Session 2

Government Programs to Encourage Innovation by Start-ups & SME's: The Role of Innovation Awards

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Policymakers in the United States and Japan share the recognition that innovation remains the key to sustainable economic growth and international competitiveness in the twenty-first century. Policy makers in both countries increasingly recognize that equity-financed small firms are an effective means of capitalizing on new ideas and bringing them to the market.

Small firms, however, face a variety of obstacles as they seek to bring new products and processes to the market. Thus, although there are substantial national R&D investments in the U.S., Japan, and elsewhere, the process by which these investments in research create valuable products for the market is not obvious. Often, the very newness of an innovative idea – and therefore a gap in understanding its potential – means that a small firm faces challenges in securing adequate funding for its development. Technological value does not lead inevitably to commercialization and many good ideas perish on the way to the market.

In this context, public policies that reduce the structural and financial hurdles facing innovative small firms can play a useful role in enhancing a nation's innovative capacity. In the United States, innovation awards, such as the Small Business Innovation Research program have proven effective in helping small innovative firms overcome these hurdles so that they may create new, more sustainable technologies while also strengthening the nation's innovation ecosystem.