

# CompNet

The Competitiveness Research Network

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*Chairman of CompNet*

**Prospective developments  
for innovation and  
competitiveness**

30th June 2022-Session 16.00

(\*) with contribution from Eric Bartelsman, Mirja Hälbig, Laura Marie Lufray and Alessandro Zona Mattioli

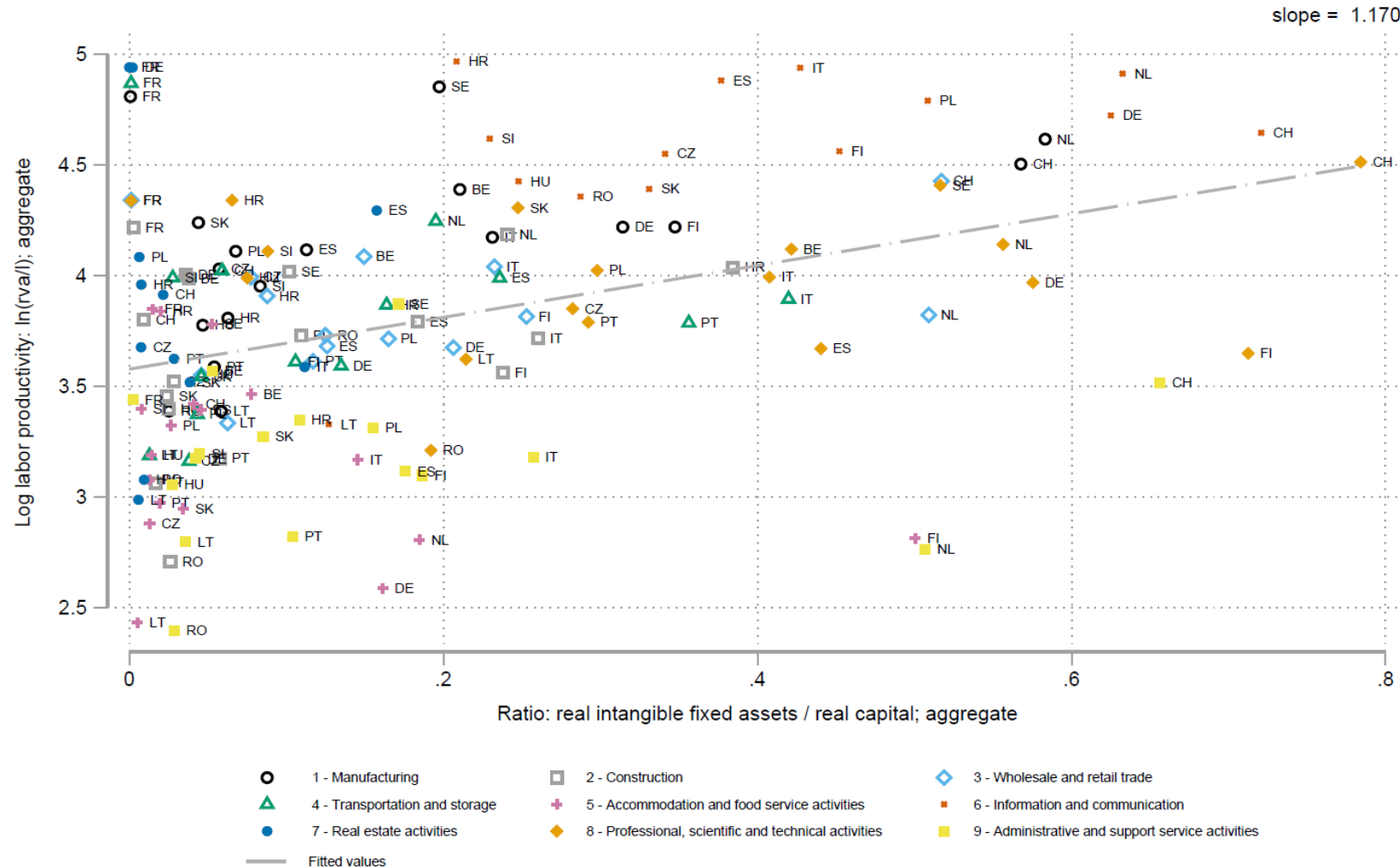
# Innovation: their impact and how do we measure it?

- Two policy research questions:
  - Are intangible assets associated with higher profits, firm size and productivity?
  - How do they relate to concentration, market power and wages?
  
- Do different metrics of intangible assets deliver the same picture?

