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Speaking notes:

1. We are in the middle of – and grappling with – a major transition in innovation policy. Unless we understand what is driving this transition, we are unlikely to design the new innovation policy that meets the challenges it raises. There are three main factors that are driving this transition.
2. First, the increasing complexity of our understanding of innovation. Many decades of research in innovation, and innovation practice in business, have undermined the so-called linear model in innovation policy. This evidence has, above all, added complexity to our understanding of innovation.
3. Now know more about the importance of broader capabilities of firms beyond their R&D function, the value of inter- and multi-disciplinary teams, the importance of capabilities beyond the firm (open, networked and collaborative innovation), that the ability to absorb new ideas and technologies can be as crucial to the success of the firm as the ability to create them internally, and the significant role of users as innovators.
4. Second, the breadth of the areas where we see innovation happening – and where we want to see more of it. Now we increasingly recognise that innovation also happens outside of R&D-intensive sectors – in services, the ‘knowledge economy’, the creative industries, and so on.
5. Policymakers are also increasingly interested in innovation in public services, the third sector, and the need for innovation in response to major social challenges such as climate change and an ageing society.
6. Third, the intensity of competitive pressures between nations and regions – which have helped to move innovation from the margins to the mainstream of policy – are making innovation policy itself an area of competitive advantage. Innovation policy (national innovation strategies) have become a major way by which policymakers have sought to gain (or retain) national competitive advantage. But this has also meant, paradoxically, that policy has appeared to converge across many countries – because national policymakers borrow ideas and mechanisms from other countries.
7. In order to respond to new levels of international competition, policymakers are increasingly recognising the need for distinctive, relevant national innovation policy (innovation policy which responds to unique national conditions).
8. These policies are likely to be based on an understanding that innovation takes place within systems. This started with the idea of ‘national innovation systems’ – that national competitiveness in terms of innovation is based on the sum of the factors supporting innovation, from universities for educating the workforce and for research, grants and tax relief where appropriate for business innovation, to wider political, economic and social conditions.
9. It is now becoming more specific, to also mean sector-level systems of innovation, or even systems of innovation in response to major social challenges such as climate change.

10. There are a number of advantages from understanding innovation in terms of systems. The most fundamental is that it is more appropriate for this changing face of innovation, the more dynamic and complex sense of innovation we have, than thinking in terms of static, 'single-point' interventions. It encourages us to examine the overall operation of the system, and to identify its strengths and weaknesses.
11. We are likely to need new types of intervention by government and public agencies that derive from this understanding. We are in the process of incorporating some of this thinking into policy, into new mechanisms to stimulate and support innovation, but the process hasn't been completed. This is the transition we're in.