



Changing Japan's National Innovation System and Its Policy Implications

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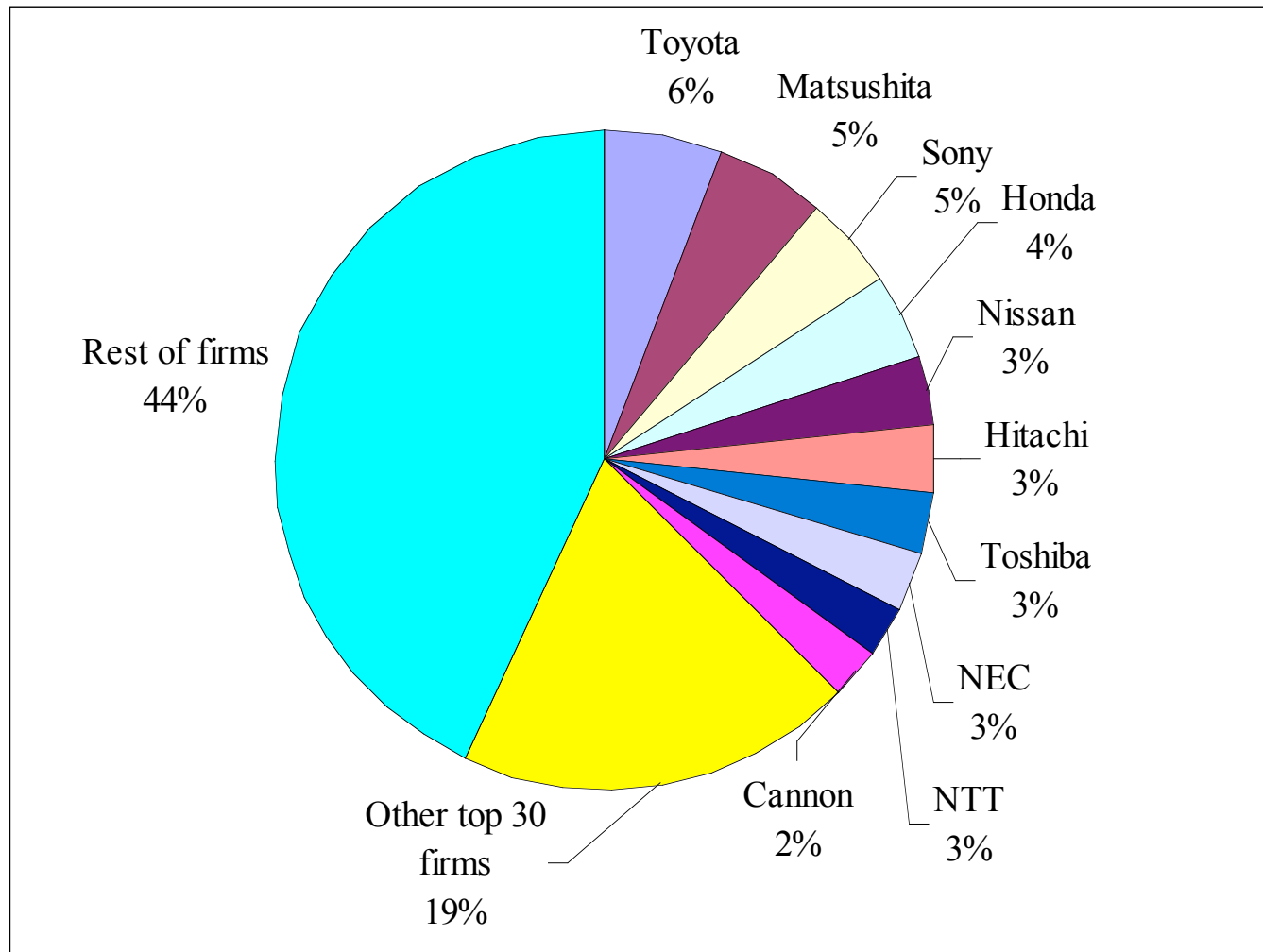
University of Tokyo & RIETI

