

David Hume Institute Seminar on Innovation on 6th November 2007.

The third seminar in our Spring series was held at the Royal Society of Edinburgh in George Street at 6 pm on Tuesday 6th November. This was a very well attended event, with a broad spread of attendees from a variety of backgrounds. The main speaker for the evening was Richard Halkett of NESTA – the National Endowment for Science, Technology and the Arts, a sort of super centre/hot bed for innovation policy thinking and development. He was ably supported by Charlie Woods, formerly of Scottish Enterprise, to provide a Scottish dimension. The seminar was chaired by Donald MacRae, both a Trustee of the Institute and a Board member of Scottish Enterprise. This was highly appropriate given that our sponsors for then evening were SE, one of our corporate members. We are extremely grateful to SE for this support and indeed to Adam & Company who hosted the post seminar dinner.

After the seminar I posed the question to Halkett and Charlie Woods as to what they meant by innovation – a word that we all throw about liberally and without, perhaps, sufficient thought. Both answered that innovation was ‘The successful exploitation of ideas’. The main point of Richard Halkett’s whole talk was summed up by a word that was not there in this definition – the word ‘new’.

Halkett took us through what he saw as the old, linear and inappropriate, approach to assessing innovation within an economy. This was all based upon a one-way street progression from knowledge creation to knowledge transfer to commercialisation in a product and then – the ultimate – consumption. If this was the model at the basis of statistics and inter-country comparisons, then it effectively led to equating innovation with business R&D. That in turn implied that countries in which high tech sectors accounted for a high share of their economy – e.g. Finland, Sweden and Japan - were deemed high up the innovation pecking order, because of their industrial structure. Further, those with a high and growing share of services would be lower down the list – because service companies tend to spend less on R&D, at least as defined by the statistical gurus.

The EU came to a strong and universal view on the importance of innovation at their Lisbon Summit a few years back. But the EU had fallen into this trap of confusing business R&D spend with innovation; hence, the target that was adopted of 3% of GDP being accounted for by business R&D. The UK opted for a lower 2 ½% target, because of our lower starting point on this basis than many of our colleague states.

But the NESTA line that R&D does not equate with innovation is compelling. We should not be aiming at having more high tech companies in our economy, rather at having more innovation in all companies across the economy. In their view innovation is anywhere, and the linear model of R&D creation => commercialisation=> consumption is faulty. As much innovation is developed in companies and by the users of products, particularly those at the leading edge of their sectors, as actually comes out of the pure R&D seedbeds in our HE and pure research institutions. Diffusion of innovative ideas is also critical – a great quote was that ‘No matter who you are, most of the smartest people work for someone else’. The real value of the cluster that was Silicon Valley was the use of knowledge and innovative ideas there well before they became available elsewhere.

Richard Halkett provided some classic examples of innovation that would never be captured by our existing official data, including innovations in process and business models and in

technologies used within the financial sector. The latter gave me real pause for thought, as a judge for Scottish Financial Enterprise in their ‘innovator’ awards. Very few of the entries over the last two years would qualify in official statistical terms, but innovative they most certainly are. NESTA is right.

Charlie Woods gave a quick fire assessment of the Scottish story – in sum as compared to the rest of the UK and internationally Scotland is – ‘worse than the best but much like the rest’. His presentation, like that by Halkett, is on our web site and his comparisons were based upon the traditional definition of innovation equating to business R&D. Nevertheless he clarified the Scottish story and raised a number of interesting issues which were picked up, along with those raised by Richard Halkett in the Q&A session. A number of us will have written down Charlie’s quote that collaboration (presumably in the context of corporate links to SE and the Executive/Government) involves ‘suppressing mutual loathing in pursuit of Government funding’! We will also remember his reference to the Dilbert cartoons. He explained that the cartoonist was going through a lean period before he inserted his e mail address into the strip and duly received a host of great ideas which he has been feeding off ever since. Now that is innovative, using other peoples ideas successfully because readers can empathise given that most of the ideas come from them and their ilk regarding their office experiences.

The Q&A session was truly remarkable in that Donald MacRae managed somehow to cram a vast number of really excellent questions and really great answers into a limited time slot. After these talks and that Q&A we were all ready for a glass of wine or two.

Looking back on the whole evening, it is evident to this observer that we need to think afresh about what innovation is, how we measure it and how we nurture it. The measurement bit is important but a touch tedious, so leave it aside for now and think about how we can take account of this novel thinking about innovation within Scotland. For a start we should not focus on attracting or generating high tech activities for their own sake or in the mistaken belief that they are inevitably at the leading edge of innovation. Rather we should encourage innovation wherever it may be – including services, construction and, critically, the public sector. That does not imply an innovation subsidy fund but thinking through how to make sure that innovation – everywhere – is certainly not discouraged and where feasible the environment is conducive.

Of course there is much more to the NESTA vision than can be set out in one commentary and reflection is required. But simply knowing what we mean by innovation has to help. We can still conclude that innovation matters, even if the concept has changed. Also real thought could be given to Halkett’s idea, raised at the dinner, that an Agency external to government is the best place for the development of thinking here in Scotland. How about having a Minister charged with encouraging innovation and creativity – the topic of the previous DHI seminar; and a small but high calibre group in an external agency charged with thinking through how that encouragement can best be achieved?

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