

Business Research and Development and its Effectiveness in the Case of Emerging and Transition Economies

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Editorial

The issue of business research and development effort and its effectiveness seems to be of special importance for economic development on both macroeconomic and microeconomic level, especially within the framework of knowledge based economy and in the period of global economic slowdown. On average, companies located in emerging and transition economies spend significantly less on research and development in relation to GDP (BERD/GDP) in comparison to average business R&D expenditure of firms located in advanced economies. The value of BERD/GDP index in the case of South Korea reaches the level of 3% and for many advanced economies is between 2% and 2.5%. In comparison, the value of BERD/GDP index for great majority of European emerging and transition economies is lower than 1% and for more than half of them hasn't yet reached the level of 0.5%.

The available research seems to rather insufficiently address the issue of reasons and motivations behind the relatively low level of business R&D spending in the case of business units located in emerging and transitions economies. At least two potential explanations of this phenomena might be put forward: one is that due to low level of effectiveness of research and development activities resulting from the stage of development of economy and lack of experience and expertise in the field of R&D, companies act rationally and avoid risky and rather unrewarding investment in business R&D, second is that companies located in emerging and transition economies are acting irrationally and avoid potentially rewarding investment in research and development for reasons that have to be yet identified. On contrary one could argue that less developed economies, often classified as the catch up economies, in order to bridge the gap should spend even more on research and development.

In the series of articles [1-7] related to the issue of effectiveness of business R&D the results of various estimations of econometric models were presented and discussed. The main conclusions of to date research suggest that in most cases, on the basis of econometric estimations, one can identify positive impact of business R&D over both relative sales growth and relative EBIDT growth. In the case of estimations based on relative sales growth as the dependent variable research gave a bit mixed picture. It seems to be worthwhile to carry on with the research effort in the area of effectiveness of business R&D in emerging and transitions economies in order to identify the factors determining the relatively low level of business R&D effort in this category of economies.

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