

# Key issues in demand led innovation – UK experience

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# Structure of talk

## A practical view of UK experience

- The kinds of policies and strategies have we used
- The issues which have come up in implementing new or changed programmes
- The lessons and where we need more evidence

## UK policy Statements

Science and technology has been a priority in the UK in the last 10 years

A sequence of reports set out –

- **Role of Government in creating frameworks for successful innovation**
- **Science and technology as key enabler – but alongside other policies eg**
  - finance and entrepreneurship,
  - standards, design, intellectual property
  - clusters and regional innovation
  - Sectors and (not) “picking winners”
  - STEM skills
  - government procurement
- **Role of Universities and research funding**
  - research priorities
  - exploitation and technology transfer
  - incentive structures for institutions and individuals

# Demand side focus - *Innovation Nation*

New demand side policy set out in *Innovation Nation*  
White Paper published in March 2008

- *Demanding innovation*
- *Supporting business*
- *A strong research base*
- *International Innovation*
- *Innovative people*
- *Innovation in public services*
- *Innovative places*

Demand side issues in each area

# Examples of new policies

- **Innovative Procurement**
  - Departmental procurement plans
  - Spreading good practice and learning from business experts
  - Refocusing SBRI to support research on new products and services
- **Regulation**
  - Work on “better regulation” to understand how regulation can stimulate innovation
  - Learning from independent regulators – telecoms, water
- **Role of Technology Strategy Board**
  - Innovation Platforms and more “Challenge led” programmes
- **University funding and incentives**
  - Vouchers for SMEs
  - Continued focus on technology transfer and exploitation
- **Skills**
  - More business led funding
  - Support for innovative Colleges
- **Public sector innovation**
  - Focus on customers as a source of innovation
- **Regional innovation**
  - Innovation Vouchers
  - Alignment of funding with national demand led programmes

## Implementation issues (1) coordination with other policy issues

Some successes where there are clear drivers for change –

- Industry - Lord Mandelson's active industrial policy (*New Industry New Jobs*)
- Health – Reform of NHS to improve health outcomes
- Transport – low carbon cars
- Public Housing – low carbon buildings

Other areas still work in progress

- Food, waste, water, education, .....
- Engaging with procurement budgets to find new solutions
- Limited progress on regulation agenda

Key role of technology/innovation agency in delivery – to create joined up programmes and drive changed behaviour. Easier when business/provider community is well defined

Can use traditional mechanisms (R&D grants) – but need to be flexible to join up with demand side (eg targeted on future procurement)

## Implementation issues (2) managing change in the public sector

### Complexity of the public sector

- Can be difficult to identify who has demand side levers
- Number of bodies can be large (eg UK National Health Service has hundreds of independent trusts) and communication of new policies can be a challenge

### Skills and incentives

- Changing the procurement manual doesn't necessarily change what happens in practice – need to address the skills of the people
- Organisational incentives can prevent change –for example risk aversion can prevent spread of new approaches

### Other

- Easier when you hit the right point in the budget cycle

## Evaluation challenges

- Too early in life of new programmes to have outcome evidence –we need to ensure we collect right data building on previous programmes
- Already collecting real time evidence (usually customer satisfaction) which is positive but only indicative
- Need to create evaluation approach for government procurement to assess both value for money and innovation impact
- Interaction of “better regulation” and innovation agendas still needs more work

## Lessons and conclusions

Use of procurement and regulation versus traditional support

- Not either/or but both together to create alignment of “demand pull” with “technology push”
- Can use traditional instruments – eg R&D grants - within demand led framework to speed up commercialisation – but need to adapt processes

Need for strategic perspective to create alliances with other policy drivers.

- Importance of support from Finance Ministry. And Lord Mandelson!

Need to recognise some practical difficulties–

- Complexity of the public sector can create problems
- Inertia and conservatism in many areas will slow change

Continue to work on evaluation.

# Annex

## Active Industrial policy in the UK

Lord Mandelson's report "*New Industry New Jobs*" April 2009 emphasised the role of Government in creating new markets and new jobs

Series of Strategy papers published this summer

- Digital Britain*
- Low Carbon Industrial Strategy*
- Life Sciences "Blueprint"*
- High Value Manufacturing report*

In each of these support for technology is linked to the demand side as a key element in future Government action

Action plans are built on a strategic perspective of future challenges for the sector created by working with business (often through a joint Government/ Business "Innovation and Growth Team" for the sector) – to build a "road map" to plan what both sides will do together.

**Technology Strategy Board**

Driving Innovation

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