

# ICE Project Form

Name of Project <u>Innovation by Small Firms</u>
Purpose <p>The aim of the study would be two fold. The first is to determine if innovation by small firms is different, in particular if it is more “entrepreneurial” than large firms (as is claimed principally in the work of William Baumol). Entrepreneurial innovation can be characterized by a high degree of risk, a breakthrough innovation and low use of existing technologies or patents. Baumol contrasts this to incremental innovation which builds further applications on an existing technology.</p> <p>The second task would be to see, if innovation by small firms is different, how innovation by small firms complements, if at all, the work of large firms. Does government policy play a role in facilitating these links, if not, can it? What strategies do small firms employ to protect their IP?</p>
Method <p>The task of determining how small firm innovation differs from that of large firms would be quantitative as much as possible. Some metrics to describe the characteristics of small firm innovation would need to be developed, e.g. prevalence of global firsts and/or domestic firms, proportion of revenues at risk in innovation, financing sources, partners etc. The potential sources of data would need to be explored. Some country innovation surveys have this kind of data. It is not known the extent to which such statistics are available in a large number of countries.</p> <p>Second task would rely on a mixture of a literature review, expert interviews and case studies, including an analysis of government policies on innovation to begin build a picture of how entrepreneurial and incremental innovation interact.</p>
Creation of New Data and/or Policy Analysis <p>Possible outputs, in descending order of probability: A profile of small firm innovative activity across countries; An indication of the mix of entrepreneurial and incremental innovation by country; A theoretical and case-based analysis of the links between large and small firm innovation activities.</p>

### Synergies with other ICE Projects

Innovation is a vital element of firm growth and the work here would help complement the discussion on growth firms. Comparing small firm innovation rates with growth firms across countries could yield some interesting conclusions on how effective small firm innovation is at promoting firm growth in different institutional settings.

In addition adequate financing is necessary for innovation and the results of the risk capital project may provide some interesting cross country comparisons with regard to the degree of “entrepreneurial” innovation in different countries.

Entrepreneurial innovation could be another element in ICE’s annual profile of entrepreneurship

### Tentative Work Plan and Output

Assessment of data available	3 months
Compilation of data	3months
Literature review and case-based analysis	6 months

### Duration

One year.

### Costs (total and ICE contribution)

Expected cost is 35,000 euros, 20,000 for the data search and mapping and 15,000 for a literature review

### Contact Person

Chris Parsley (Canada)