

The relationship between innovation and firm growth: From the perspective of persistence of innovation activities

TAEWON KANG (SCUOLA SUPERIORE SANT'ANNA)

Abstract

Innovation is the driving force of firm growth. Many studies have been conducted on this concept, but there are still limitations in explaining the effects of innovation on firm growth. The reason is that the discussion is based on the assumption that the quantitative difference in innovation activities determines the heterogeneity in firm growth.

Innovation activity is a process of knowledge accumulation, which, unlike physical capital, is not built up only by quantitative measures. In other words, knowledge is accumulated as a result of persistent effort with long-term perspectives.

This research examines how innovation contributes to firm growth in terms of persistence of innovation activities. This research constructs unique panel datasets merging financial, R&D, and patent information on Korean manufacturing firms and two empirical analyses are conducted. The results reveal how persistence in innovation activities is important as a source of a firm's competitive advantage. Strategic and policy efforts are needed to create an environment and capacity to sustain innovation activities with a long-term perspective.