

Book Review

Fred Gault

Measuring Innovation Everywhere:

The Challenge of Better Policy, Learning, Evaluation and Monitoring

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Reviewed by Eleanor D. Glor

Fred Gault has published a number of pieces based on the 4th edition of the *Oslo Manual* (OECD/Eurostat, 2018), a well-established manual guiding collection of survey data on business innovation for national statistical agencies (e.g. Gault, 2018). In effect he is promoting it. He worked at one time for Statistics Canada but now works internationally, currently mostly on innovation. Gault is well cited (Google Scholar indicates 1570 times), indicating an interest in measuring economic innovation. This short (128 pp.) book addresses the issue but, along with the 4th edition, expands it. All of his publications on this subject are very general and promote the idea of developing an OECD manual guiding measurement of all types of innovation.

Until the 4th edition, the *Oslo Manual* had been about measuring innovation in business. The business definition has been retained: “A business innovation is a new or improved product or business process (or combination thereof) that differs significantly from the firm’s previous products or business processes and that has been introduced on the market or brought into use by the firm” (OECD/Eurostat, 2018: chapter 3, para 3.9). Most firms are small, so data is being collected for the most part at the front-line of enterprise.

For the first time, the 4th edition claims to include not only business innovation, its traditional venue, but all economic sectors (e.g. public sector, household and user innovation and innovations for which there is little or no charge). That these are economic sectors is only mentioned a few times. The 4th edition is in keeping with the *System of National Accounts, 2008* (SNA) (EC et al, 2009: para. 1.4). While public sector (government and state enterprises) innovation appears in SNA, household, user and no charge products or services usually do not. This begs a question that is not answered except in very general terms: Why is innovation being measured? Gault claims this will help policy makers but does not explore his assertion.

The business definition of innovation has only been generalized very slightly in order to make this claim. The new general definition is “An innovation is a new or improved product or process (or combination thereof) that differs significantly from the unit’s previous products or processes and that has been made available to potential users (product) or brought into use by the

unit (process) (OECD/Eurostat, 2018: Chapter 1, para. 1.25; chapter 2, para 2.99). Some previous efforts have been made to develop innovation measurement systems for the public sector (e.g. Measuring Public Innovation in the Nordic Countries, MEPIN) (Bloch, 2011) but this OECD effort in effect tries to colonize all economic sectors to the business model.

An important gap in this effort is attention to innovation as improvement and to its ethics, as other authors have suggested (e.g. Glor, 1997: 4 on improvement; Mashelkar, 2012, 2014 on inclusive innovation). While the *Oslo* Manual does not discuss these issues, Gault does, briefly. This is therefore the most interesting part of the book.

An important gap in this effort is attention to innovation as improvement and to its ethics, as other authors have suggested (e.g. Glor, 1997: 4; Mashelkar, 2012, 2014 on inclusive innovation). While the *Oslo* Manual does not discuss these issues, Gault does, briefly. This is therefore the most interesting part of the book. He uses the terms “restricted innovation” and “constraints” to address efforts that would need to be undertaken to set ethical limits on innovation and gives examples: inclusiveness, sustainable development, pro-poor, green or other that are important to policy makers (pp. 48-49). These are presented negatively as restricted and constraints (thus taking the business perspective) but are very important. Without them, criminal governments, companies and non-profit organizations (e.g. Nazi governments) could be accepted as innovators. Gault suggests that innovation must be measured twice, at implementation and at a future time, to determine if it has successfully met its objectives. He suggests a representative survey of participants in the economy could estimate the propensity to innovate (p. 48). I consider this the propensity to adopt innovations, as it would only identify whether (yes/no) an innovation had been adopted by an “institutional unit”. Rogers (1995) made clear that some adoptions are much more innovative than others by defining five stages of adoption: innovation (invention), early adoption, early majority, late majority and laggard adoption in a system. I prefer to consider these stages in a population consisting of governments or a community consisting of people, e.g. a broad community of practice. This, I believe, would identify innovativeness more effectively. It would require an additional question in surveys: “when (date) did you implement your innovation?”

Several times, Gault raises the idea of preparing a manual for measuring non-business innovation. MEPIN tried to lead such an effort for some time. It is not an easy effort—nor was it for business.

While Gault writes in a very cursory manner in this book about all of these subjects, he with others have written separate publications on all of them. This book is a summary. Although little is new in the book, some relatively new, useful aspects of a broader consideration of innovation are mentioned, such as innovation’s need for multiple actors and linkages among them, the complexity of innovation, the need to address ethics and other types of goals besides economic ones. As a result, I found the end of the book, where he addresses these issues, albeit very briefly, the most interesting part.

He examines, e.g. the United Nations' 17 Sustainable Development Goals (SDG) (United Nations, 2015), many of which business has been reluctant to support, and their measures. They include the goal topics people, the planet, prosperity, peace and partnership. These are recognized as necessary to sustainable development. Because economists have been reluctant to address topics such as these, this is progress. Gault mentions other issues such as climate change (the UN Framework Convention on Climate Change), green growth and eco-innovation, inclusive growth, health issues, innovation policy and identifies some international measures that have been set. He makes the very good point that innovation is hardly ever mentioned in either the SDG or these other topics, where goals, objectives and measurable means of accomplishment have been developed. It is hard to believe these major challenges can be fully addressed without innovation of many kinds.

As I have said, I am disturbed by the Oslo Manual's attempt to fold all other kinds of innovation under what is essentially an economic definition. Gault does not discuss why he thinks this is appropriate. It is important to place what they are doing in perspective. First, they seem to be developing a system that would allow the data to be included in public accounts. This could be a good contribution, were it broad enough. Second, the interest in policy is in innovation policy; only a little is said about creating measures of use to policy making in other areas. Third, and possibly most important, the interest is described as "innovation" but a narrow definition is used. Innovation can be defined and classified a number of ways (e.g. based on theories (e.g. functional), types of innovation delivered (e.g. services; *Oslo Manual* approach), stages of the innovation implementation process (e.g. approval, implementation evaluation), context (e.g. large/small organization, good/poor economy) and stages of innovation adoption (invention, early adoption, early majority, late majority, laggard adoption [Rogers, 1995]). I have not seen anyone consider what the best way to and address, classify and measure innovation is in the public, non-profit and household sectors nor an argument that the best system is based on the institutional unit and what it delivers. This may be an appropriate approach for business, since they are in the business of making things and running processes, but is it for the public, non-profit and household sectors? Is measurement possible or even appropriate in the other sectors? The case needs to be made.

Economists and statisticians could certainly play a role in determining the answers to these questions, but I doubt they are the only people who should be consulted. It took 10 years to develop a measurement manual for the business sector (*Oslo Manual*). Efforts in the other sectors have been limited so far. If it is possible and appropriate (issues that should be considered), it does not strike me that doing so under the umbrella of business measurement and public accounts systems makes sense. Perhaps the OECD, *Oslo Manual* and Gault are just testing the waters in order to stimulate more interest at the level of the other sectors. I would prefer to see a classification and measurement system that is built on and more useful to the domains involved. Perhaps a public administration organization should lead that effort.

About the Author:

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