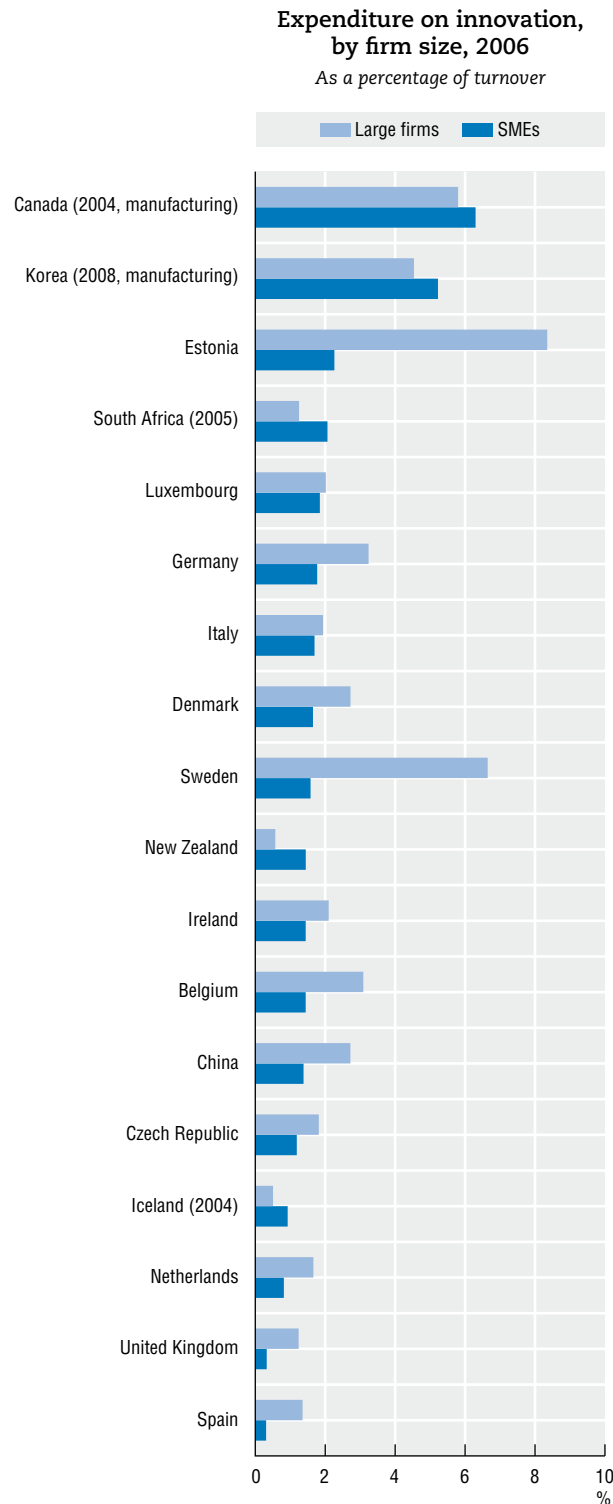


Spending on innovation is more than spending on R&D. To develop new products or processes, firms invest in R&D and in other tangible and intangible assets. Governments play a role through programmes that encourage firms to continue investing in innovation-related activities.



Source: OECD, Innovation microdata project based on CIS-2006, June 2009 and national data sources. See chapter notes.

StatLink <http://dx.doi.org/10.1787/835838585236>

DID YOU KNOW?

In most countries, 5-7% of firms' turnover comes from products that are new to the market.

(OECD, Innovation microdata project, 2010.)

Firms invest in innovation to gain market share, reduce costs or, more generally, to become more productive. For many firms, innovation is essential, as consumer demand has become more sophisticated and competition has increased.

On average, firms tend to spend 1-2% of turnover on various innovation-related activities, but this share exceeds 5% for large firms in some countries. R&D usually accounts for around one-half to two-thirds of all innovation expenditure, but the share varies widely by sector and firm size.

In addition to their own resources, many firms benefit from different public support programmes to encourage investment in innovation activities. Between one-tenth and one-third of innovating firms participate in such schemes, with large firms receiving public support more frequently than SMEs.

