

educate next-generation innovators
deepen science and engineering skills
explore knowledge intersections
equip workers for change
support collaborative creativity
energize entrepreneurship
reward long-term strategy
build world-class infrastructure
invest in frontier research
attract global talent
create high-wage jobs

INNOVATE AMERICA

TABLE OF CONTENTS

4	Introduction
7	Resolved
8	Call to Action
10	Executive Summary
13	National Innovation Initiative Summit
14	Summit Agenda
16	Summit Introduction
20	Panel 1 – Thriving in a World of Challenge and Change
24	Panel 2 – Imagining America’s Future
28	Panel 3 – Mobilizing for Success in the 21st Century
32	Next Steps
35	National Innovation Initiative Report
36	I - Innovation Opportunities and Challenges
40	II - The New Shape of Innovation
46	III - The Innovation Ecosystem
48	IV - NII Goals and Recommendations
76	Looking Ahead
78	References
80	Committees and Members
94	About the Council on Competitiveness
95	Acknowledgements

RESOLVED

Innovation will be the single most important factor in determining America's success through the 21st century.

America's Role

The legacy America bequeaths to its children will depend on the creativity and commitment of our nation to lead a new era of prosperity at home and abroad.

America's Challenge

America's challenge is to unleash its innovation capacity to drive productivity, standard of living and leadership in global markets. At a time when macro-economic forces and financial constraints make innovation-driven growth a more urgent imperative than ever before, American businesses, government, workers and universities face an unprecedented accelera-

tion of global change, relentless pressure for short-term results, and fierce competition from countries that seek an innovation-driven future for themselves.

America's Task

For the past 25 years, we have optimized our organizations for efficiency and quality. Over the next quarter century, we must optimize our entire society for innovation.

CALL TO ACTION

Innovate or Abdicate

The National Innovation Initiative™ (NII) defines innovation as the intersection of invention and insight, leading to the creation of social and economic value.

Innovation has always been deep in America's soul. From the nation's birth, we have most fundamentally been about exploration, opportunity and discovery, about new beginnings, about setting out for the frontier.

America's focus on the horizon reflects our collective faith in a better future. These are the qualities that have made our country a beacon to people around the world for the past 228 years. America, in the end, is all about hope. And innovation is the societal and economic manifestation of hope.

Today, America finds itself at a unique and delicate historical juncture, shaped by two unprecedented shifts - one in the nature of global competition, the other in the nature of innovation itself:

1. The world is becoming dramatically more interconnected and competitive. At the same time that economic interdependencies are growing, America is in the unfamiliar position of the world's sole superpower. It is important to recognize how novel this situation is historically, and what opportunities and dangers it holds - from rivals or potential rivals, to be sure, but perhaps even more from how we ourselves choose to handle this geopolitical reality.
2. Where, how and why innovation occurs are in flux - across geography and industries, in speed and scope of impact, and even in terms of who is innovating. In many ways, the playing field is leveling, and the barriers to innovation are falling. Whenever such a shift occurs, there are always changes in how economies and societies work - including new ways of creating value and measuring success, and realignments of competitive advantage. In the 21st century, the pace of these changes will accelerate. To thrive in this new world, it will not be enough - indeed, it will be counterproductive - simply to intensify current stimuli, policies, management strategies and to

make incremental improvements to organizational structures and curricula.

Together, these large shifts suggest that we stand at an inflection point in history. Whether one looks at demographics, science, culture, technology, geopolitics, economics or the biological state of the planet, major changes are underway that will shape human society for the next century and beyond. The actions that enterprises, governments, educational institutions, communities, regions and nations take right now will determine this future.

What will America do? Will we plan and invest for the long term, rather than just the next quarter, putting in place the talent pool, innovation capital and infrastructure necessary for continuing success throughout the 21st century? Will we recognize the multifaceted nature of this problem and come together across all sectors - business, government, labor and academia - to form a new social and economic compact?

Perhaps most important is whether the United States will continue its historic and unique role as a leader among nations, exporting the vision and tools of hope and the power of innovation. America must champion and lead a new era of openness and competition - fueled by agility and constant motion, and enabled by lifelong learning, technological prowess and the infinite creativity of the innovation process itself.