<http://www.mo.rcast.u-tokyo.ac.jp/>

Outline of Presentation

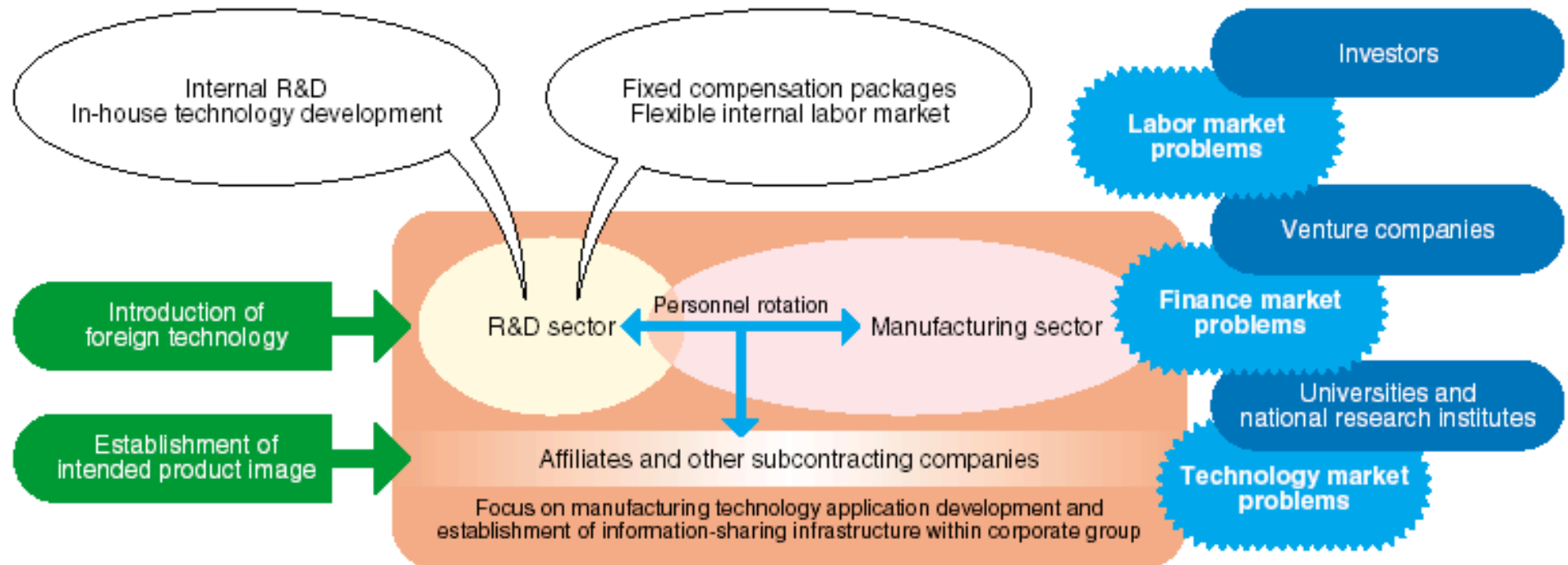
- Characterizing Japanese System: Large firm dominated system
- But it is changing. RIETI Survey on R&D collaboration
- Econometric analysis on R&D collaboration on research productivity
- Policy implications for facilitating changes of J-NIS toward network model

