



Knowledge, Networks and Innovation

by

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Innovation: the more the merrier?

- Should Government's aim be to make the economy as innovative as possible?
- including by forcing universities to be more responsive to industry's needs?

Innovation: the more the merrier?

- Eg: create a new market ('sub prime') to sell mortgages to those who can't repay them
- And innovate a new vehicle to sell the bad debt in a way that won't be noticed, globally
- And deregulate the previous 'reserve ratio' requirement of financial institutions?

Innovation: the more the merrier?

- Innovation in the health sector is deliberately constrained by drug approval mechanisms
 - Despite Milton Friedman's opposition, on the grounds that the market would punish companies that produced unsafe drugs
- Perhaps financial sector innovations should require similar approval?

Forcing universities to be relevant?

- But industry won't necessarily know what is even possible, let alone what therefore should be researched
- It is vital to maintain independent university research alongside the 'close to market' research done by consultancies and others
- And to avoid short-termism of markets from distorting the need for long-term research

Need for a new innovation policy framework

- The *adoption* and *diffusion* of technologies have the biggest economic impacts
 - *Not just the generation of technology*
- Important to stimulate innovation in *traditional* sectors and in *large* established firms
 - *Not just high-tech clusters and new firm start-ups*
- Widen knowledge *exchange* between universities and business
 - *Not just 'knowledge transfer' through spin-outs and patents*
- Encourage *long-term* thinking and investments by firms
 - *Including in people, collaboration, and culture*

The move to open innovation

- The use of external sources of knowledge
 - Most research in a company's area will be done outside that company's own research labs or department
 - Innovators co-operate and collaborate as well as compete
- Open innovation requires internal competences (absorptive capacity)
 - to understand what others are doing
- ... and internal research and innovation
 - to have something to bring to the party

A model of university-business knowledge exchange: multiple knowledge exchange mechanisms

- Multiple mechanisms, including education
- Importance of diversity of universities and places
- Importance of social sciences and humanities
 - Not just ‘STEM’ subjects
- Importance of exchange, interactions and the co-production of knowledge