We define intangibles in different ways using the two CompNet micro-based datasets:

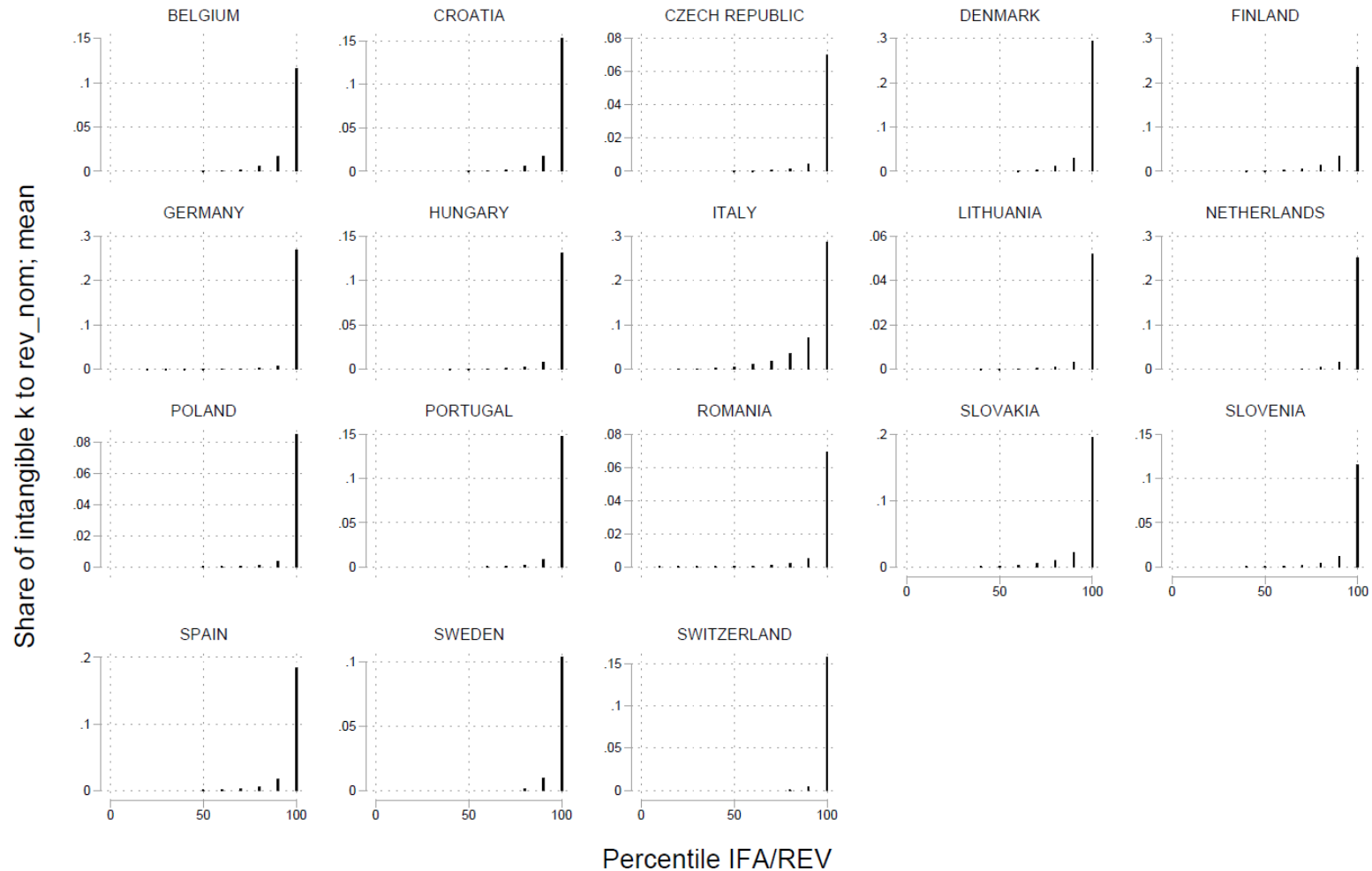
- MDI (more granular, available for 6 EU countries)
  1. Investment in concessions, patents, licences, trademarks and similar rights
  2. Perpetual Inventory Method (PIM) estimated intangible assets
  3. Innovation and Organization capital from Innovation survey (CIS)
  4. Share of personnel using computers at the workplace (from ICT survey)
  5. R&D intensity
- CompNet (available for 20)
  - Balance Sheet item from the Assets side: intangible assets

