



**SUBMISSION FROM  
MANCHESTER METROPOLITAN UNIVERSITY**

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**THE LAMBERT REVIEW  
BUSINESS - UNIVERSITY INTERACTIONS**

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# 1. INTRODUCTION

## **Increased awareness and understanding-**

Much of the drive to stimulate business-university interaction is to generate wealth and economic prosperity through innovation. That innovation draws on invention and discovery, in all fields relevant to business performance, whether product process or people. In Business-University interactions the main aim is to generate relationships that create and meet demand relevant to the variety of issues faced by business. That demand must be met appropriately, and effectively, across a range of sectors for companies of different sizes and at different stages of growth and development. National government has a role, combined with the RDAs in their regions, in creating the right framework for those relationships to flourish.

Translating discovery (whether new or existing) into innovation in relation to Business University interaction, has three main aspects to it: the commercial exploitation of intellectual property through the generation of new companies or license agreements; the support for innovation in existing companies through a wide range of relationships between universities and companies of all sizes and in all sectors (whether consultancy, contract research, courses, student placements, graduate recruitment or national schemes); and of course, the generation of a basic research base for the continuous discovery and invention that is the seed-corn for innovation.

Over twenty years of experience, since the 'Realising Our Potential' White Paper in 1993, has increased activity in all these areas, widened the involvement of businesses and universities, improved understanding, generated tangible return, and created an emerging group of professionals (in universities, businesses and intermediary agencies) who understand what to do and how to do it across the range of business sectors and for companies of different sizes and business areas. Present barriers reflect this heritage negatively and positively. The time is ripe to take a fresh look and the Review is timely.

## **Relationships and their importance in business university interaction**

MMU has a long history and heritage in building links with the business community, both private and public sector. Our experience is that whilst many of the current approaches are helpful they can be significantly improved if they are developed to be sustainable, simpler and less bureaucratic and if they make use of the full breadth of value that the university can bring from all its subject areas, rather than mainly science and technology.

Business wants easy access to a university sector. Business wants that access to be flexible, understands the commercial context and that operates in a business-like way. That means a particular kind of professional approach within the university, (and customised for working with business) that runs alongside the other core work of the university, ( i.e. teaching and Research). That current core work of teaching and research, has different markets from business, i.e. students and the academic community, and quite different operating frameworks that relate to public sector, ways of operating rather than business sector ways of operating.

Fundamental to Business-University interaction, is the relationship between the business and the university. That relationship yields tangible and intangible benefits in a two-way process, that both contributes to the university and to the business. There are numerous examples of the importance and impact of this relationship building. A student project for example can lead to a Teaching Company Scheme, then a Framework 6 proposal or a joint bid for research funds from the Research Councils to work on some aspect of R and D. It can encourage enrolment on courses from the company, and enhance the learning experience of students through case studies and visits that collectively make the student more employable. Once that relationship is established in formal and informal ways, understanding and trust follow that ensure the business and the university department each have access to each others networks, which itself can have impacts on the curriculum, the research direction or on the company performance. The new relationships bring benefits to each.

Interventions by government and the framework for universities to link with businesses must ensure that such relationships are nurtured. It is through those relationships that mutual beneficial understandings and insights are generated which enables supply and demand to be met, whether in terms of skill or expertise.

The 'Third Leg'/ReachOut provides the framework, the platform for development, that can generate the right relationships. That combined with attention to demand issues and the role of intermediary agencies provides the basis for long term relationships between business and universities, that is rich in its interaction and that yields long term benefits to the business, the university and the individuals involved, and to the economy and society more generally. But both sides need some stability and certainty in both the policy directions and operating processes.

### **Making a difference in business university interactions**

To make a difference,

- Engagement with Business must be a core activity for universities with core funding, nationally recognised esteem incentives and the flexibility and freedom to build relationships appropriately within a sensible accountability framework. It is only when business becomes an important **customer base** for universities, that they will develop the quality of the customer service base, that business keeps asking for.
- Business must have the right financial, regulatory and tax frameworks to seek links with universities
- The support agencies' role must be clearly defined and simplified in this demand/ supply interface.

