

In 2005 the consulting firm of Booz Allen Hamilton concluded from a survey of 1000 firms that *'There is no relationship between R&D spending and the primary measures of economic or corporate success, such as growth, enterprise profitability and shareholder return'*¹.

But they only considered these firms one-by-one, and in isolation, despite the fact that innovation is driven by competition. Others have fallen into similar traps^{2,3}.

However when firms are analyzed jointly with their competitors, a clear relationship emerges between R&D spending, a firm's growth and - on aggregation - national growth.

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¹ *The Booz Allen Hamilton Global 1000*, Jaruzelski, Dehoff & Bordia, Strategy & Business, Issue 41, Winter 2005.

² For example in Britain's Department of Trade and Industry interpretation of its *R&D Scoreboard*, annually since 1999.

³ And Zvi Griliches famously failed to find it in 1988 *Griliches, Z., Productivity Puzzles and R&D: Another Non-explanation, Journal of Economic Perspectives*, 2, 9-21, 1988. Apparently this was the last attempt in this literature; but see ¹ and ².