The government role in refining innovation

Governments can support a number of steps, including research and development. PHOTO | FILE

By SCOTT BELLOWS

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Innovation drives businesses. Companies need to create the latest software, manufactured goods, or services to remain competitive.

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We look back at great innovation periods in history with profound thankfulness and awe. Early mechanisation from the 1770s to the steam power and railway revolution starting in the 1830s to automobiles in the early 20th century to the Internet explosion of the 1990s and smart phone proliferation of the 2000s.

Looking at the historical record, we notice geographic clusters that foster sweeping innovation in an industry.

The industrial revolution originated in Great Britain. The automobile genesis centred around Detroit, Michigan, in the United States while the car’s later transformation occurred in Tokyo, Japan.

The Internet and technology boom came from San Jose and San Francisco, California. Geographic clustering plays a key role in innovative industries. It increases the talent pool of specialised labour, improves unique education, and targets investors, among other aspects.

In today’s current global economy, we see Bangalore, India, as a programming innovation hub. Cleveland, Ohio, stands as a high-end medical research mecca with Bangkok, Thailand, as a low-cost high-quality medical care destination.

Manilla, Philippines, exists as a major global call centre location.

Inasmuch, it begs the question, what industries make Nairobi and more broadly Kenya stand out? We can rise above other cities regionally or even globally. The region knows Nairobi as a quality medical care hub, conference site, and consulting capital.

Globally, we traditionally thrive as a safari tourist destination and for accounting professionals. More recently, Nairobi exploded onto the world stage as a major player in ICT. Our ‘Silicon Savannah’ gains plaudits from around the world.

Incubators, accelerators, investors, entrepreneurs, and ICT geniuses coalesce together to make Nairobi a powerhouse.

From the iconic iHub, mLab, and NaiLab to the innovation-based university incubators iLab at Strathmore, NEVA at USIU, and Chandaria at Kenyatta University, to the FabLab at the University of Nairobi all with
investors Savannah Fund, Open Capital, and dozens of smaller players, Nairobi stands out on the continent and beyond.

When a country establishes a niche industry that it can thrive in, what does research suggest the respective government can do to foster innovation and build the sector? Three broad government options stand available: stifle the industry, do nothing, or proportioned support.

Thus far, the Government of Kenya has provided excellent funding support to the sector, encouragement of incubators, and fostered ICT infrastructure.

However, this year, ironically, bizarre possible responses to Kenyan ingenuity include the ICT Practitioners Bill that would effectively kill off our new ICT innovation global hub and put at risk losing thousands of Kenyan jobs for generations to come.

Hopefully, the Government of Kenya does not make such a move to stifle the industry.

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We already see Kampala and Johannesburg standing in the wings waiting for our possible new regulations to send Kenya back proverbially to the 1950s and allow other continental cities to take our place.

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When our secondary school students prepare to take KCSE, we do not require them to stand on their heads and wear blindfolds.

So why then should Kenya limit, control, harass, and crush ICT professionals and students trying to build our new Kenyan ICT economy? Even a laissez faire approach with no government support or intervention would be better than some of the new proposed regulations.

So what does research show that governments should do in proportioned support? Research shows that national and local governments can provide partial guarantees for financing in targeted innovative industries. However, general financing is not appropriate.

General subsidised financing creates lazy companies who depend on government handouts and do not innovate.

Research out of Harvard University shows that when governments support financing the research and development aspects only of firms in the industry, then that spurs innovation and leads to greater competitiveness for the whole region.

**Fair competition**
Additionally, governments can build better infrastructures. What infrastructure does the ICT sector need?
Higher and higher speed Internet connections, such as South Korea’s approach, wider 4G and beyond mobile network access, faster and less bureaucratic import processes for ICT inputs, among others. Infrastructure investment lifts the whole sector.

Further, governments can target the education sector that feeds into the ICT industry. Supporting ICT programmes with unrestricted funds in both public and private universities provides a good start.

However, also ICT sensitisation programmes in primary and secondary schools build the sector for generations to come.

Also, governments should regulate fair competition and not allow monopolies to dominate any level of the supply chain. Fair competition makes innovation more likely.

**Political stability**

Finally, governments can foster a general environment of political stability and macroeconomic predictability so as not to scare off investors.

Interest rates, foreign exchange, GDP growth, and tax collection should change in expected fashion, not too quickly, and destabilise the environment.

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Innovative industries need local, regional, and global investors. Investors need to know when and how to expect their returns to come in.

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So, instead of bemoaning different oddities that pop up in our national debate, let us also provide workable solutions that our policy makers can see different options and make the best decisions.

Discuss and debate innovation in the ICT sector with other Business Daily readers through #KenyaTeams on Twitter.

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