Business Expenditure of R&D in Japan



Japan's national innovation system

Compartment system by large company: Japan



Changes in Large Firm Dominated System?: Possible Factors

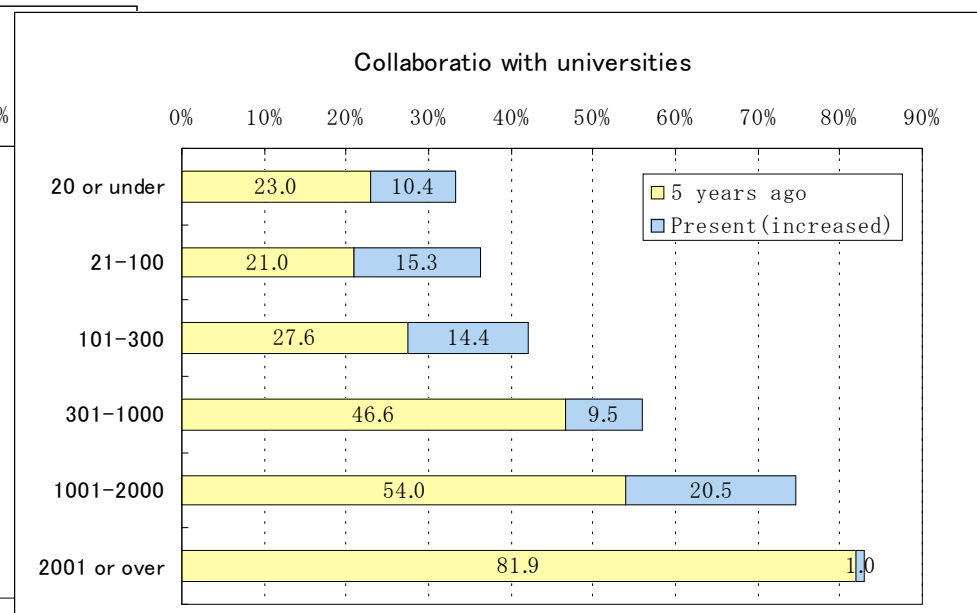
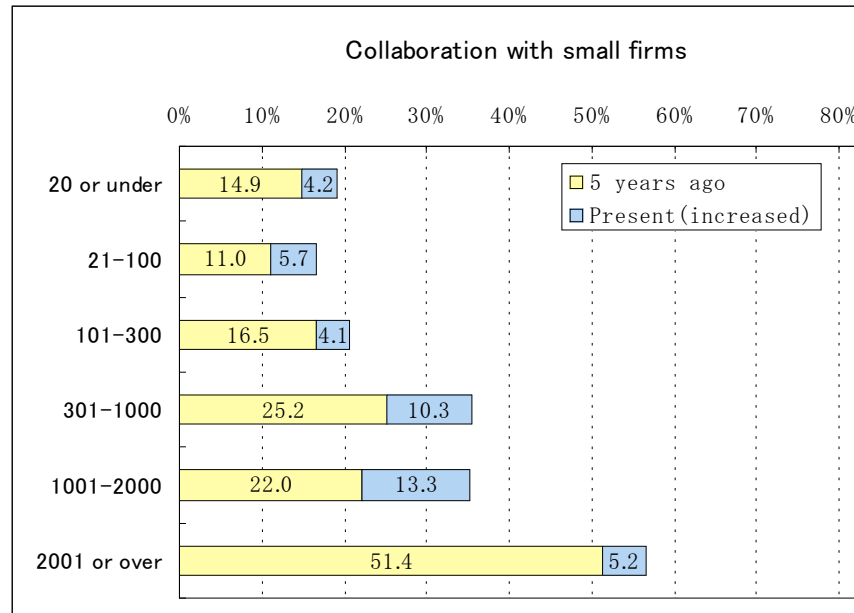
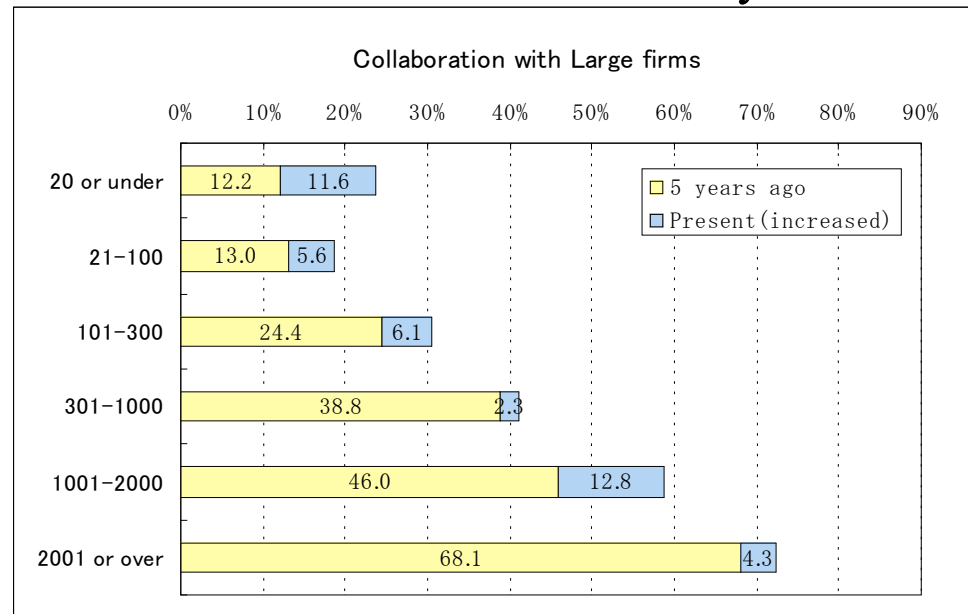
- Intense innovation competition: globalization and catching up of Korea, Taiwan and China
- Necessity of innovation speed in order to appropriate rents from R&D
- Importance of scientific knowledge for industrial innovation: particularly the case for bio-pharmaceuticals
- Institutional changes in science sector: PRIs and national university reforms