# The broader picture (compNet): Intangibles and productivity



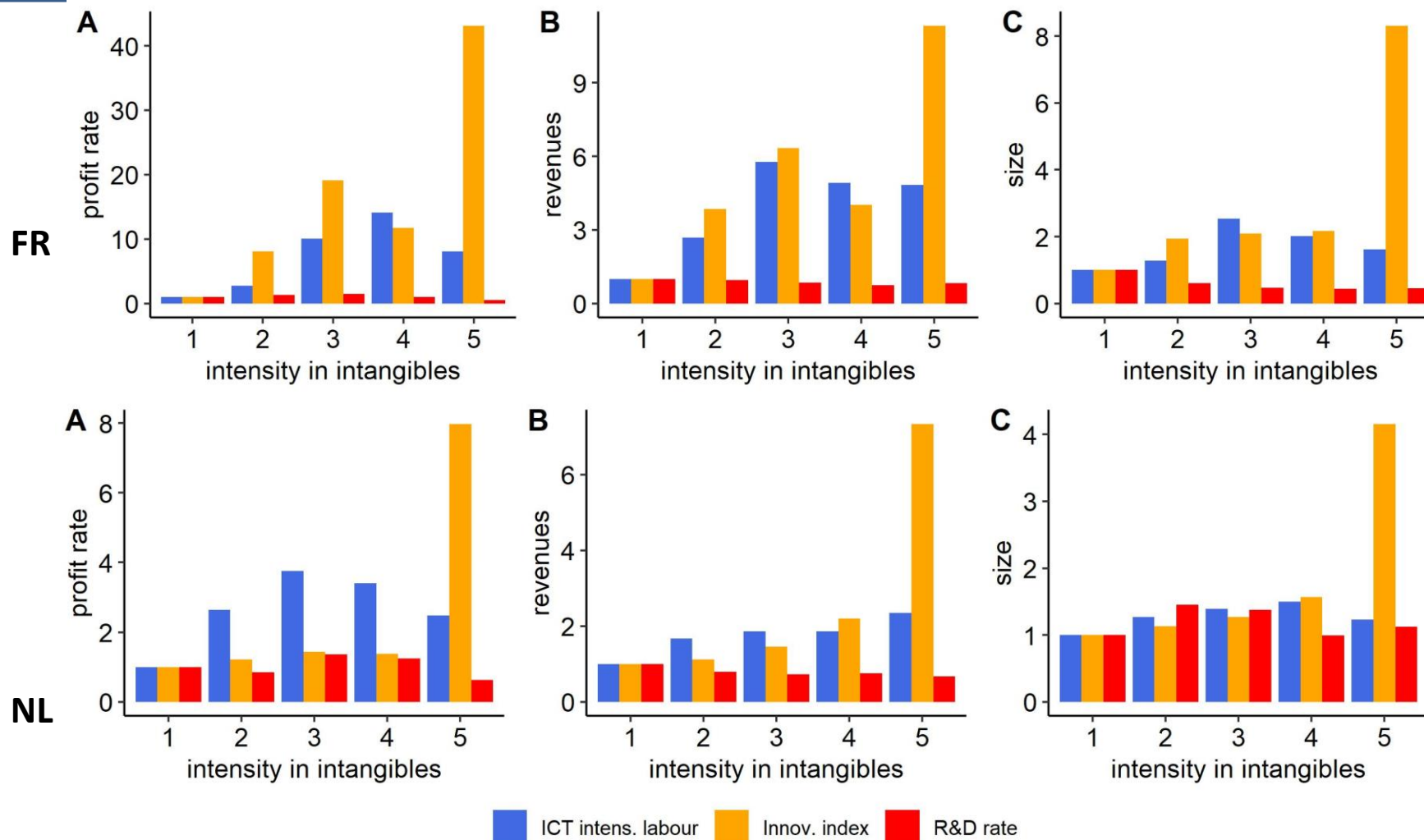
....are positively correlated across sectors and countries

