

## Innovation and Productivity: Estimating the Core Model Across 18 Countries (Innovation in Firms: A Microeconomic Perspective)

Innovation is considered one of the main drivers of productivity growth and economists have investigated both its determinants and its contribution to firm performance, measured as productivity; growth and/or market value. There are several reasons for analysing the link between innovation and productivity at the firm level. First, it is firms that innovate, not countries or industries. Second, aggregate analysis hides a lot of heterogeneity. Firms' performance and characteristics differ both across countries and within industries; countries' innovation systems are characterised by mixed patterns of innovation strategies which have an impact on firms' behaviour; and firms may adopt multiple paths to innovation, including non-technological ones. The advantage of micro-level analysis is that it attempts to model the channels through which specific firms' knowledge assets or specific knowledge channels can have an impact on these firms' productivity and therefore shed light on the role that innovation inputs, outputs and policies play in economic performance.

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