

Innovation in firms

Policy Profiles

Policy mix for business R&D and innovation

The “policy mix” could be understood as the set of policy rationales, arrangements and instruments implemented to deliver public action in specific policy domains as well as their interactions. The “policy mix” concept refers therefore to: 1) the composition of the “policy mix”, i.e. the relative balance between its components, and 2) the interactions between its components. [Read more...](#) [1]

Government financing of business R&D and innovation

Firms are major drivers of innovation but tend to underinvest in R&D. They engage in R&D to differentiate themselves from competitors, to be more successful in business and to increase profits. However, the costs and uncertainty of R&D, the time required to obtain returns on investment, and the possibility that competitors can capture knowledge spillovers – owing to the non-rival and non-excludable nature of R&D – often reduce their incentives to undertake R&D. [Read more...](#) [2]

Tax incentives for R&D and innovation

Public support for business R&D is justified as a means of overcoming market failures that depress the level of R&D and innovation activity in an economy. R&D tax incentives aim to encourage firms, which are the main intended beneficiaries, to invest in R&D by reducing their effective costs. [Read more...](#) [3]

Start-ups and innovative entrepreneurship

Entrepreneurship is a major driver of innovation, productivity growth and job creation. Innovative start-ups bring new ideas into the market, in some cases tapping into knowledge generated but not commercialised by existing firms, generate high-wage employment and wield competitive pressure on existing enterprises, forcing them to stay abreast of market developments or exit the market. [Read more...](#) [4]

Stimulating demand for innovation

Demand-side innovation policy is often understood as a set of public measures to increase public and private demand for innovations, to improve conditions for their uptake or to improve the articulation of demand in order to spur innovation and facilitate diffusion. It usually aims at lowering barriers to the market introduction and diffusion of innovations. [Read more...](#) [5]

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