RIETI's Survey on R&D Collaboration

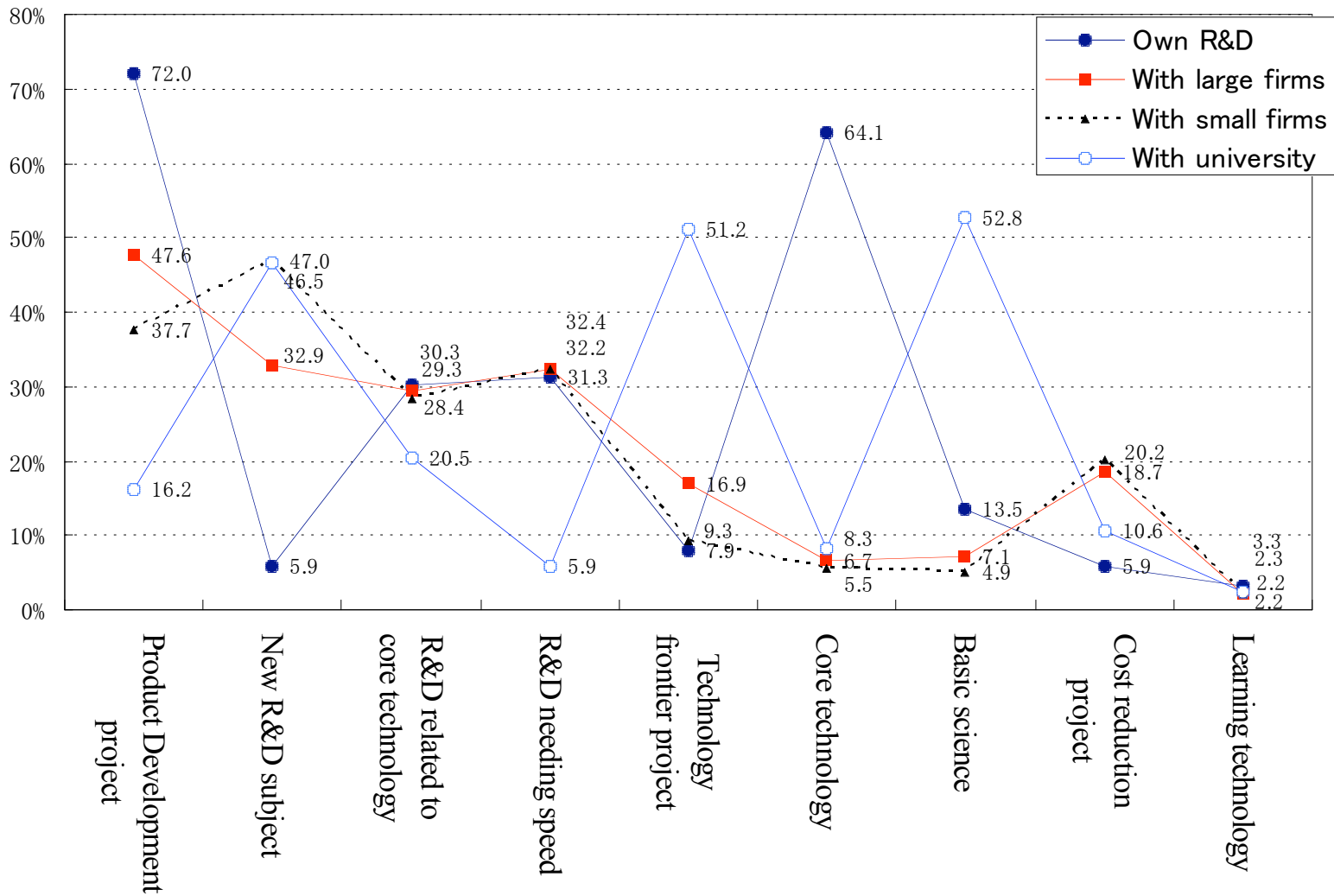
- Firm level survey on external R&D collaboration: business to business networks and university and industry linkages
- Data for 2003, 556 samples
- Survey items
 - Recent trend of external R&D collaboration and IPR licensing
 - Factors behind R&D collaboration decision
 - Managing the boundary of firm in R&D, internal R&D vs outsourcing
- Detail results are found as the following site
<http://www.rieti.go.jp/jp/projects/innovation-system/H15.html>

Japanese system is changing?