## **2. BARRIERS**

In our response to the inquiry, we have chosen to concentrate on addressing the barriers in our reply, which also incorporates other elements of the questions for consultation. These views are built on extensive experience in working on these matters over a number of years.

## NATIONAL INCENTIVES –CORE FUNDING AND ESTEEM MEASURES

A significant barrier for universities in developing their supply side is the inappropriateness and poorness of the incentives to do so, particularly in relation to incentives for teaching and research.

To release the potential in universities, it is essential that the Third Leg develops as a **core area** of university work, alongside teaching and research, with **core funding** and **nationally recognised esteem measures**, that are on a par with the RAE and TQA. Inevitably a university must concentrate on these to both secure funding and to raise its reputation through quality performance. The RAE and TQA performance are of significant importance – they have impacts on other parts of a university's business such as recruitment, income and funding for research from other than HEFCE sources or commercial work.

A national esteem measure would give prominence to this particular area of work that would encourage further relationships that support innovation with both Teaching and Research. This 'engagement with society', would be part of a university's distinct identity. The aim must be to ensure that university engagement with business is self-reinforcing, because of the mutual benefits and because making it core, will give legitimacy and recognition in the sector.

Government policies seek increased R and D spend in a wider range of companies and in innovation to generate competitive products that generate orders. Part of the philosophy is about developing a stronger innovation culture in a wider range of businesses. If universities are part of this agenda, then it must be recognised that they are part of the change process encouraging innovation across business.

Where the need for change in business is greatest, is not necessarily where the financial return to the university is greatest. A significant 'driver' for developing core public funding and esteem in universities, must therefore be the greater gain of society, with appropriate distribution of the funding. Universities that already have significant investment in research through RAE performance, already have significant advantage for spinout companies, licensing and building stronger R and D relationships with large corporates, as part of their income generating strategies. The Third Leg has to address market failure and opportunity and support innovation across the range of companies (SMEs) and in different sectors.

The Third Leg as a core area, will both provide a sustainable platform for universities to develop their engagement with business and produce excellence and quality through appropriately nationally developed esteem measures. These would be able to 'rise above' the tick box approach which is still much in evidence. The moving towards a single pot of funding, that incorporates funds from different Whitehall departments, agencies, Europe and Regional Development Agency is essential to avoid wastage, overlap, very high transaction costs, and reinventing wheels, that is currently occurring. Of course specific programmes can still operate to address a market failure if this core is in place.

Providing that sustainable platform in a sustainable, comprehensive way will address many of the frustrations faced by business, because it will give focus and

responsiveness appropriate to the way business operates. Business will be a customer for universities in the same way that potential students and the academic research community currently are/

Within this core funding and national esteem framework, institutions should be expected to develop the most appropriate focus for them, whether that is in terms of for example, business sector, types of activities, types of companies. That would then be manifest in institutional policies, strategies and procedures. Due account should be taken of the significant differences in terms of difficulty, impact and scale between for example spinning out companies, working with larger corporates with significant investment funds, and working with local SMEs in the region where they have a poor history of linkages. The universities' contribution to and links with the economic strategies of the RDAs, their cluster developments and innovation strategies should be taken into account, and with their city's development plans.

If linking with business became a core area for universities, business would then be an important customer base. When that business customer base becomes important, and recognised in national funding and esteem measures, then universities will give attention to the customer service required. Compare teaching and research, each with national funding and esteem, each with defined customer bases (from whom the investment comes), and each with significant processes, systems and accountability mechanisms within the institution. If linking with business was also given significant importance in the core business of universities, then universities would develop a strategy for business university interaction, and the management structures and processes to deliver within those. 'Institutionalising' this area of endeavour will generate appropriate monitoring, reporting and management procedures and processes, that give focus and momentum to the supply side – a focus and momentum that takes due account of the quickness and flexibility of response that is needed. Institutionalising these relationships will ensure that it permeates throughout the institution to involve the academic community that will ultimately impact on their knowledge of business, and their interest and ability to incorporate links with business into the curriculum and researching agendas.

Developing a responsive, quality customer orientated, supply side will generate confidence in the demand side that can spread through networks and be reinforced by continued involvement.