# Intangible assets ownership is very concentrated



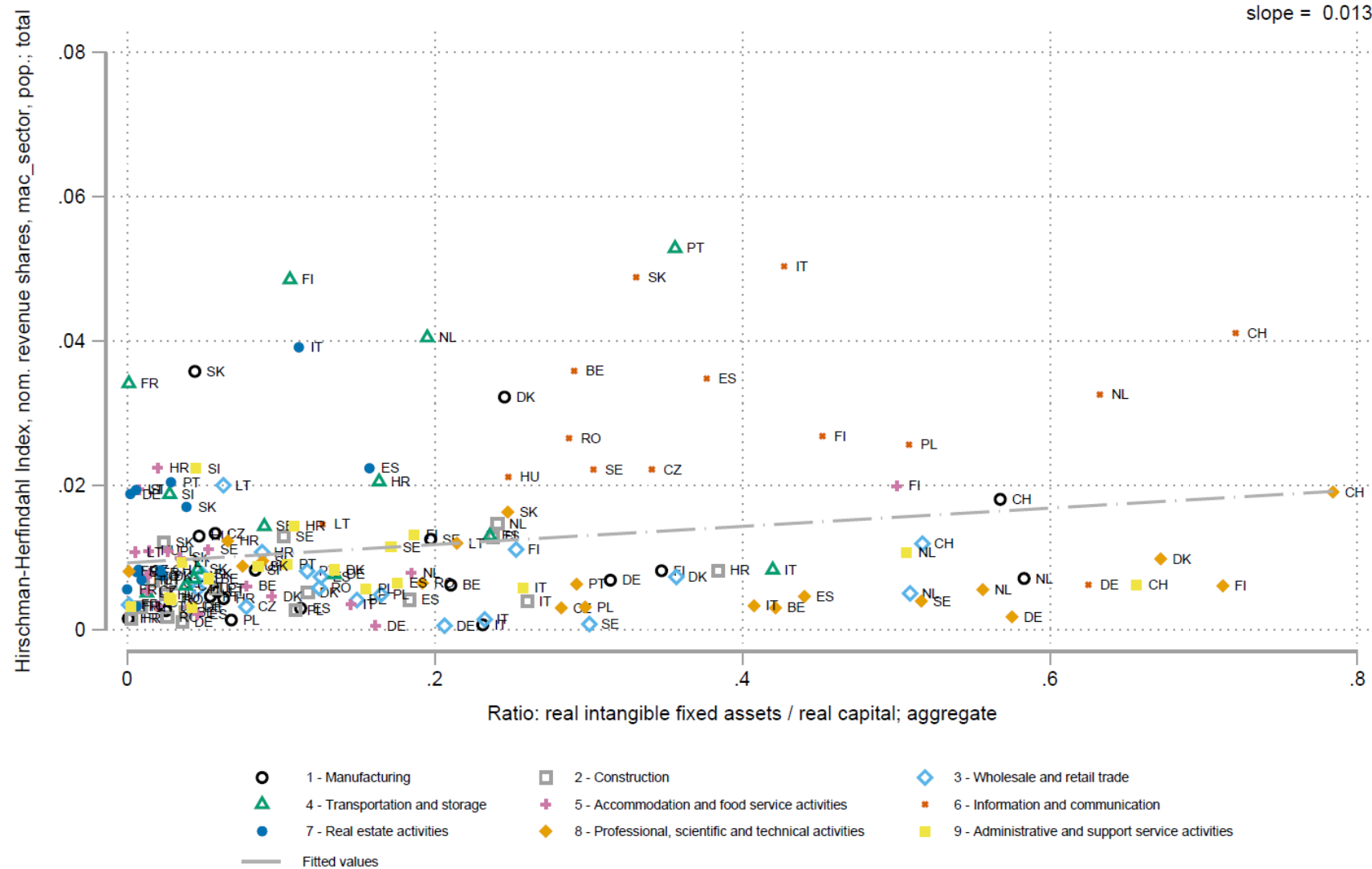
**....only the very top firms (the last percentile on the right)  
invest high shares of their revenues in intangible assets**