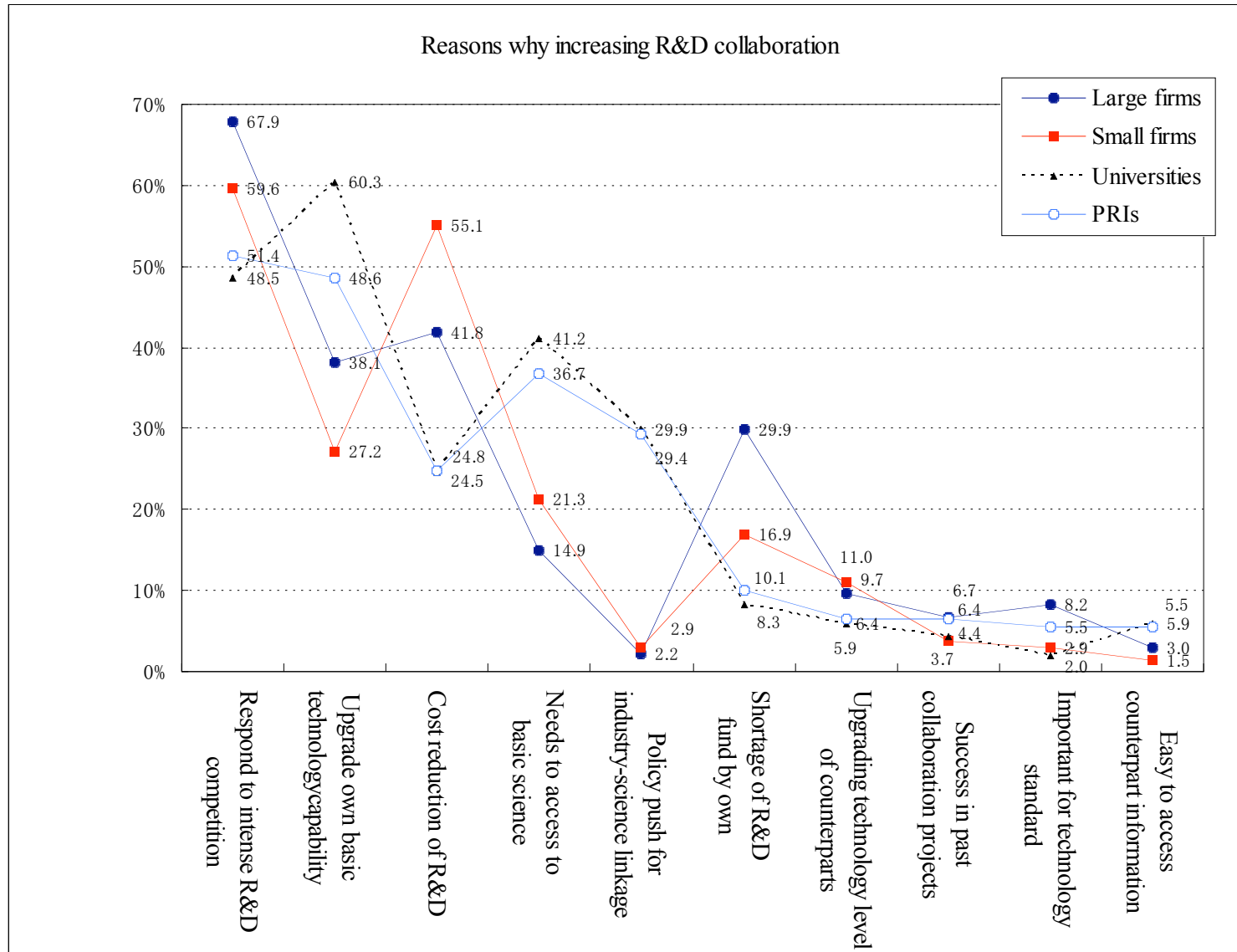
From RIETI survey



Management of firm's boundary in R&D



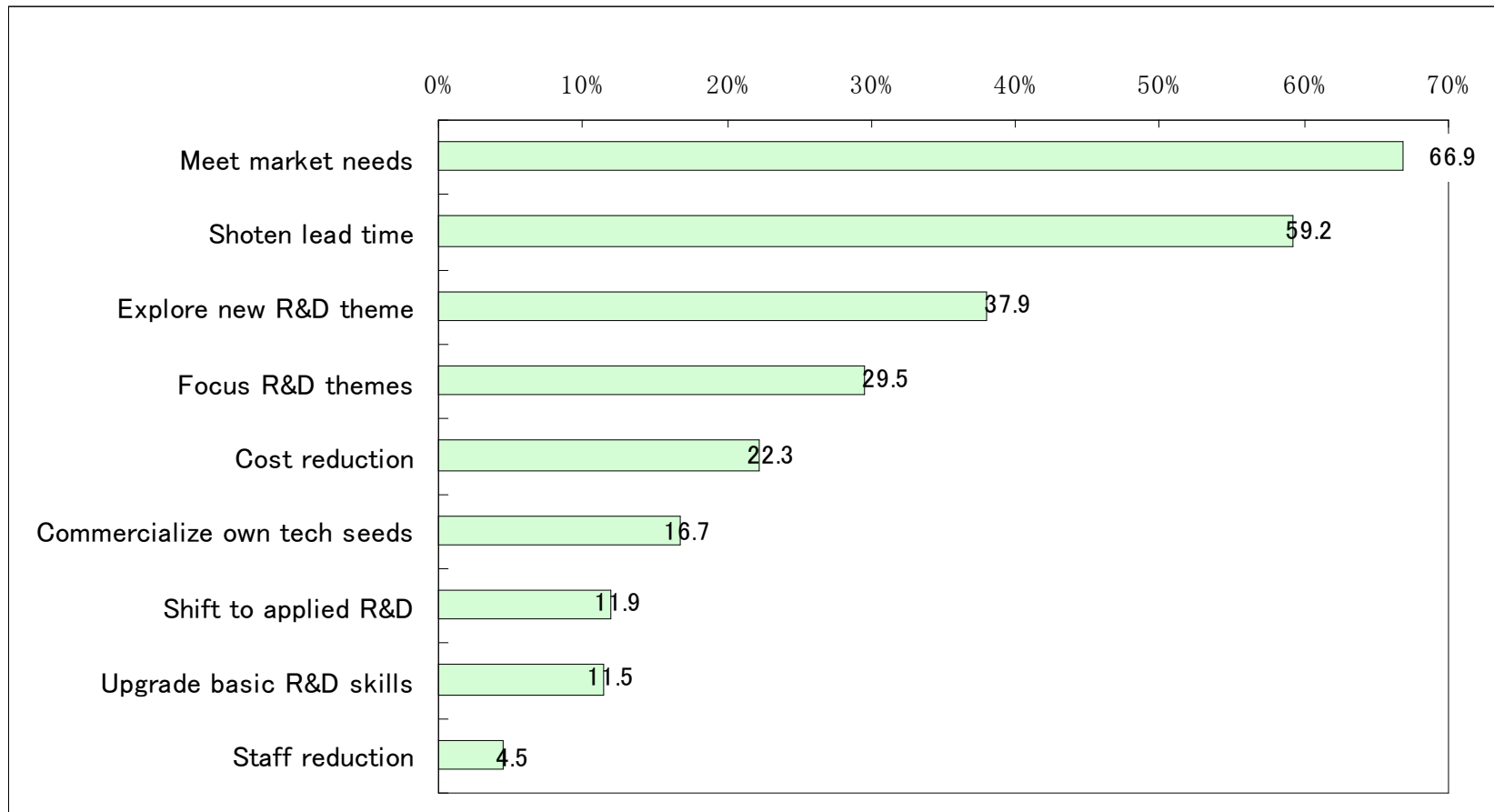
Factors behind R&D outsourcing



Motivation and underlining hypotheses for econometric analysis

- Factors behind external R&D collaboration
 - Intense innovation competition?
 - Increasing complexity of innovation and the role of scientific knowledge
 - Selection and concentration of R&D projects, but it needs wider technological scope
- UIC's impacts on research and production productivity: greater impact for small firms
 - Less Not-Invented-Here Syndrome
 - Focusing on more concrete project (short term benefit) and greater pressure for commercialization

Important factors behind R&D



Collaboration and R&D strategy

	Large firms		SME and startups		Universities	
	SME	LF	SME	LF	SME	LF
Shorter development lead time		++				++
Focusing R&D theme				--		++
Reduce R&D cost					+	
Reduce R&D staffs						
Explore new technology seeds	+++					++
more R&D for application and development project					++	++
Improving basic technology capability			--			
Market needs for R&D						
Commercialization of tech seeds	++				++	+

