

## Innovation and R&D in China's Business Sector (OECD Reviews of Innovation Policy: China 2008)

In the innovation process, companies play the most important role in introducing innovation to the market (Schumpeter, 1912). In China, however, companies have historically been a weak part of the innovation system. In the planned economy, companies were essentially factories with very low research and development (R&D) input and innovation output. Public research institutions (PRIs) played the dominant role in innovation by conducting mission-orientated projects and R&D requested by business. The system was inefficient in terms of innovation outputs, and there was a huge gap between what the PRIs did and what firms needed (Liu and White, 2001). Industry therefore had to rely on imported technology to answer its needs.

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