

Jonathan KESTENBAUM

Summary of keynote speech to the French embassy: Jonathan Kestenbaum, Chief Executive NESTA

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2009 has been a challenging year for the UK; the recession is the most serious in 70 years. NESTA is leading work around how best to stimulate an economy over dependent on financial services and increasing property prices, so that the UK is able to emerge from the recession in a position of strength. At the heart of our work has been a relentless focus on growth, and how to turn the UK economy into an innovation economy.

NESTA research underlines the indisputable fact that innovation drives growth. Innovative firms, those that introduce new products and services, grow significantly faster, enjoy higher turnover and create above average employment. Supporting high growth firms to generate wealth and jobs is vital if the UK is to become a more resilient and robust economy.

Business innovation is more than simply R&D spend which represents only 11% of UK investment in innovation. It is the processes and people who develop innovative products and services that drive innovation. However investment in skills, product design, organisational innovation and customer insights remain hidden from most existing metrics and consequently government and corporate policy.

Growth is dependent on innovation in a range of sectors. The biggest gains will be found in those sectors that draw on the UK's existing strengths and help meet long-term challenges: the low carbon economy and environmental services, biotechnology services for an ageing population and the creative industries.

Recession is an excellent time to invest in innovation; not least because opportunity costs are low. Companies that are bold and continue to innovate in tough times are maintaining an advantage, such as Rolls-Royce.

The UK has a small window of opportunity to restructure our financial architecture towards the needs of innovative companies and build a financial escalator composed of venture capital, angel investment, bank lending and orders from lead users. The challenge is creating the best conditions to connect up our world class research base with entrepreneurial finance and high growth firms.

That's where the great potential for the UK lies. With high-tech competition from across the world, our future as a global economic player depends on creating the best conditions for innovation. Anything less would be a missed opportunity to build the road for recovery out of recession.