### **Recommendations that address the barriers**

- Sustainable Core funding to be achieved and increased, and as a single pot
- National esteem measures equivalent to the RAE and TQA to be developed, through a process on a par with but complementary to, the Review of the RAE, that involves participation of key players
- A Framework to be created that enables universities to develop strategies that are the most appropriate approach for the markets they relate to, their expertise and direction, and the kinds of transactions they consider to be the most effective i.e. set the Frame and let them get on with it
- Create a professional framework for people working in this area. They are essentially 'translators', matching one set of needs and supply with the other. National support for the development and delivery of education and training

programmes for professionals that work on either the demand, the supply side and in the intermediary agencies.

## **NARROW INTERPRETATION AND DEVELOPMENT OF THE 'THIRD LEG'**

A significant barrier to universities for releasing the richness and potential of university business interaction is the narrow interpretation of the 'Third Leg'.

Much of the emphasis on Business University interaction relates to science and technology (and even then on 'spin out') and significant progress has been made through various policy initiatives and programmes. But the breadth of expertise is much greater than that – it is not just technology transfer, it is knowledge transfer. Even then, a more accurate description is about exchange, because that exchange is as much about bringing business perspectives and expertise into the university to enrich and impact on some of its work, as it is to bringing university perspectives and expertise to the business to help improve competitiveness. A number of businesses in high tech areas for example, are themselves leaders in the field in research areas, though they might not publish in research journals.

It is the interchange that creates the synergies that brings the value and creates the confidence for working together, that will make the difference in the long run. Large companies, experienced in the activity know this, but the national policy aim is to expand involvement into the middle and SME market. It is these relationships and networks that will give the confidence that increases the demand.

A lot of emphasis in current policy is about spin out companies from science in high technology fields creating research-intensive and research- dependent companies and industries that make up the knowledge economy. Of course that is right. But other companies require the science and technologies to improve their products and services and the way they do business, and for them that is innovation. In addition universities can bring knowledge and discovery that is equally relevant but more wide-ranging both to the business themselves and to the environment in which business operates. That must be recognised in any review on business university interactions.

Different academic subjects provide people, expertise and knowledge that is valuable to business, some of which has licence value. The social scientists for example, bring insights and understandings about the performance and productivity of people for example, Business Schools have knowledge of business, educationalists understand issues about training, educating and developing people, architects understand the importance of physical place in both forming impressions and in motivating people, artists and designers not only are the seed-corn of creative talent that feeds the creative industries, they also help generate the competitive edge for goods through the design and cultural value their contribution brings, geographers and town planners shape the environment and inform decisions on business location, lawyers provide expertise for their profession and also to business, and so on.

Some academic subjects in universities are significantly already embedded in business practice. The professional development of staff and the students and the

subject depends on the relationships with the business sector the subject relates to. It is the interrelationships that generate the continuous interplay between theory and practice that moves the business or sector on and ensures that the future professionals in those industries are kept up to date, through both undergraduate education, post experience or post-graduate courses and through practice informed research. Clothing Technology, Food Technology, Leisure and Sport, and Rail Technology are examples of such industries and these are often significant sectors in a regional economy. Current developments and thinking do not fully embrace this breadth of the business map, nor does it recognise the particular relationships with the universities that is essential for the health of the sector. The close interplay between the university and the sector in these should be encouraged and supported, through developments that encourage interrelationships in sector areas as part of core Third Leg activity.

At MMU, we are undertaking a number of developments that strengthen these two way relationships, particularly in sectors where there are strong synergies between the university's teaching and research and the industrial sector. Fashion technology is one of these and we are working towards the development of an International Institute of Fashion Technology. The fascinating thing about such an institute is that it is intimately associated with an industry that is fundamentally changing because of the global and technological context of clothing manufacture. It incorporates as well as the global manufacture, strong links with related industries in retail for example, textiles technology and fashion design. The subject has to be taught and learned through and with engagement with practice and students go all over the world. Research feeds into and out of industry itself and leads to links with other disciplines focused around the industry, such as semiotics, which looks at communication issues in relation to the business. There is a mutually dependent relationship. It means professionals are educated in the context of the industry, and research is conducted in a similar way.

