

Lost years for UK innovation

Let's start with the good news. Three cheers for Innovation Nation, published last Thursday by the Department for Innovation, Universities and Skills, because, as a White Paper, it does at least increase pressure on the government to do more on innovation policy. Also, the paper does cover a wide range of important issues and, for the most part, the direction outlined looks right. Having said that, however, the paper lacks detail, is very light on tangible actions, falls short on a pace-setting agenda and does not yet demonstrate that DIUS really understands how business operates. Above all, it covers a lot of well-trodden ground— although not many people know that, judging by some of the post launch euphoria.

NESTA (Making Innovation Flourish), for one, asserts that the White Paper is the first to recognise “that innovation goes beyond science and technology”. Not quite. In 1992, the late Akio Morita, co-founder of Sony, gave the first DTI Innovation Lecture, in which he expounded on his view that “Science alone is not Technology and Technology alone is not Innovation”. More recently, in 2003, the DTI published a report with recommendations for government policy on innovation, *Competing in the Global Economy: The innovation challenge*, that covered nearly all the topics in the White Paper. As well as creating the Technology Strategy Board and Knowledge Transfer Networks, the 2003 report identified, as key innovation issues, public procurement, the role of the research councils, skills, national innovation assets (such as standards, the National Measurement System and the Patent Office), regional innovation and global links. Three cheers again for Innovation Nation for pursuing these themes.

However, we should recognise that the hiatus caused by the organisational integration of Innovation into Science (with the Office of Science and Innovation in 2006), the abandonment of the Cabinet Committee on Science and Innovation (after one meeting) and the separation of innovation and business policy (with the break-up of the DTI), has set back the UK innovation strategy several years. It is therefore even more important than ever that action to implement this strategy is accelerated. And that is where I would have liked to have seen more.

But, first, what are the positives? The recognition that people are key to innovation, with the paper's emphasis on skills, seems to me to be particularly important. The recognition that government has a role in encouraging innovation networks is again important. Knowledge Transfer Networks can be a powerful force in bringing businesses and researchers together, and they form an important catalyst in creating an open innovation culture. Also, the arguments for a strong research base are well made, particularly the emphasis on qualified people, attracting investment and improving public policy. The importance of government investment in research for the public good is identified and should not be lost in a scramble to win some economic benefit of research.

Having said that, there is still not enough recognition of how business innovates, and far too much emphasis on R&D as a measure of innovation: those words of Akio Morita still ring true. It is also becoming increasingly apparent that business and government have a different understanding of R&D.

Although there is now a recognition that innovation is not just about new science, the White Paper does not appear to have caught up with the latest developments in innovation thinking. So, it still talks about 'manufacturing' and 'service' separately, whereas many people now talk about 'multiple innovation'. To quote Innovaro, a leading European innovation consultant: "With the continued growth in services, manufacturing companies at the leading edge of innovation practice are now learning how to successfully integrate different approaches where products, services, processes and business models come together and all drive growth across the board". Have the ideas of leading innovation thinkers, such as Gary Hamel, Clayton M Christensen and Tony Ulwick, been evaluated during development of the White Paper?

This leads me to question the benefit of creating a new Innovation Index, which so pre-occupies NESTA, again. At the macro level, the best measure of innovation activity remains 'value added', which can be calculated easily by any company with a set of accounts—large or small, manufacturing or service oriented. In addition, we have the well-established Community Innovation Survey reports and other, more specialised analyses. Is there really a need for another index that will take years to build up a history?

Last October, I made some suggestions on the way forward for the TSB [RF 10/10/2007, p18]. In response, I was encouraged by both Ian Pearson, the Minister for Science and Innovation, who told me that he expected that the TSB would be moving in that direction, and by an invitation from Iain Gray, the TSB's chief executive, to talk to him about these ideas. However, I am still of the opinion that the TSB is grossly underfunded to do what it needs to do. Despite the much trumpeted three year total budget of £700 million (plus £300m of parallel expenditure by Research Councils and RDAs), the annual expenditure is very little changed from current levels when you take into account money already committed from earlier proposal rounds. So, a TSB budget of £270m in the final year of the CSR needs to be compared to at least £600m being spent on the R&D tax credit, over £900m being spent on the Transport Innovation Fund and the £6.3 billion being spent by Research Councils and government departments on research.

Also, while there has been some progress on innovation in public procurement, the proposals on the Small Business Research Initiative seem to be going backwards by concentrating on letting contracts for research. An important idea was proposed last year by David Connell, Senior Research Associate at the Centre for Business Research in Cambridge. He suggested that small companies would be better placed if Government awarded contracts for the next stage of development or prototyping rather than for

research. It is a pity that this does not seem to have been taken forward. What we now need to see are specific actions to show how innovative public procurement will be taken forward. I hope the proposed Annual Innovation Report will have some tangible evidence in this area.

One final point. Last October, I raised concerns over the Sainsbury Review, Race to the Top: A review of government's science and innovation policies, questioning the usefulness of so many small initiatives with, in many cases, poorly defined outcome measures. The result is now clear to see in the DIUS response to the Sainsbury report, which was released alongside the White Paper. While there are some specific actions, there are many generalised implementation statements, such as "more formal relationships are being developed" and "terms of reference for the steering group are currently being considered". The action plans resulting from the Innovation Nation White Paper must be more explicit in terms of delivery, impact and timing to avoid this pitfall.

So, the direction of the White Paper seems right, and we seem to have ministers committed to innovation. However, the success of this strategy will depend on tangible actions being pushed as fast as possible in the coming months.

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