

NATIONAL ECONOMIC FORUM – NINETEENTH MEETING: 13 DECEMBER 2017

DISCUSSION REPORT: INNOVATION, CREATIVITY, AND DIGITAL DRIVERS FOR INDUSTRIES OF THE FUTURE

Hosts:

- **Roseanna Cunningham MSP, Cabinet Secretary for the Environment, Climate Change and Land Reform**
- **Humza Yousaf MSP, Minister for Transport and Islands**

Facilitators:

- **Polly Purvis OBE, CEO, Scotland-IS**
- **Nick Shields, Head of Scottish Manufacturing Advisory Service, Scottish Enterprise**
- **Stephen Taylor, CEO, Technology Scotland**

Summary

The discussion focused on technological innovation and how Scotland can become a leader in both the manufacturing of new technologies but also in their implementation in traditional sectors to improve productivity.

The discussion looked to challenge traditional infrastructure projects to think of new and innovative ways in which they could be used as an opportunity to allow new technologies to flourish. Ministers and delegates alike admitted to focusing too much on timescales and budget, however they were unanimous that large scale projects should be seen as a seedbed for innovation in the future.

Much of the discussion can be characterised as encouraging a *change of mind-set* amongst Scottish business leaders so that they adopt new and innovative approaches when project planning to ensure new technologies and methods are included during the execution phase.

Introduction and Background

The Cabinet Secretary for the Environment, Climate Change and Land Reform introduced the discussion by stressing that innovation is critical to improving Scotland's long term economic growth.

The Cabinet Secretary stated her ambition to create a culture in Scotland that allowed business to flourish and innovate and stressed that while innovation performance has improved in recent years, there is still a way to go to equal the top OECD countries in terms of innovation.

She encouraged businesses not to be complacent and to actively take risk and strive to build strong resilient enterprises for the future.

Topics discussed

How can we most effectively address the cyber threat, which represents a significant and increasing challenge to all nations' digital ambitions?

Delegates agreed that Scotland is well proportioned and positioned to not only effectively tackle the cyber threat, but become a world leader in cyber security innovation. However, there was concern over timescales. The digital innovation market can move extremely fast, and often by the time an application for support has been made and gone through the vetting process, the opportunity has gone.

There was appetite for a form of quick-response from the Government so that businesses can tackle and capitalise cyber security so that Scotland can be seen as somewhere that can develop this form of security and as a destination for investment in it.

In what sectors/technologies do the main opportunities and challenges for Scotland lie?

Delegates and Ministers agreed that one area in which opportunities for innovation lie is in large-scale infrastructure projects expanding their remit across government portfolios and bring in SMEs into the project pipeline.

Ministers agreed that, in the example of the A9, the project should be viewed as more than just a transport project; it should be used as an opportunity to change how society operates, feeding into schools and education, and fostering new technologies. There is a lot of work to be done but the Government is keen to work on this and not let the opportunity to be innovative pass – i.e. put in current infrastructure when it could be outdated in x years.

Are there major constraints to realising economic opportunities and, if so, what are the roles of Government, business and other stakeholders in overcoming them?

Risk

Delegates agreed that the innovation process is not linear and does not follow traditional political cycles – often broader and shorter than a government realises. Emerging sectors are ripe for public sector support or co-ownership, but they are high risk.

Delegates believe that if we, as a country, are to be serious about innovation, we have to take more risk in our public investments than we do currently and accept that sometimes risk means failure.

They stressed that it is not wrong to spend money on something that fails; it's wrong to continue to spend money on something that fails. The delegates stressed, overwhelmingly, that there needs to be a national and societal change in mind-set on how we think about risk.

2nd Enlightenment

There was agreement during the discussion that a purely sectoral approach to business and projects across Scotland must come to an end. Delegates and Ministers alike agreed that we must rethink how our projects can affect numerous other sectors.

An example given was the development of the A9 and, in particular, Academy-9 – working with schools along the A9 to promote innovation amongst children in the classroom. These interesting engineering challenges provide a vehicle to focus on innovation across the wider government portfolio, however it will require a certain amount of encouragement to ensure government and business alike take up this opportunity.

Long-term planning

There was a call from both the panel and delegates for the government to not look at digital innovation in a traditional sense when it comes to investment opportunities. Mainly, they advised to exercise caution in investing in only the “top 5 key sectors” and gave the example of Skyscanner – an innovative technology business that, when growing and looking for investment, travel wasn’t in the top 5 key sectors, and neither was technology – they managed to capitalise on both sectors.

The internet of things

‘The internet of things’ is being heralded as the advent of new technologies in data science. It presents a huge opportunity for the Scottish business economy, however delegates were keen to heed warning. They described it as a ‘disruptive opportunity’ – they are concerned that once digital innovation becomes tangible and physical, there may be an abandonment of creative innovation and call on the government to continue to support technology and innovation creativity.

Closing Comments

The Minister for Transport and the Islands, Humza Yousaf MSP, delivered the closing remarks by focusing on the theme of ‘*mind-set*’ that developed during the discussion.

The Minister posed the question; how do we change mind-set? In terms of risk; how we view failure must change. For example, hedge-funds in San Francisco don’t fund businesses until their owners have failed at least twice. There should be scope for this in future government procurement.

The development of new infrastructure should not just be seen as an engineering challenge; we should continuously ask the question of how this can better the country as a whole.