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## R&D Drivers in Young Innovative Companies

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### Abstract:

This paper examines the determinants of young innovative companies' (YICs) R&D activities taking into account the autoregressive nature of innovation. Using a large longitudinal dataset comprising Spanish manufacturing firms over the period 1990-2008, we find that previous R&D experience is a fundamental determinant for mature and young firms, albeit to a smaller extent in the case of the YICs, suggesting that their innovation behaviour is less persistent and more erratic. Moreover, our results suggest that firm and market characteristics play a distinct role in boosting the innovation activity of firms of different age. In particular, while market concentration and the degree of product diversification are found to be important in fostering R&D activities in the sub-sample of mature firms only, YICs' spending on R&D appears to be more sensitive to demand-pull variables, suggesting the presence of credit constraints. These results have been obtained using a recently proposed dynamic type-2 tobit estimator, which accounts for individual effects and efficiently handles the initial conditions problem.

**Text:** See [Discussion Paper No. 6136](#)



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