherence of policies (see [Strategy and policy coherence](#) [2]) by:

Adapting the policy portfolio to country specific characteristics, such as the framework conditions shaping innovation in firms (e.g. quality of innovation infrastructures, access to finance, and public research), as well as the characteristics of innovative firms.

Achieving a right balance concerning the number of instruments adopted (e.g. by streamlining the range of instruments when relevant).

## References

- OECD (2012), OECD Science, Technology and Industry Outlook 2012, OECD Publishing, Paris. doi: 10.1787/sti\_outlook-2012-en
- OECD (2011), Business Innovation Policies: Selected Country Comparisons, OECD Publishing, Paris. doi: 10.1787/9789264115668-en

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[1] <https://www.innovationpolicyplatform.org/content/institutional-governance?topic-filters=12095>

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