

QA: John Kao**Keeping America's Edge in Innovation**By *Matthew Bandyk*

Posted October 18, 2007

The United States has long been synonymous with creativity and entrepreneurship. Just ask anyone listening to an Apple iPod or using Google's search engine. But **John Kao** worries that America's time in the sun as the world's chief innovator might be up. Kao, who previously taught at Harvard Business School and now advises organizations on how to innovate, says that the globalization of capital and knowledge is allowing the rest of the world to imitate and in some cases even surpass American ingenuity. Kao argues that countries from Brazil to China to Finland are making smarter investments in innovative talent. In his new book, *Innovation Nation*, Kao explains what he thinks Americans in both the public and private sectors need to do to preserve America's reputation as the land of innovation.



"I think we need an 'innovation president.'... The next 13 months of national dialogue are critical."
(Robert Gumpert)

Why should Americans worry about other countries eclipsing us in terms of innovation?

Long-term growth depends on a country's ability to invest in the future—and in a way that shows little signs of near-term payback. Typically, the latest overnight sensation takes decades to mature. Also, if other countries get better at security technology, we could find ourselves at a security disadvantage that would lead to a more unstable global situation.

What are the most worrisome signs that America is falling behind?

The rest of the world is getting smarter about innovation. We've gone from an arms race in the Cold War to a brain race in the 21st century.

In terms of research as a percentage of [gross domestic product], we're eighth in the world. We're strapped for cash right now. Add up fighting a war and the deficit, and it diminishes the amount of money we have for investment. As a result, venture capitalists are sending money

abroad [to finance start-ups].

The problem in America is not that we don't have lots of good ideas. The problem is aligning our innovative capabilities to pay off on big ideas and big challenges of the day so that we can have innovation operate at a national level.

Thousands of students from all over the world still come to study in U.S. universities. Where's the evidence of a brain drain?

We still have a commanding position. We have 38 of the top 50 universities worldwide. But we're not the center of the universe for higher education anymore. The quality of education in other countries is improving. That makes it less likely that people will come here. Our public education and higher education systems are showing signs of underachievement. In San Francisco, a third of students failed to graduate from high school last year. On a relative basis, the number of Ph.D.'s we are graduating is being outpaced by countries like Finland. It's becoming more difficult to hold on to talent in terms of foreigners coming to America and talented Americans staying here.

People talked about Japan eclipsing the United States as an innovative nation in the 1980s, and their warnings turned out to be wrong. Why should we believe similar warnings about other countries today?

Countries are more sophisticated about innovation today than in the '80s. They know they can't exclusively rely on top-down government like Japan.

The ethos of a country—its values, its sense of what is important—is in many respects the secret sauce to innovation. America, for example, has a culture of openness that celebrates diversity. The dissemination of that American idea has made it a global idea, and that explains other countries' successes.

You write that we need "a national blueprint" for innovation development.

Innovation doesn't happen by itself. A lot of organizations don't have sophisticated ideas about innovation.

In a company, you need to have a leader who articulates change. Then you need a "coalition of the willing" who can drive that intention into the organization. There's a lot of discussion about an "energy president" or an "education president." I think we need an "innovation president."

The country is at a crossroads. The next 13 months of national dialogue are critical because some problems are not easily reversible. It's going to take a generation to solve our education problem, for example.

What's the evidence that spending more money is the answer to our problems?

Well, we have to spend money wisely. But the more able you are to invest in the future, the more results you will get. Clean technology, for example, needs a lot of funds. We need to enable lots of people to think about a lot of issues, before you can make progress in radical directions. Scientific enterprise seems wasteful if you look at it from the level of practicality.

I'm not saying all answers are wrapped within the federal government. Government has an important role to play in terms of funding, creating standards, and making investments like research and development. Government sets the game board, but other players pile on. I would be one of the last people to advocate a top-down, bureaucratic solution.

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