

Will Mandelson make amends

Let's hope that the new Secretary of State for Business can bring some sense to what has become a diffused and ragged Science & Innovation policy that is neither helping Research nor Business.

It is very unfortunate that, driven by the Treasury, this Government made Science and Innovation synonymous in their policy development. Innovation as a means of creating economic wealth is much more than science – as AG Lafley, CEO of Procter & Gamble, said recently, *“We define innovation broadly. We innovate in every area where our brands touch consumers’ lives: the package and product, the shopping experience, the in-home product usage experience, and every aspect of communication. We also create innovative new business models and organizational structures. By innovating so broadly, we get to see more innovation opportunities and to leverage more innovation resources than more narrowly focused competitors.”* The failure to recognise this broad definition of innovation has led to Government organisation structures which risk diluting Research focus and failing to support real Business needs in developing economic growth. I believe we must act quickly and decisively to put the broken pieces together again by reuniting Innovation with Business, reinforcing the Science/ university link with greater emphasis on research activity and sharpening the focus of available budgets in these areas for maximum impact. Here are my suggestions.

The most pressing change needed is to put together Innovation policy with Business policy. In other words take Innovation out of DIUS and integrate into BERR. The need for this is obvious as evidenced by the three recent innovation related reviews -- *Innovation Nation, Innovation in Services and Manufacturing Strategy* – all released jointly by DIUS/ BERR. All relate to business impact issues for BERR but the levers to effect change held by DIUS. Co-ordinating action across Government Departments is notoriously difficult and becomes especially difficult when budgets are tight. So what we end up with is a plethora of small initiatives which will have little impact and waste time. In order to reach consensus across departments, actions get watered down as to be meaningless. To quote Neil Kinnock's famous 1985 party conference speech – *“principle without power is idle sterility”*. So take for example, one of the actions proposed in one of the white papers, *“BERR is considering a pilot*” -- talk about navel gazing!! And DIUS, where just a few percent of its budget is spent on Innovation, is unlikely to give Innovation the priority it needs. However by taking the TSB and other related innovation policy into BERR and refocusing related expenditure on those support activities with demonstrable success, we have a real chance to boost UK industry and wealth creation.

At the same time, I believe that separating Science from Innovation in this way and reinforcing Science/ university policy with D(I)US would have a highly beneficial impact on Research. As Alison Richard (VC, Cambridge University) said recently, *“As institutions charged with education, research and training, our purpose is not to be construed as that of handmaidens of industry....”*. So instead of spending huge amounts of research budgets trying to *push* the results of research into Business, leave Business to *pull* through the technology needed for successful innovation. This would leave more resources for real research – for example EPSRC is planning to spend £482 million over the next 3 years on technology transfer – money that could well have been better spent on supporting physics for example.

But how would the new Business Innovation grouping help business accelerate growth? The answer is to marshal available budgets and apply to those Government interventions which have already shown success in stimulating business innovation. Three examples immediately come to mind – the Manufacturing Advisory Service, the TSB collaborative R&D projects and the Design Council programme *Designing Demand*. And the funding? Take existing TSB budgets, redirect the R&D large company tax credit funding (£400million pa and demonstrably poor value for money) and redeploy SBRI funding into early stage procurement to boost small company development activity. Now you have something really substantial to lift UK innovation activity with.

In 2006, I warned the then Secretary of State at the DTI of the dangers of separating out innovation policy from business – I hope the incoming Secretary of State for Business will act quickly to rectify that mistake.

David Hughes is the managing director of the Business Innovation Group and visiting professor of engineering management at City University. In 2002, he moved from the engineering industry to the Department of Trade and Industry where he was the first director general of its Innovation Group and the department's chief scientific adviser until 2006. He produced the DTI's report, Competing in the global economy: the innovation challenge, published in December 2003, which led to the foundation of the Technology Strategy Board.