# More granular data (MDI) give a more nuanced picture

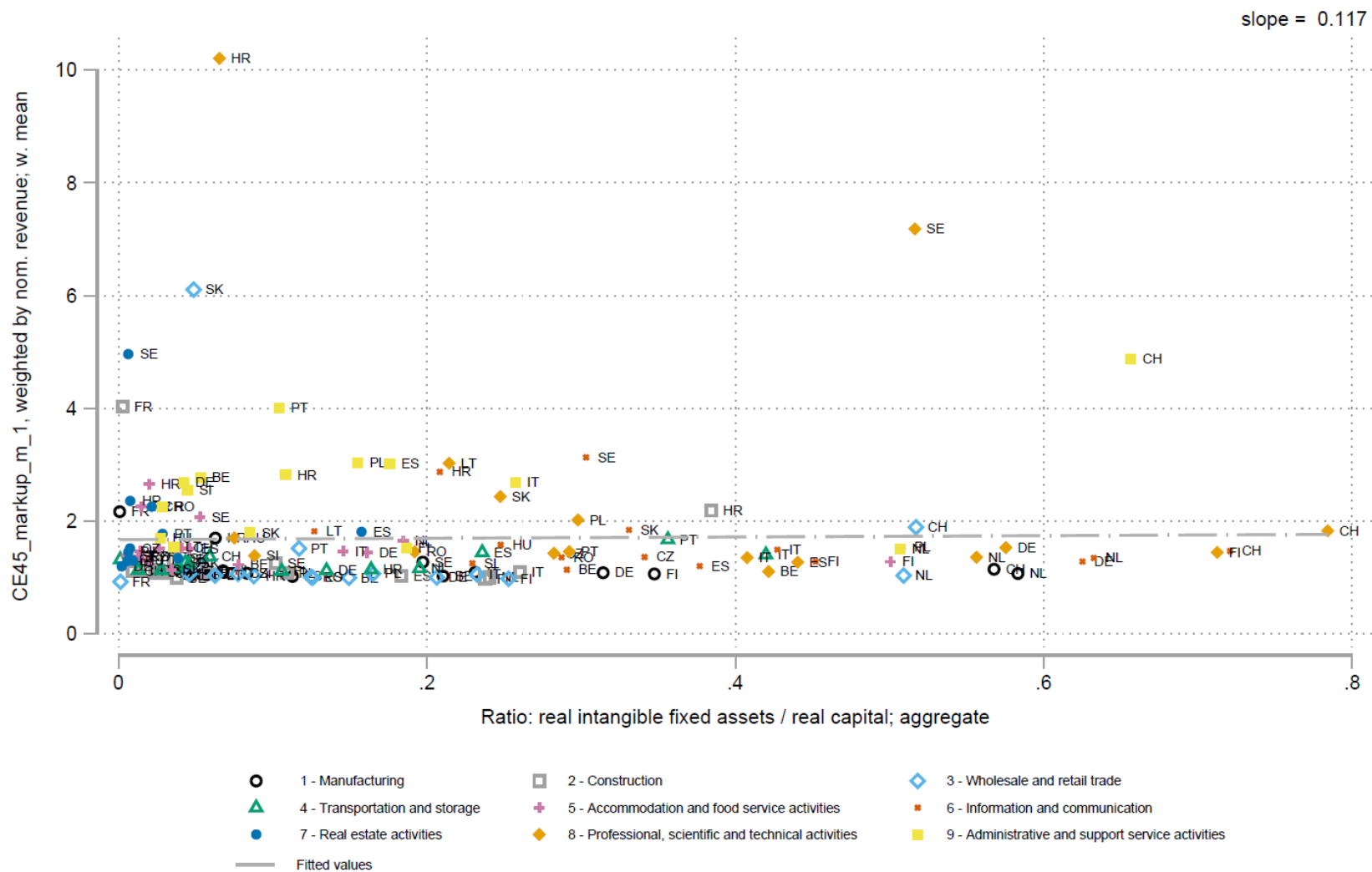


....Firms results (profit, revenues) are highly skewed when using innovation index as a proxy for intangibles

# Intangibles are correlated with concentration in revenues



# But less with markups

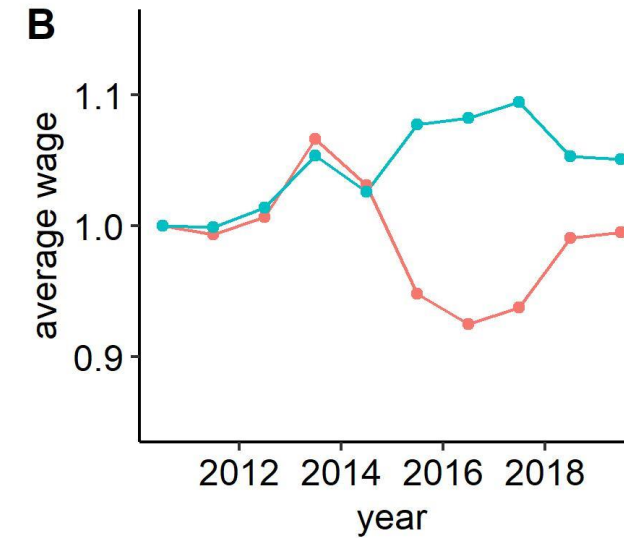
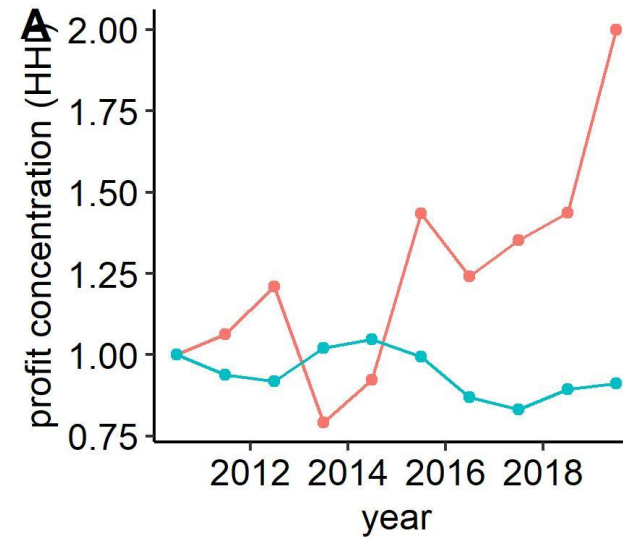