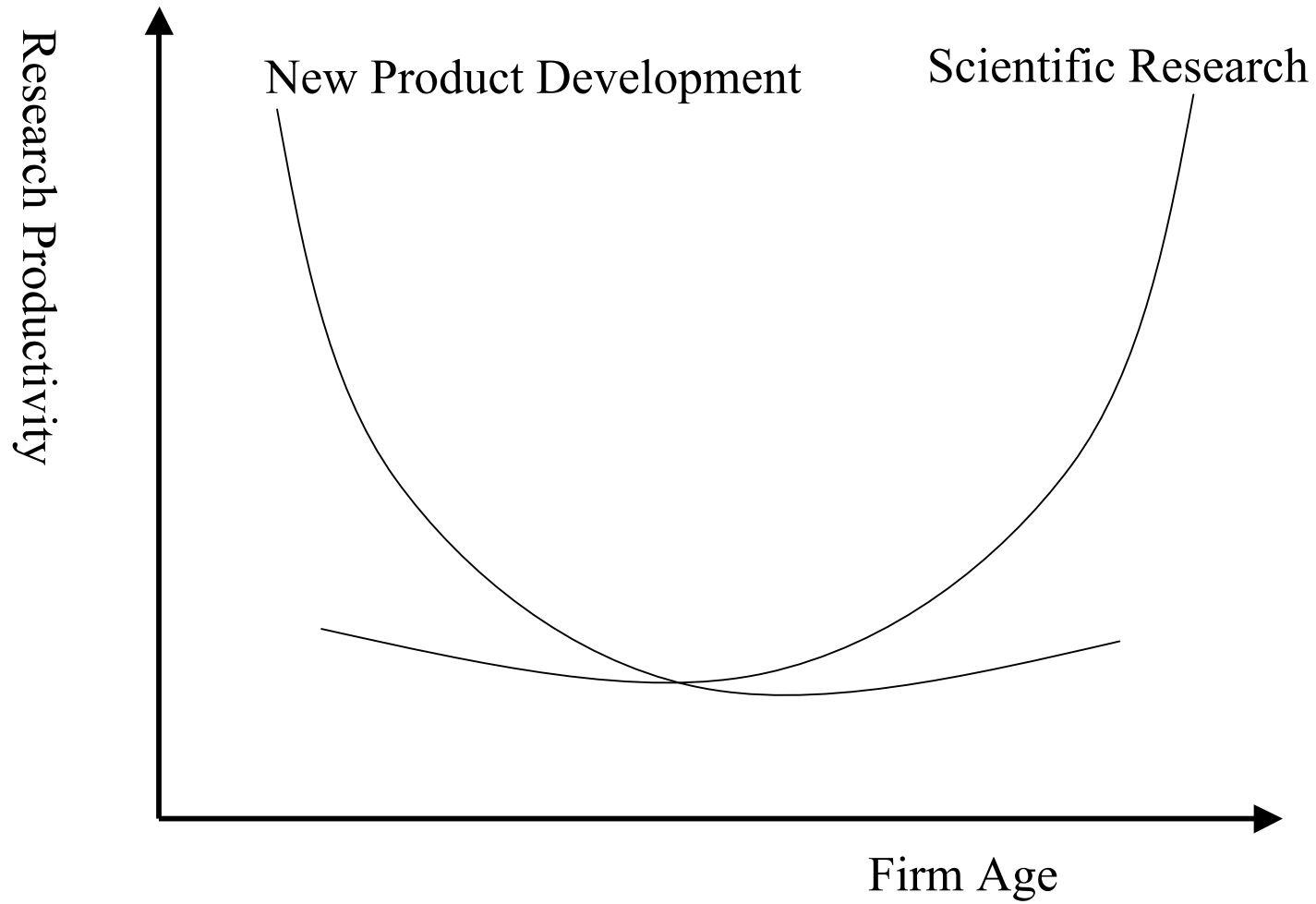
Research Productivity by Firm Age

	all	all	-1950	1951-70	1971-
	(1)	(2)	(4)	(5)	(6)
lrd	0.276 (7.81)**	0.260 (7.19)**	0.434 (5.61)**	0.183 (3.05)**	0.109 (2.29)*
lemp	0.250 (6.08)**	0.246 (5.41)**	0.397 (3.72)**	0.315 (3.30)**	0.131 (2.84)**
cord	-0.030 (0.23)	-0.056 (0.45)	-0.131 (0.53)	0.146 (0.67)	-0.169 (1.06)
univ1	0.377 (3.21)**	0.355 (3.05)**	0.203 (0.95)	-0.077 (0.33)	0.348 (2.09)*
lage		-2.402 (4.81)**			
lage2		0.360 (4.86)**			
Constant	-1.683 (7.10)**	2.302 (2.57)*	-4.257 (8.51)**	-1.188 (2.83)**	0.439 (1.30)
Industry Dummies	yes	yes	yes	yes	yes
Observations	450	438	168	134	136
R-squared	0.62	0.64	0.77	0.55	0.49