We live in tumultuous times, yet Americans know instinctively that our way forward is not to retreat or to re-trench. The way forward is to become more open, more experimental and to embrace the unknown. We cannot turn inward, nor can we allow our institutions to become overly centralized, calcified and risk averse.

If America were a company, freedom and exploration would be our core competencies. And the capacity to innovate is the foundation

for bringing our competitiveness into full fruition. The first Americans were innovating when they made the decision to leave an established life for the perils of an unknown world. They were innovating before we had government, a functioning economy, an educational system or national defense. In short, if Americans stop innovating, we stop being Americans.

In the end, the simplest way to describe the purpose of the National Innovation Initiative is to help focus us as a society on what we do best, on our purpose in history. The key to America's future success, finally, is to remember who we are.

Council on Competitiveness Chairman



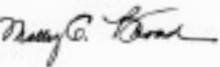
F. Duane Ackerman
Chairman and Chief Executive Officer
BellSouth



Gerard J. Arpey
Chairman, Chief Executive Officer and President
AMR and American Airlines



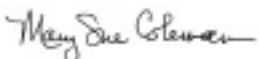
Lee C. Bollinger
President
Columbia University



Molly Corbett Broad
President
University of North Carolina



Michael J. Burns
Chairman, President and Chief Executive Officer
Dana Corporation



Mary Sue Coleman
President
University of Michigan



Denis A. Cortese
President and Chief Executive Officer
Mayo Clinic

National Innovation Initiative Co-Chairs



Samuel J. Palmisano
Chairman and Chief Executive Officer
IBM Corporation



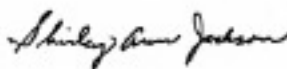
The Honorable Robert M. Gates
President
Texas A&M University



Sheryl Handler
Chief Executive Officer
Ab Initio



John L. Hennessy
President
Stanford University



The Honorable Shirley Ann Jackson
President
Rensselaer Polytechnic Institute



Vikram Pandit
President and Chief Operating Officer,
Institutional Securities and Investment Banking Group
Morgan Stanley



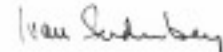
Steven S Reinemund
Chairman of the Board and Chief Executive Officer
PepsiCo, Inc.



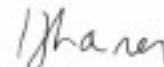
G. Wayne Clough
President
Georgia Institute of Technology



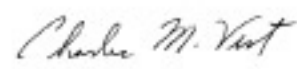
W.J. Sanders III
Founder and Chairman Emeritus
Advanced Micro Devices, Inc



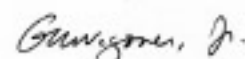
Ivan G. Seidenberg
Chairman and Chief Executive Officer
Verizon



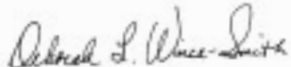
Kevin W. Sharer
Chairman, Chief Executive Officer and President
Amgen, Inc.



Charles M. Vest
President
Massachusetts Institute of Technology



G. Richard Wagoner, Jr.
Chairman and Chief Executive Officer
General Motors Corporation



The Honorable Deborah L. Wince-Smith
President
Council on Competitiveness

EXECUTIVE SUMMARY

The National Innovation Initiative recommendations are organized into three broad categories:

Talent

The human dimension of innovation, including knowledge creation, education, training and workforce support. Recommendations support a culture of collaboration, a symbiotic relationship between research and commercialization, and life-long skill development.

Investment

The financial dimension of innovation, including R&D investment; support for risk-taking and entrepreneurship; and encouragement of long-term innovation strategies. Recommendations seek to give innovators the resources and incentives to succeed.

Infrastructure

The physical and policy structures that support innovators, including networks for information, transportation, healthcare and energy; intellectual property protection; business regulation; and structures for collaboration among innovation stakeholders. Recommendations support a new industry-academia alliance, an innovation infrastructure for the 21st century, a flexible intellectual property regime, strategies to bolster the nation's manufacturing enterprises, and a national innovation leadership network.