....Those firms NO necessarily can enjoy undue market power

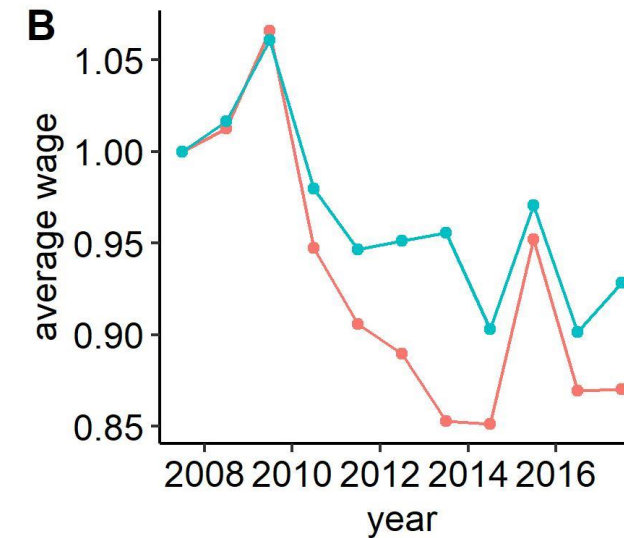
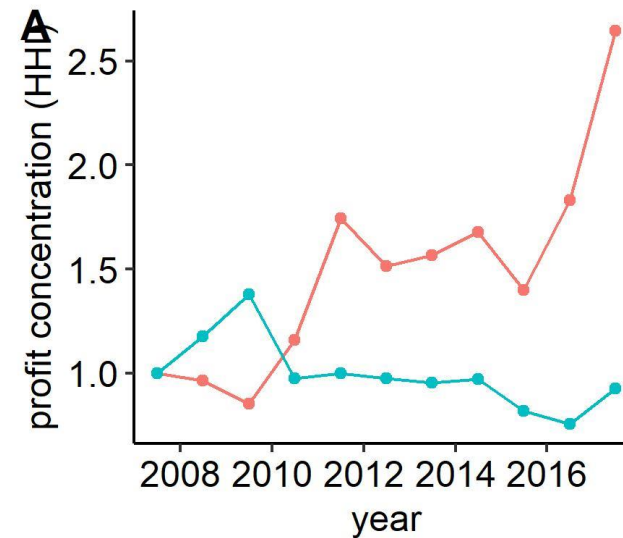


...Although more granular data (MDI) point to high concentration in profit overtime for KI firms and wage discrepancies in FR