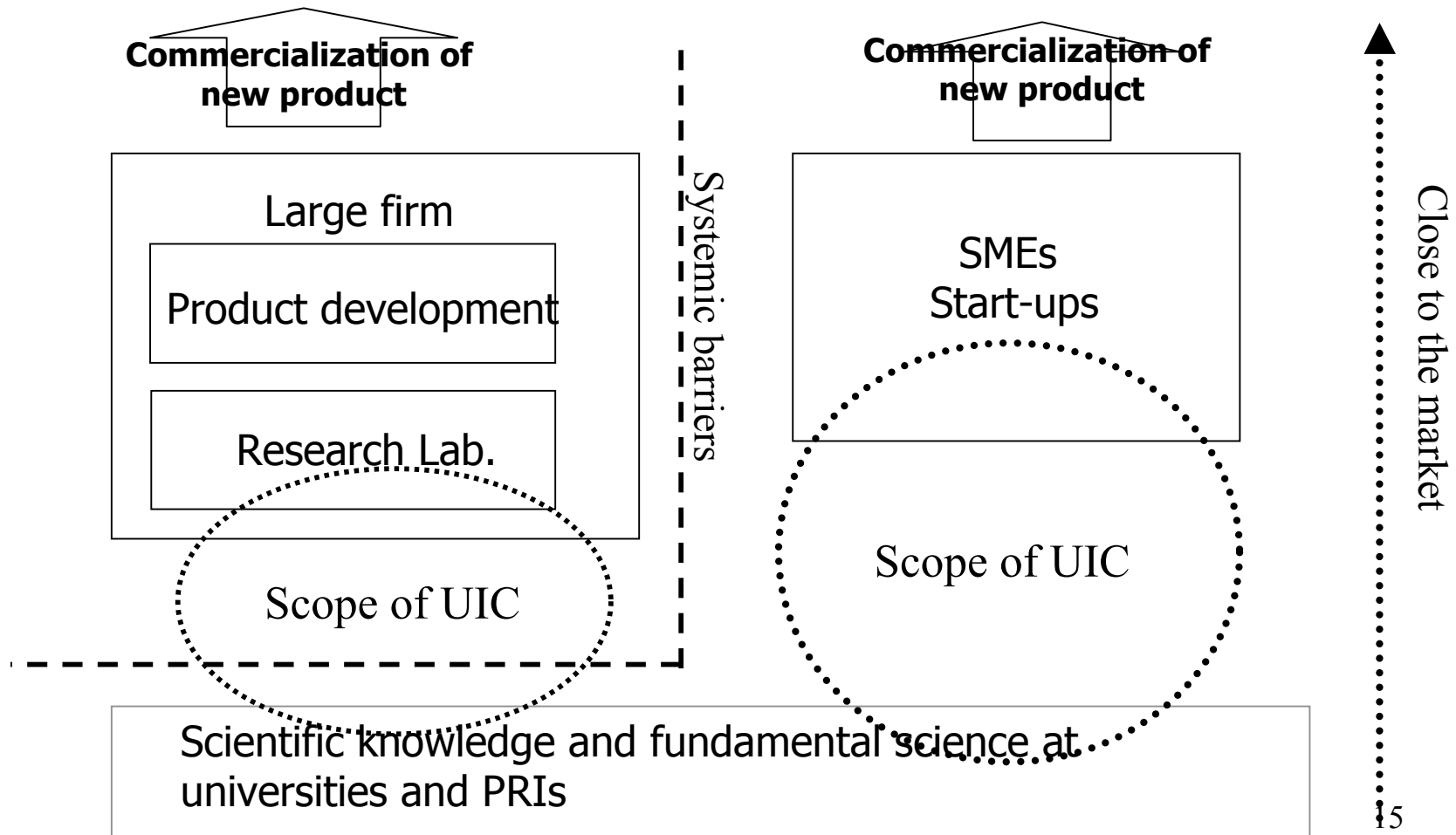
Absolute value of t statistics in parentheses

* significant at 5%; ** significant at 1%

Research Productivity and R&D Project Type



Implications for J-NIS



Synthesis and policy implications

- Growing trend of R&D external collaboration
- Reflecting firms' R&D strategy for innovation speed and wider technological scope
- Research productivity is higher for young and small firms as compared to old and large firms
- The role of SMEs and start-ups for Japan's NIS reform toward network type system
- SMEs and start-ups: facilitates system's transformation. In addition, it may be beneficial for large firms to have strong high-tech startups
- Policies for facilitating network type NIS system are important, such as IPR, labor mobility, VC finance