

# At last, real creative spark

The White Paper gives innovation policy at DIUS intellectual coherence and a platform for success, says James Wilsdon

Alastair Darling's first Budget lacked fireworks, but it still gained acres of analysis in the press. By contrast, the publication 24 hours later of the White Paper *Innovation Nation* elicited barely a whisper of coverage. This is a shame, as it brings an intellectual coherence to innovation policy and gives the clearest signal yet of the direction of travel of the Department for Innovation, Universities and Skills.

Government strategies rarely make great reading. But *Innovation Nation* deserves a proper look, particularly from those grappling with the role of higher education in UK innovation.

Above all, it represents the first serious attempt to articulate what the "I" in DIUS stands for. Traditionally, innovation has been treated as a subset of science and technology policy, based on a linear understanding of the flow of ideas from the laboratory to the market. The White Paper marks a decisive break with this model, in favour of a much broader definition of what innovation is, where it comes from and what the

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Government can do to support it.

This is not to play down the importance of science: fundamental research remains a vital source of innovation. But the path to market is long and uncertain: it can be decades before ideas get converted into economic or social value. As a result, policy must also focus on innovation outside high-technology sectors: in finance, retailing, consultancy, creative industries, the arts and the public sector. Indicators such as research expenditure and patent filings fail to capture what happens in these parts of the economy, with the result that UK performance may be under-represented in global league tables of innovation.

Cynics might argue that this is an effort to divert attention from the fact that the UK lags behind its competitors. The White Paper admits in passing that "the UK is sixth in the Group of Seven in terms of total research and development expenditure as a share of gross domestic product and trends have been flat over the past decade". Medium to high-tech manufacturing

accounts for only 3.6 per cent of the UK economy, compared with 9.6 per cent in Germany and 6.5 per cent in Sweden.

Larry Elliott, economics editor of *The Guardian*, identifies a "tendency towards self-delusion" in efforts to rebrand "just about everything as innovation". Such criticisms should be borne in mind. But the case that DIUS makes for recognising new forms of "hidden" innovation is persuasive, not least because it aligns policy with the latest academic and management thinking. It also draws on the pioneering work of the National Endowment for Science, Technology and the Arts, which has undertaken a systematic analysis of hidden innovation in the UK. Nesta's influence can be seen throughout the White Paper, with many of its proposals – around user-led innovation, government procurement and innovation in public services – being positively endorsed. Nesta is also tasked with compiling an Innovation Index from 2009 onwards, which will "provide a comprehensive assessment of the UK's true capacity for innovation".

Knowledge transfer between universities and business is another central theme. The White Paper fleshes out proposals for an "innovation voucher" scheme, which would initially support 500 businesses across England's regions to work with a higher or further education institution. This will rise to 1,000 businesses a year by 2011. The value of these vouchers is relatively low – about £3,000 is the suggested figure – but they are targeted at encouraging small companies to engage for the first time with local or regional universities.

The sense one gets in reading *Innovation Nation* is of a government department starting to define its core mission. There is a welcome clarity to its aspirations, but delivering them will require DIUS to evolve from an organisation built primarily to support research and higher education, to one that fosters innovation through creative alliances with other parts of government, universities, business and wider society. As John Denham, the Innovation, Universities and Skills Secretary, notes in his foreword to the White Paper: "Government can foster innovation, but only people can create an Innovation Nation."

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