

## **V.1: Basic terminology of research, development and innovation**

Community Framework for state support of research, development and innovation:

**“Fundamental (basic) research”** means experimental and theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any direct practical application or use in view.

**“Industrial (applied) research”** means the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes and services. It comprises the creation of components of complex systems, which is necessary for the industrial research, notably for generic technology validation, to the exclusion of prototypes as covered by letter (g)<sup>1</sup>.

**“Experimental development”** means the acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or designs for new, altered or improved products, processes or services. These may also include e.g. other activities aiming at the conceptual definition, planning and documentation of new products, processes and services. The activities may comprise producing drafts, drawings, plans and other documentation, provided that they are not intended for commercial use.

The development of commercially usable prototypes and pilot projects is also included where the prototype is necessarily the final commercial product and where it is too expensive to produce for it to be used only for demonstration and validation purposes. In case of a subsequent commercial use of demonstration or pilot projects, any revenue generated from such use must be deducted from the eligible costs.

The experimental production and testing of products, processes and services are also eligible, provided that these cannot be used or transformed to be used in industrial applications or commercially.

**“Process innovation”**<sup>(21)</sup> means the implementation of a new or significantly improved production or delivery method (including significant changes in techniques, equipment and/or software). Minor changes or improvements, an increase in production or service capabilities through the addition of manufacturing or logistical systems which are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, regular seasonal and other cyclical changes, trading of new or significantly improved products are not considered innovations.

<sup>(21)</sup> Cf. definition in the OSLO Manual, Guidelines for Collecting and Interpreting Innovation Data, 3<sup>rd</sup> edition, Organisation for Economic Co-operation and Development, 2005, page 49.

**“Organisational innovation”**<sup>(22)</sup> means the implementation of a new organisational method in the undertaking’s business practices, workplace organisation or external relations. Changes in business practices, workplace organisation or external relations that are based on organisational methods already in use in undertaking, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, regular seasonal and other cyclical changes, trading of new or significantly improved products are not considered innovations.

<sup>(22)</sup> Cf. definition in the OSLO Manual, page 51.

**“Research organisation”** means an entity, such as university or research institute, irrespective of its legal status (organised under public or private laws) or its way of financing, whose primary goal is to conduct basic (fundamental) and applied (industrial) research or experimental development and to disseminate their results by way of teaching, publication or technology transfer; all profits are reinvested in these activities, the dissemination of their results or teaching; undertakings that can exert influence upon such an entity, in the quality of e.g. shareholders or members, shall enjoy no preferential access to the research capacities of such an entity or to the results generated by it.

Definition according to the European Commission’s document COM (2003) 112: “Innovation is the renewal and enlargement of the range of products and services and the associated markets; the establishment of new methods of production, supply and distribution; the introduction of changes in management, work organisation, and the working conditions and skills of the work force.”

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<sup>1</sup> Under letter (g) the Framework has the definition of experimental development.