

INTERVIEW

THE NETHERLANDS STILL FALLS SHORT ON INNOVATION

# DUTCH COMPETITIVENESS

HENK VOLBERDA (PROFESSOR OF  
STRATEGIC MANAGEMENT):  
'ICT IS AN IMPORTANT DRIVER  
IN A KNOWLEDGE ECONOMY.  
IT FACILITATES IMPROVEMENTS  
IN PRODUCTIVITY'

PHOTO: IVAR PEL

The Netherlands is aiming to be a knowledge economy, but according to Henk Volberda, Professor of Strategic Management and Business Policy at Erasmus University's Rotterdam School of Management, it still falls short on innovation. Volberda chairs the management team at INSCOPE, Research for Innovation, and is responsible for gathering Dutch data for the World Economic Forum's Global Competitiveness Index.

#### What do you mean by a 'knowledge economy'?

'A country that has a knowledge economy competes on the basis of knowledge and innovation. It depends on knowledge and expertise, added value, and efficient knowledge circulation between businesses, knowledge institutions, and government. Another hallmark of a knowledge economy is that it invests heavily in R&D, knowledge workers, and human capital. The Netherlands became great as a traditional industrial economy, but times have changed. Emerging economies can manufacture products more cheaply and efficiently than we can, and they've caught up with us in that respect in the past few decades. The only way we can now distinguish ourselves from low-wage countries is by offering added value. It's vital for the Netherlands to make the transition to a knowledge-driven economy. If we don't, then we'll feel the effects on our productivity and, ultimately, our prosperity.'

#### How is the Netherlands doing compared to other countries? How competitive are we?

'The World Economic Forum (WEF) measures the competitiveness of 142 countries each year. The Netherlands ranked seventh in the 2011 Global Competitiveness Index. That's a minor improvement on 2010. The WEF compares the participating countries on three important pillars. The first pillar concerns basic requirements, for example a trustworthy government, investment in infrastructure, and good quality education. The second concerns market efficiency, for example the financial and labour markets, and technological readiness. The third relates to innovation. The Netherlands gets very high marks in the first two pillars, but makes a poorer showing in the third. We rank twelfth in innovation, with Switzerland, Finland, and Sweden receiving much higher scores. So we're certainly not yet really a knowledge economy.'

#### What role does ICT play in competitiveness and innovation?

'ICT is an important driver in a knowledge economy. It facilitates improvements in productivity. The Netherlands is a paradox in that respect. We get high marks for technological readiness, but there's too little improvement in productivity. That's why the Netherlands dropped from tenth to eleventh place this year in the WEF's Global Information Technology Report. We don't really have trouble developing technologies - we have trouble using them. Emerging economies, by contrast, are getting better at exploiting the opportunities offered by ICT. That's why high-tech knowledge-intensive services are leaving the Netherlands. For example, Erasmus Medical Centre has contracted out the screening of medical images to doctors in India. R&D and engineering activities are also less and less tied to a particular location. That constitutes a risk.'

**'The Netherlands has a vast amount of knowledge, but doesn't know how to use it'**

#### How can we improve our competitiveness?

'Research shows that we can get the best return on our investment by putting money into research and education. But money isn't enough by itself. The paradox that I just mentioned in relation to ICT also applies to innovation. If we gauged things by the number of publications and patents, the Netherlands would be in the global top three - but we're simply not very good at using that knowledge to create new products and services. Our "knowledge-to-skill-to-till" chain is inadequate.'

'A quarter of all successful innovations are the result of investment in R&D and technology, while three quarters comes down to the way the work is set up, organised, and managed. I call the latter social innovation. So investing in R&D is much more profitable if we also make sure that we have an appropriate leadership style, efficient organisational structure, and good talent management systems. To rise to the top five on the Global Competitiveness Index - which is what our Government wants - we will first have to invest much more in the non-technological drivers of innovation.'

### What do you think of the Government's plans in this area?

'The Government has launched quite a few plans this year: the key economic sectors policy, the DigitalAgenda.NL, and the Strategic Agenda for Higher Education, Research, and Science Policy. Our Minister for Economic Affairs, Agriculture and Innovation, Maxime Verhagen, is making real choices and involving businesses in his plans. That's got its advantages, in that the plans are then more demand-driven. I also see that the key economic sectors are dynamic and keen to take action. As a researcher, I'm a member of the Headquarters team, and I've seen first-hand that the plans are generating more commitment and action than the Innovation Platform did. But I have a few nagging doubts. After all, innovation is happening in other sectors too. I also don't see any attention being paid to issues that cut across multiple sectors - for example ICT, which plays a vital role in the water, chemicals, and high-tech key economic sectors. Another question affecting all these sectors is how to ensure that knowledge is augmented and remains up to date - the human capital agenda. It would be a good idea to develop a social innovation agenda as a cross-section of the key economic sectors. We need to avoid a situation in which every key sector ends up reinventing its own wheel.'

### The government's plans foresee extra investment in large-scale research facilities, including the ICT research infrastructure. Will this help?

'An effective ICT research infrastructure is important to research productivity, but it requires coordination. As a broad platform, SURF is ideally suited to this role. But we mustn't simply build an effective infrastructure and leave it at that. Knowledge workers - and researchers in particular



## 'Our "knowledge-to-skill-to-till" chain is inadequate'

- benefit from having maximum support, but they often don't get it. They're squeezed into all sorts of straightjackets, because they also teach and sit on committees and boards. They don't have the freedom to showcase their knowledge and make use of it. That's not the way to win a Nobel Prize.' 📌

**Daphne Riksen**

### ▶ MORE INFORMATION

'Innoveren 3.0: Slimmer managen, organiseren en werken' by Henk Volberda and Menno Bosma (Mediawerf, 2011)

Global Competitiveness Index and Global Information Technology Report:  
[www.weforum.org](http://www.weforum.org)

IT Industry Competitiveness Index: <http://globalindex11.bsa.org>

DigitaleAgenda.NL: [bit.ly/rUoLxC](http://bit.ly/rUoLxC)

Strategic Agenda for Higher Education  
[bit.ly/vWHET1](http://bit.ly/vWHET1)