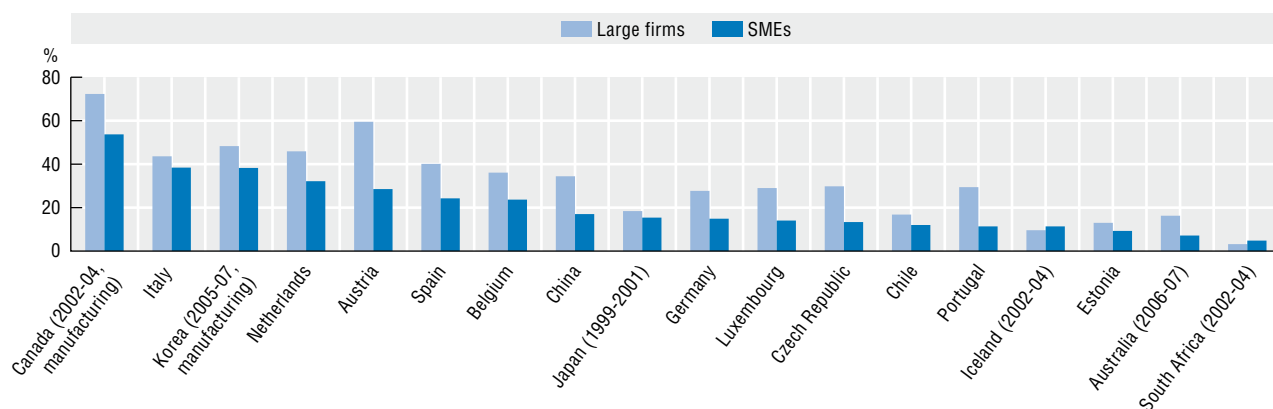
A recent OECD study using innovation surveys for 21 countries showed that firms receiving public support for innovation invest 40% to 70% more than those that do not. Also, higher levels of firms' investment in innovation lead to higher innovation sales and productivity.

Definitions


Expenditure on innovation includes total expenditure incurred by firms for the following activities: intramural R&D; extramural R&D; acquisition of other external knowledge (e.g. patents, licences, trademarks); and acquisition of machinery, equipment and software. *SMEs* are firms with fewer than 250 employees. *Public support to innovation* includes financial support via tax credits, grants and loans. *New-to-market product innovations* are new or significantly improved goods or services introduced to the firm's market before its competitors, while *new-to-firm product innovations* are goods and services already available on the market.

Firms receiving public support for innovation, by size, 2004-06

As a percentage of innovating firms

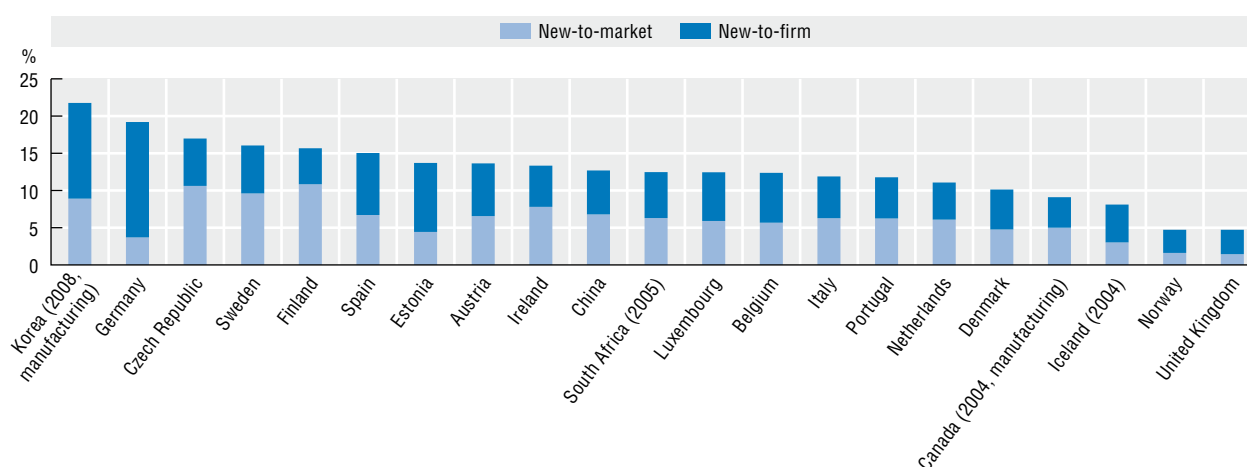


Source: OECD, Innovation microdata project based on CIS-2006, June 2009 and national data sources. See chapter notes.


StatLink  <http://dx.doi.org/10.1787/835838585236>

Firms' turnover from product innovation, by type of innovator, 2006

As a percentage of total turnover



Source: OECD, Innovation microdata project based on CIS-2006, June 2009 and national data sources. See chapter notes.

StatLink  <http://dx.doi.org/10.1787/835838585236>**Measurability**

The Oslo Manual (OECD and Eurostat, 2005) provides a framework for countries to develop internationally comparable innovation surveys. These surveys collect information on the characteristics of firms that innovate, but much of it is qualitative or based on binary/ordinal scales and measurement challenges remain, such as collecting reliable data on innovation expenditure. Firms may not always be able to distinguish the innovation component of certain expenditures or to report reliable figures for some (non-R&D) activities. The CIS provides a common framework, but national surveys are not always fully comparable, and some important differences remain between the CIS and innovation surveys outside Europe in terms of methodology, scope and data collected. For example, in the CIS expenditures only refer to product and process innovations, while in other surveys, they can include a broader range of activities.

The OECD works to improve harmonisation between surveys as well as to develop new policy-relevant indicators using firm-level data from innovation surveys (OECD [2009a], *Innovation in Firms: A Microeconomic Perspective*). Data linkages with administrative databases or with earlier waves of innovation surveys will be needed to better measure the impact of innovation activities.