This kind of development is relevant to other sectors and industries where cross-linkages and new developments are occurring. There are such synergies in relation to MMU in for example the food industry, in air transport, and in the rail industry for example. Such International Institutes linked into significant sectors ensures the industry knows it has a responsive knowledgeable interface with a university. These developments would interlink with the RDA economic development strategies.

The RDAs have cluster policies, links with Sector Skills Councils, and Innovation strategies. They understand the regional economic climate, strengths, opportunities and threats. Stronger strategic and operational links with subjects in or aligned to their sectors could be encouraged as part of the third leg core. The proposed esteem measures for the Third Leg, could give particular support and recognition to these through the active development of university business networks and institutes..

The RDAs are also involved in facilitating the support infrastructure that business operates in. This includes issues to do with airports (a significant economic driver) road and rail as well as land availability (reclamation), environment, and broadband provision. Universities have expertise relevant to such areas. It would be perhaps interesting for the review to reflect on the value of this for business competitiveness.

There are other perspectives on the university interface that are not generally considered in many of the discussions. The first relates to whether the term 'business' includes those organisations that are not in the commercial sector. University expertise can help and support for example NHS, Police Force, Charities, Local Authorities and Government agencies in a multitude of ways. The second perspective relates to the wider quality of life environment. The quality of schooling, the richness of the cultural life, the crime rate, the health record, and the quality of housing, are all factors relevant to business location.

Current arrangements do not stimulate interactions in these areas, but could do so if the breadth of the Third Leg was extended. Indeed the Third leg could be sensibly developed to incorporate the universities interaction with the community to include the business and the wider community. The processes are the same - the kinds of transactions that can take place are similar. The advantage would be that the universities build up a generic capability to link with different markets, commercial and non-commercial 'business', to help to support the development of both a strong economy and strong society. Crime rates, quality of schooling, cultural provision and the quality of the environment all impact on decisions related to location. Interestingly, though the prime remit of the RDAs is to develop Regional Economic Strategies, they are increasingly recognising the inter-relationships between a strong economy and a strong society and acting to address these synergistically.

Always, everything depends on people. Universities could make a significant contribution if their funding arrangements were such, that they encouraged flexibility in terms of learning provision (time scales, delivery modes, levels of courses and qualifications) for employers. Current arrangements do not support the breadth of provision required to meet the demand for continuous professional development or for addressing employability. Foundation Degrees are a small part and driven by a different imperative (i.e. Widening Participation).

### **Recommendations to address the barriers**

- Widen the focus of the Third Leg to incorporate contributions to business growth and development from the non science, engineering and technology subjects, and the universities' role in creating a conducive environment for business
- Create a funding framework, as part of an expanded, more comprehensive Third Leg that enables universities to deliver courses in diverse ways to business.
- Make employability of graduates and postgraduates part of the Third Leg developments funding and esteem measures.
- Make the Third Leg all embracing – Holistic - to provide the means by which universities engage with society to impact on economic performance and social equity which are intimately related.
- Support Strategic long term Developments that generate significant, mutually beneficial special relationships between the industry and universities, that the Institute for Fashion Technology exemplifies.
- Generate funding from other government departments to incorporate into the Third Leg core fund in a similar way to the involvement of the DTI and Home Office with HEFCE on third leg issues, e.g. DCMS, for creative industries and

for product design, ODPM, DOH, Home Office, to address strong society issues

- Interpret 'Business', as both private sector and public sector and voluntary sector, when considering Business-University interactions
- Provide support to universities and sector clusters, to develop university business networks and Centres of (practiced –informed) Excellence in key industries, where academic subjects have a specific industrial focus that is reflected in their teaching and research. As part of this provide subsidised industrial scholarships for post graduates

## **LACK OF DEMAND**

Another barrier from university perspectives is the nature of, and the limited amount of, demand. The above recommendations and points relate to the professional development of the supply side. With this in place there is greater opportunity to address the demand side that this supply might meet.

R and D Tax credits help, but with so many agencies, and schemes, there is a need to stand back and examine what is needed and what works, and to distil out key levers. This is not simple because the demand supply interface is complex, and working with a complex supply side too. It is also essential to review these schemes, because some of them are working against each other.

