

Prime Minister should be prime innovator

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Getting better at innovation is so vital to New Zealand's economic success that the Government should create an Innovation Council, and it should be chaired by the Prime Minister.

Economic performance in advanced economies like New Zealand is strongly influenced by success at innovation. Trade growth is much stronger for the high value products and services that rely on innovation. Productivity is higher and pay rates are also high. Innovation increases the value and reduces the costs of established business activities. New Zealand's innovation disadvantage is one important reason why the economy underperforms relative to Australia.

Innovation depends on inventiveness, and New Zealanders are very inventive. The quality of research institutions is adequate, with pockets of excellence. Current efforts to lift productivity and improve the governance of research organisations, and to focus their efforts more on areas where New Zealand has economic strength, will lift inventiveness further.

Unfortunately, inventiveness by itself is not sufficient for innovation success. New Zealand's innovation ecosystem does not yet have sufficient talent and capital, developing businesses are not getting market input soon enough, and cultural characteristics that impede international business success are not yet addressed. New Zealand's efforts to improve innovation ecosystem performance are weak relative to efforts in other countries.

The deficiencies of our innovation ecosystem are well understood. What is missing is action, and the prime reason for that is because we lack an institution to manage the innovation ecosystem as a whole. If a responsible institution had existed, the talent and capital gaps, for example, would have already been recognised and resolved.

The recent CRI Taskforce recommendation to "align the funding, ownership and policy functions for CRIs into a single entity" is a useful step, but it won't be enough. What is required is an entity that can ensure alignment across the whole innovation ecosystem.

New Zealand's approach, past and present, falls well short of what is being done in countries that are serious about innovation. For example, Australia has a Science, Engineering and Innovation Council, chaired by the Prime Minister, which is the Government's principal source of advice on issues in science, engineering and innovation, and relevant aspects of education and training. Finland has a Research and Innovation Council, chaired by the Prime Minister, which is responsible for the strategic development and coordination of science and technology policy, and of the national innovation system as a whole.

An Innovation Council chaired by the Prime Minister would ensure that any policy, business and education impediments would be addressed alongside the inventiveness improvements already commenced. Having Ministers for Science, Education, Economic Development and Finance on the council, along with their Chief Executives and some business leaders, would create the conversations that are needed to agree opportunities and priorities, and to reallocate resources.

If Government is serious about increasing economic prosperity then it must take bold steps to lift the productivity of New Zealand's businesses. Innovation is the most important driver of productivity improvement and we know New Zealand is underperforming. Other small developed countries such as Finland, Denmark, Australia, Korea and Singapore have established institutions to manage their innovation ecosystem development and are making rapid progress. New Zealand should do the same, or risk falling further behind.