FR



NL



—●— Knowledge intensive sectors —●— Total Economy

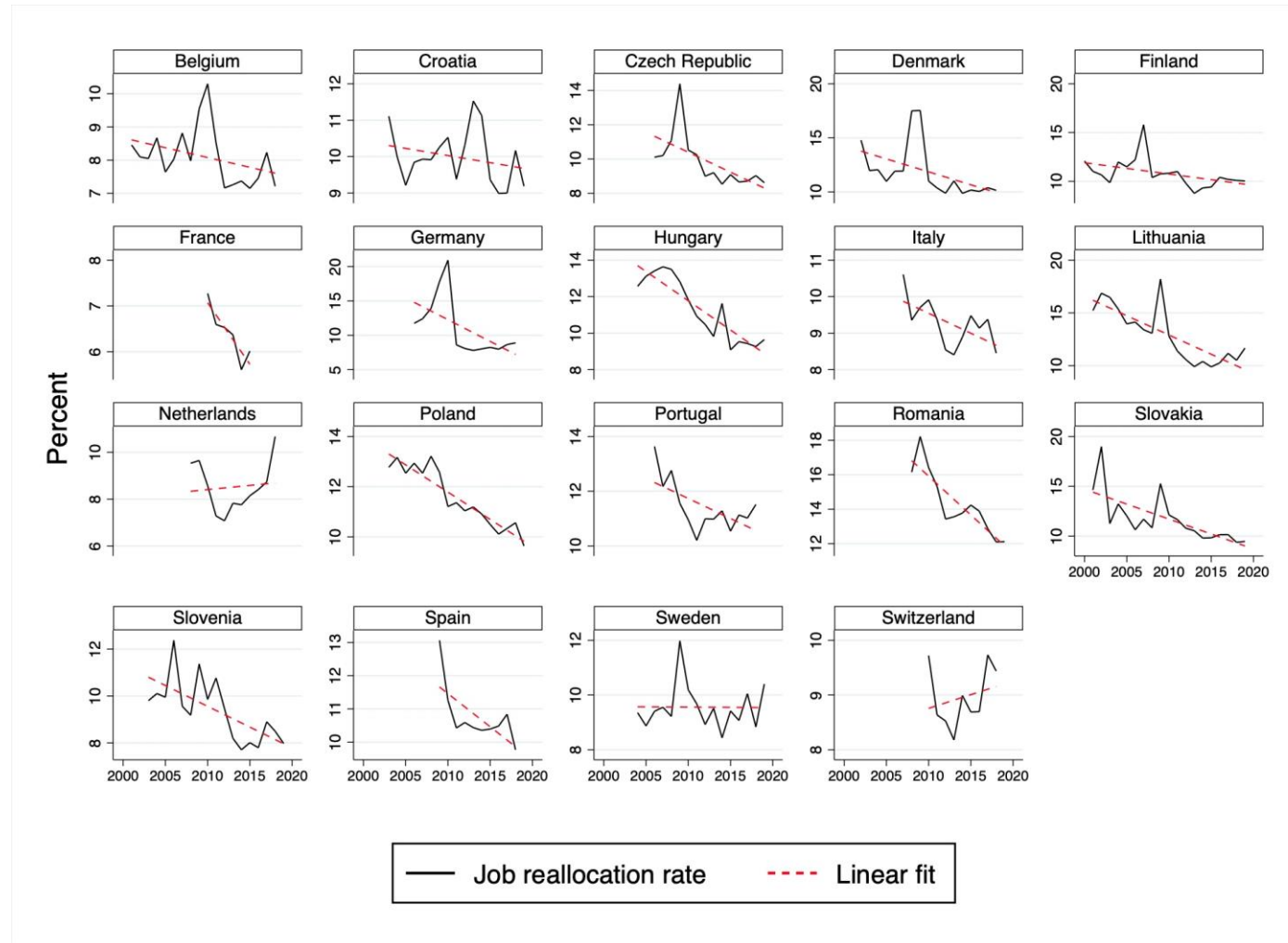
# Conclusions - 1

- Intangible assets are a key variable
  - They imply multiple measurement challenges and we dwell on that
- Intensity in intangible assets is associated with better firm performance (productivity, profits, size...)
  - Particularly for top firms, that benefit from high intangible intensity!
- But it is yet unclear whether they have a positive impact on wages and competition (markup – market power)
  - Need to identify possible market failures that policy could address (in terms of wage inequality or excess concentration)

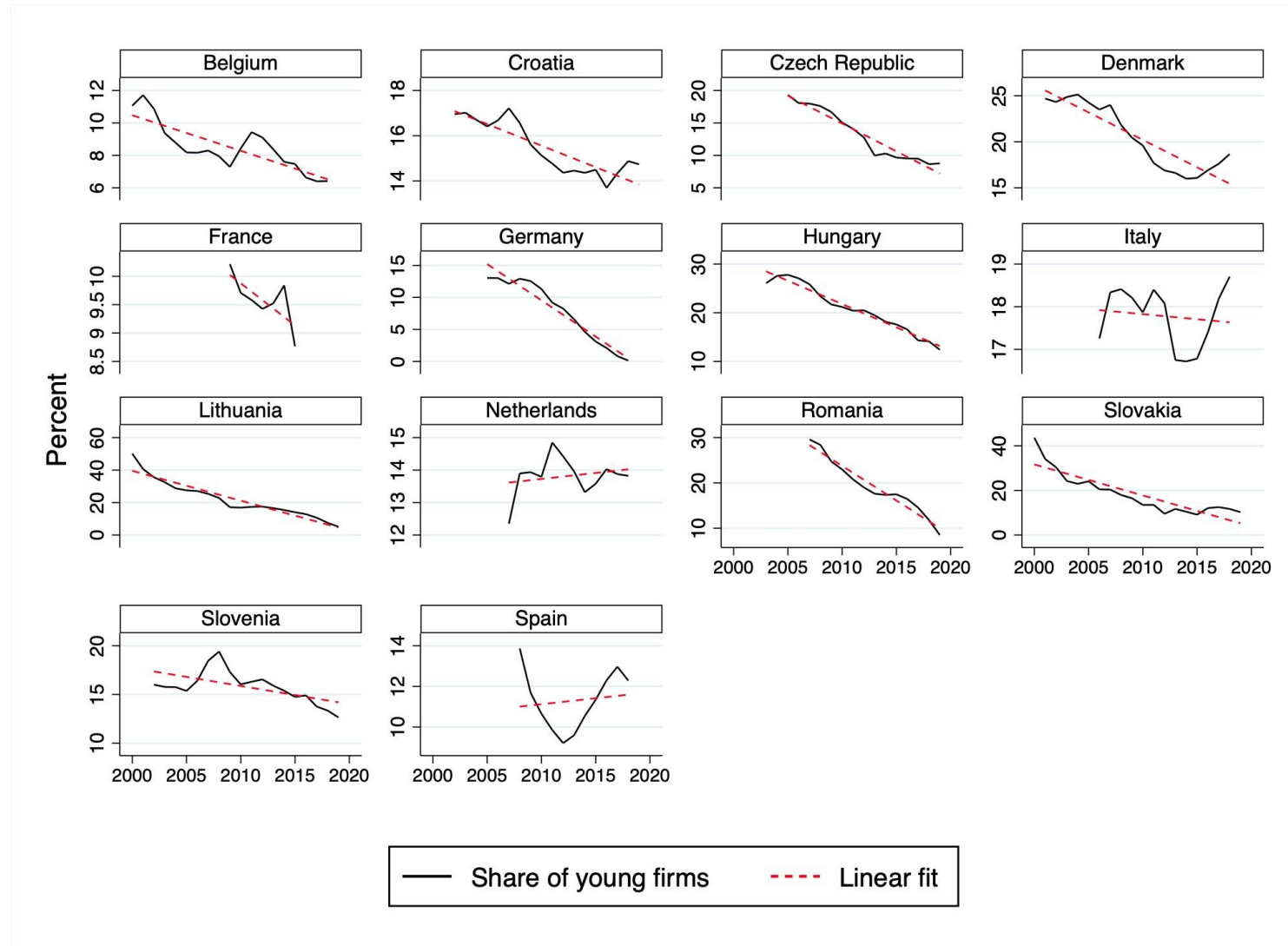
- Thanks for your attention
- Check on [www.comp-net.org](http://www.comp-net.org)

# Business dynamism is declining

- The slowdown in innovation can be due to a less dynamic economy
- The flow of resources (workers) between firms is declining across Europe

