Harnessing innovation for sustainable growth

Innovation is a proven driver of growth. New technologies, products and services create jobs, foster start-ups and rejuvenate industries. As the world confronts sharp economic decline, a coherent innovation strategy is key to sustainable growth. Governments can leverage open, global markets and accelerate solutions for climate change, energy independence and health care. But to reap those gains, policy makers need to understand how a borderless, networked world is changing the way we innovate.

The new policy perspective

- **Promote international flows of talent and scientific collaboration:**
  Link innovation efforts globally.

- **Build creative talent:**
  Develop the missing "soft skills" needed to operate in a global system of knowledge networks and co-invent across borders.

- **Support fast-growth firms and innovative entrepreneurs:**
  Economic resilience comes through diversification. Make sure young companies with new ideas and technologies have access to capital, especially during a downturn.

- **Target services, processes and low-tech industries:**
  Not all innovations require huge R&D spending. Non-tech innovations can seed new market leaders and deliver big gains in competitiveness.

- **Encourage consumer-driven innovation:**
  Unleash market demand for new products and solutions as a catalyst for business creation.

The Innovation Strategy

A major policy initiative underway at the OECD, the Innovation Strategy, offers a cross-government approach to drive sustainable growth and improved social welfare. It links recommendations across education, entrepreneurism, research, immigration, tax and trade needed to help countries capture the economic benefits of innovation in a new era. The final report, due in 2010, will offer rigorous data and evidence-based analysis for updating policies across the whole of government.
Harness innovation for growth

Adapt to a new innovation landscape

Policy makers face a huge challenge adjusting framework conditions and governance to open, collaborative markets for science and technology. Open innovation enables new business models but requires a steady flow of international talent circulating through science centers. Governments should help researchers engage in different parts of the world. Focus not on brain drain, but brain circulation. Universities can be a hotspot for luring global talent.

Bolster productivity

The Internet has unleashed waves of pervasive change in markets, altering the role of consumers, companies and governments in bringing new ideas to market. The OECD is devising a new set of indicators in tune with increasingly decentralized market structures. A policy toolkit will help governments spotlight where and how innovation drives productivity growth in this new paradigm.

Develop human capital

What skills are needed to operate in an open system of innovation where knowledge is drawn from global sources, and where cross-border collaboration is of growing importance? The OECD Innovation Strategy targets policies to update education and training, including the vital “soft skills” and learning flexibility needed to develop entrepreneurs who bring new products and creative ideas to market. Governments should coordinate policies on innovation, education and entrepreneurship. Investments in human capital can leverage the impact of R&D outlays on growth and competitiveness.

Engineer solutions to global challenges

Innovation has the power to touch the lives of every citizen. It can be wielded internationally to solve major social challenges such as climate change. By enhancing the potential of society to innovate, especially in renewable energy and environmental sciences, governments can catalyze growth while delivering major social benefits. Target eco-innovation and make global collaboration in science and technology a top priority.

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