

Description for the general public

Innovation plays an important role in promoting economic growth and long-term development. Innovation is an uncertain activity and remains a challenge for less developed countries. Stimulating innovation and understanding its determinants is especially essential to emerging economies in order to avoid the so-called middle-income trap. While there has been a significant amount of research carried out for the U.S. economy the papers studying innovation in European Union countries are still relatively scarce. Also, while there are multiple studies focused on various determinants of innovation, the role of firm ownership in innovation is still a controversial topic.

The goal of this research is to examine the role of firm ownership in innovation. In particular, I aim to study how ownership types, for example family, corporate or institutional, and its persistence over time affect two types of innovation: radical or incremental. Radical innovations are defined as those that are undertaken close to the scientific base and are likely to be more radical and profitable than incremental innovations. The effect of ownership might bring positive or negative effect on innovative activities. Innovation is a risky activity and requires long term commitment. The main goal of the project is to determine the optimal ownership structure that nurtures innovative activity.

Project will elaborate on the set of policy guidelines for firms and government on how to actively promote innovative activities and speed up the rate of economic growth. The proposed research will have an important impact on economic development and social welfare. It will also enable better understanding of firm innovation activities by government officials and will help in designing regulations supporting innovation. The project will also set a guideline on how to spur not only incremental innovation but will also provide guideline on how to promote radical innovation that is crucial for stimulating long-run economic growth and achieving a socio-economic balance.