The 'Demand' side is affected by a whole variety of factors. At one level it relates to sector, area of business, size of company, growth stage, scale, location etc. At the level of the individual company other factors come in to play like awareness of what is available, ambition to grow, ability to innovate, and affordability particularly in terms of exploitation. Quite simply the needs of large corporates (as often represented by the CBI) are different from SMEs, and a high technology SME is different from one that is low tech. Different universities can supply similar or different things, but across the range much of this can be addressed if the university is set up to respond. The priorities for large corporates for university links will be different for small companies and for those that are high tech they will be different still. The same applies to universities in their interests in the business market.

Basically more sophisticated models are needed that match demand with supply and intervention, but in ways that are simple, straightforward and non bureaucratic – a customised simpler approach is required. From a university perspective, individuals are already employed by them to understand and navigate their way through these schemes and to ensure that, as far as possible, they operate synergistically. For companies, they might just give up or get disillusioned with the complexity and bureaucracy. In terms of exploitation there is however a funding gap in the early 'proof of concept' stage.

Another problem is that every scheme has its own set of criteria and performance measures, with many tick boxes. It is a bureaucratic nightmare to jump through the various hoops. It would be illuminating to assess the transaction costs and to undertake a cost benefit analysis on the schemes. The RDAs, working both collectively and in their regions, might be able to play a significant role in helping to

shape the framework that is needed and in providing clear guidelines and information, intelligence and on line advice in delivering them.

One of the most effective ways of stimulating demand, is through people. Time and again we have examples of where a student placement or project led to change. Encouraging and supporting activities through the curriculum could therefore be a significant low-cost lever in improving the interactions, in stimulating demand, and in producing graduates that have insights to practice. MMU has a significant commitment to the education of students through and with their engagement with practice in a number of areas. Existing funding frameworks could be developed that encourage both the outward flow of undergraduates into industry and the inward flow of expertise into the curriculum.

### **Recommendations to address the barriers**

- Develop a more sophisticated understanding and model of the Business University interface and out of that determine where the main levers are, to inform future developments for interventions
- Simplify and reduce the number of schemes so they focus on where it makes a difference, and so that bureaucracy is minimised. In a Review, talk to those who have to deal with them on the ground!
- Charge the RDAs with major campaigns that raise awareness in an informed way, and to develop clusters with full involvement of the universities.
- Support the development of Business Gateways in universities and regionally to improve and simplify access, in a way that is focused on Business Sectors (market facing)
- Ensure that Third Leg incentives and esteem measures address the professionalisation and customisation of the supply side to work with business
- Support the development of, sector focused world-class Business-University Institutes that operate at the HE level, to share knowledge (from the perspectives of professional insight and practice and academic practice and insight) that continuously educates the professionals and helps shape the research agenda. Such Institutes would operate through the engagement of the business in the academic agenda, and the engagement of the university in the business agenda, in positively reinforcing ways.
- Develop funding incentives with universities that encourage the outward flow of undergraduates into companies as part of their courses, and the inward flow of knowledge and expertise, or provide bursaries for companies to supplement graduates on placements.
- Address the exploitation funding gap – early stage funding to support the commercialisation of an idea

### **THE HE WHITE PAPER**

The recent HE White Paper signals continued support for the development of the Third Leg as a core activity which is welcomed. However other aspects cause us concern. Since consistent government policy aims to encourage business university interaction to both support innovation and the generation of the knowledge economy, businesses must be able to interact with their universities simply.

Aspects of the White Paper that could make things more difficult include:

- The classification of universities into research intensive and non-research intensive, is not helpful to the range of companies that can interact with universities in a variety of ways. It implies a simplicity that doesn't reflect the reality of business university interaction in practice.
- The further geographical concentration of QR funding for research will withdraw research funds from grade 4 units that are critical assets for regional innovation strategies
- The withdrawal of research funding will lead to a 'leaking' of quality researchers out of the region, thus generating disadvantage in intellectual assets that support the knowledge economy and SET dependent industry.
- The lack of commitment to esteem measures for engagement with business, combined with the paucity of the funding will maintain the links with business as a secondary activity, or one that concentrates on generating income for universities as a commercial income stream
- There is no real commitment in the White Paper, for strategic funding frameworks that will support the continuous professional development of business employees through a range of flexible and imaginative learning delivery modes

Recommendations would directly address the bullet points above