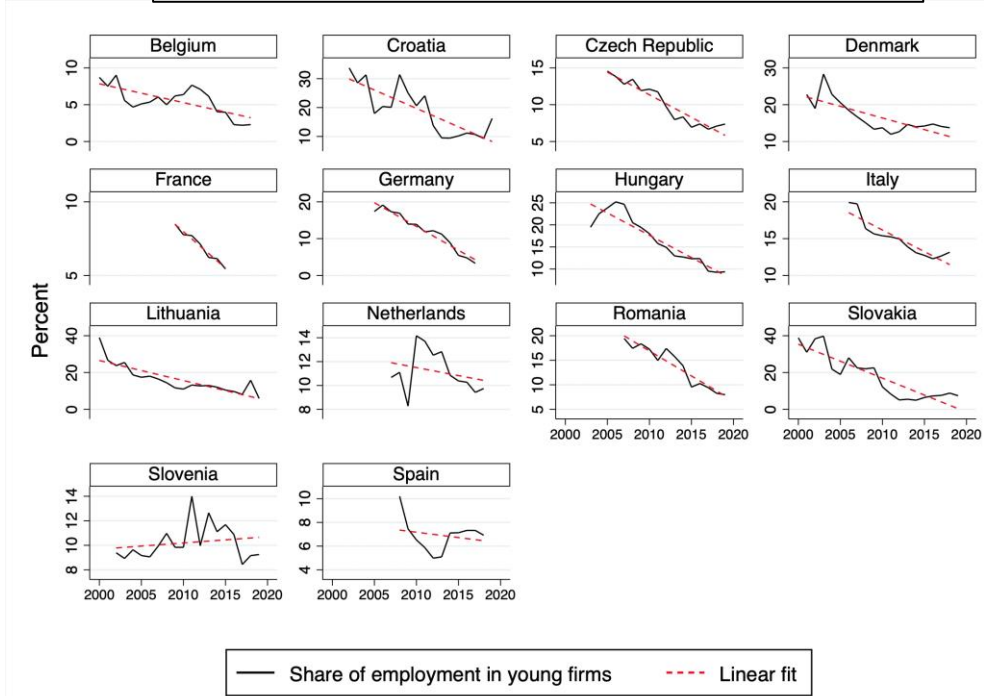


# Entry is becoming increasingly difficult

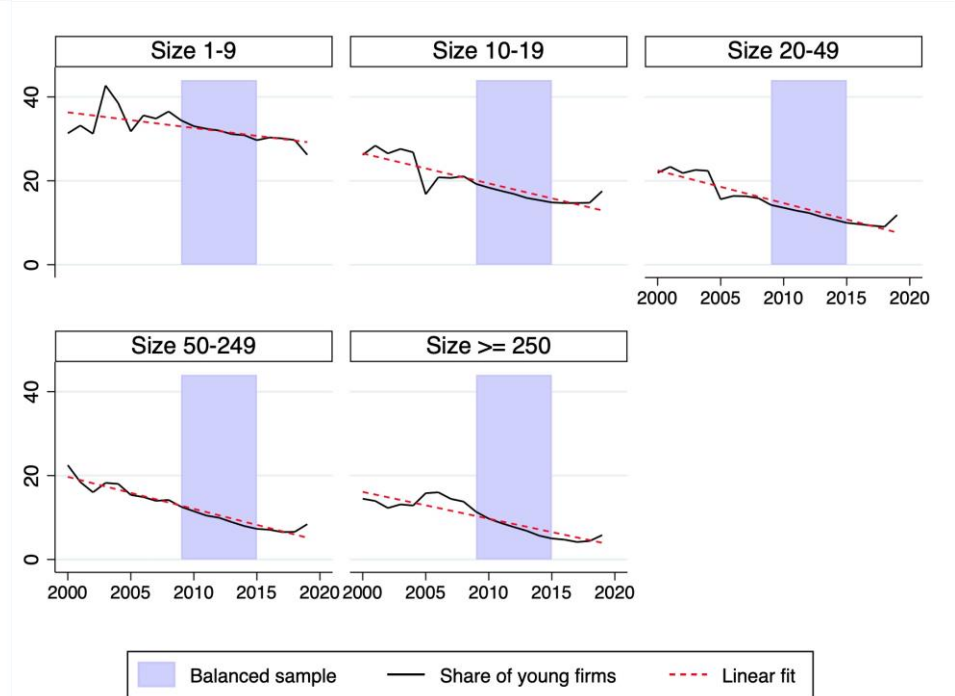


# Young firms are becoming less important

Share of employment in young firms



Share of young firms by size-class



- Innovation is crucial for every economy because it fuels growth
- The decline in business dynamism is worrisome since young firms are those who drive innovation!
- Anticompetitive behavior can hamper entry: is this happening in Europe?
- We are currently investigating whether product market power and monopsony power are driving the decline in business dynamism