



# An Innovation Action Plan for Obama

## The President must help the U.S. get back into the innovation game. Here's a seven-point plan he should follow

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By [Thomas D. KuczmarSKI](#)

President Barack Obama has jumped in with both feet to pull the economy and financial markets out of their sickening drop. At his urging, Congress has enacted a record [economic stimulus plan](#). Obama has put together plans to rescue the nation's big banks as well as up to 9 million households overextended by their mortgages. But this is not enough. Obama needs to reignite the private sector.

The best way to accelerate growth, increase demand, and multiply jobs is to get management to make significant investments that will incur higher levels of risk but will also yield significantly higher returns. It's called investing in research and development, pursuing new business models, and launching new-to-the-world products or services—in short, [innovation](#).

The private sector ultimately will determine when and how it will reengage, but Obama could institutionalize a set of [concrete measures](#) that would hurry business decision-makers along by providing incentives for risk-taking. Obama needs to hustle, too, before this task becomes even harder.

Admittedly, government investments in innovation would add to the already huge federal deficit. But we should get back even more. Successful innovators should outperform their competitors and generate a 30% to 40% return on their innovation investments over the next three to five years. To vouch for this, we will need to create a new metric—return-on-innovation—in order to track investment returns from these government programs as well as from private innovation efforts.

Here is my seven-point innovation plan:

### **Graduated Tax credits for R&D Investments**

The more a company spends as a percentage of its sales on R&D, technology advancements, and other market-building activities, the greater the tax savings realized. By having this set up on a graduated scale, corporate taxpayers would have a strong incentive to invest more money in seed-planting today, a strategic practice that is often put off when companies are managing for

the short term. Any U.S.-based company would be eligible for the break regardless of where its research is actually conducted. We'd still be better off for the added potential.

### **Innovation Booster Grants**

To build enthusiasm for longer-term projects and the investment they require, companies large and small would be invited to compete for innovation booster grants of \$500,000 to \$5 million. Applicants would detail the business case for each new product/service or business plan. A review board would respond to each proposal within 30 days. Winners would have investment funds now as opposed to somewhere down the road, when credit markets again embrace risk. Quick decisions are essential, as is absolute transparency in grant disbursements. Even firms that don't get funded would come out ahead because they would have their best ideas ready to go when times get better.

### **Innovation Awards**

There is nothing like competition to highlight the importance of innovation in economic growth. Each year 51 companies (one from each state, plus the District of Columbia) would be selected as national innovation award winners. Companies would submit their innovation candidate, which could be a new product, new service, new business model, or new process. Each would be graded by the consumer or customer impact of the innovation as well as its novelty and financial return. An annual celebration with Obama handing out the awards would cap the process.

### **National Business Incubators**

Local governments have set up [business incubators](#) to help entrepreneurs develop ideas into businesses. The nation should sponsor incubators, too. These facilities would provide shared platforms for businesses, thus lowering many of the costs involved in expanding a startup: back-office support, IT capability, training and expertise, and financial management assistance. Notice that I am not talking about joint ventures, just shared costs. Nothing should be done to eliminate competition. (Has anybody seen a new engine come out of shared R&D by the auto industry?)

### **Innovation Training**

Whether online or on-site, these university-based executive education programs would teach the practical skills of innovation. Like leadership and management, innovation is a skill that can be taught and a process that can be learned. Innovation is a systematic and disciplined way of using a step-by-step process to explore customer needs, generate solutions, analyze winning concepts, develop the product or service, test it, and launch it. To encourage enrollment, the government would offer tuition tax credits, grants, or loans. Universities might step up to the plate and award innovation training scholarships themselves.

### **Intellectual Property Auction**

[Ocean Tomo](#), a Chicago financial firm, has established an auction system for [intellectual property](#) rights and patents. Businesses frequently have many more marketable ideas than the

capacity to launch them. Whether it's conducted by the government or outsourced to a private company, a national IP auction would provide businesses with a secondary income stream, enabling them to get up-front cash or licensing fees for proven concepts, inventions, and prototypes that are otherwise sitting around unused. Additionally, these ideas would end up in the hands of businesses eager to take them to market.

### **Innovation Index Fund**

We can help put private money to work stimulating business investment. How? By establishing a unit trust fund to attract public investment in innovation. The companies in the index would be ones who have been the most successful in the recent past, thanks to their innovation. Specifically, companies would be selected based on their financial performance, R&D investments, and creation of new technologies, categories, and markets. The key will be to select companies that innovate year-in, year-out as a core business strategy. Management fees would cover the costs of administering the fund. The benefits to investors will be higher returns and a collective investment in the future of our economic health.

Who runs all this? [In an earlier essay](#), I proposed that Obama create a Secretary of Innovation. Whether it is this new cabinet member or someone else in a position that reports directly to the President, we need someone to serve as the national champion of innovation who can put these ideas into action. Just as important, we need Obama to make innovation a front-and-center issue, as this seven-point plan certainly would.

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