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Co-creating Value: Universities and Businesses working together from Recession to Recovery

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Ladies and gentlemen,

It is a great pleasure to be here to share with you a UK perspective on the role of higher education institutions in contributing to economic recovery in Britain.

To say we live in interesting times is somewhat of an understatement. Amidst the economic turmoil we face, difficult decisions have had to be made in response to the banking crisis, the ensuing credit crunch and the global nature of the economic downturn. Despite the tough times, economies across Europe have taken active measures to limit the impact and to contain the damage.

These recent events have reinforced the need for economies to move aggressively to respond; to move from crisis to recovery.

Challenges in a time of recession

It is in this context that I wish to consider the role that universities have in contributing to the recovery. My presentation is titled “*Co-creating Value: Universities and Businesses Working Together from Recession to Recovery*”. At the Council for Industry and Higher Education we are of the view that universities have a crucial role to play in developing a more vibrant economy and socially just society, and in the short term, also need to take on the task of responding to the challenges we face resulting from the economic downturn.

The race to the top

As a strategic leadership network of business Chief Executives and university Vice Chancellors, CIHE members recognise that our flat interconnected world is punctuated by peaks of innovation where clusters of leading edge organisations congregate around

universities to derive benefit from the knowledge and skills they develop and from the other innovative businesses that have formed, located and expanded in the area. Graduates and post-graduates start businesses that become globally successful. They add value and help transform the organisations they join to be globally successful.

The knowledge economy of the 21st century is very much a '*race to the top*', in which we also look to UK universities to work in partnership with the business sector to co-create solutions to the grand challenges that face us.

Despite the recession the future is being rewritten in atomic, digital and genetic codes and the development and application of knowledge via brainpower will determine our future. The distinction is not between manufacturing and services but between high value-adding organisations and the rest. These high value-adding organisations have high concentrations of graduates and post-graduates and do considerable research.

The convergence of manufacturing and services means that we need not only more highly educated people but also more with, for example, experience and knowledge in systems integration, project management and customer facing skills. We need more with science and business, maths and economics, social anthropology and marketing, art, design and media. The future will also require enterprise and innovation to be wired into our graduates. We must rethink the capabilities we need and work with educational providers on these. This is the challenge for Rebuilding Britain.

Universities a significant contributor

Universities have an important role to play in the economy and the UK's long-term economic sustainability and are increasingly central to meeting our aspirations for economic growth. As a sector they are themselves important – generating over £59 billion in output and providing over 650,000 full-time jobs. Total revenues for the sector were almost £25 billion 2007/08. Hence it is no surprise that universities are central to UK Government policy. This gives a strong indication of where they are positioned in terms of contribution to the economy and society.

Universities as part of an innovation eco-system

Perhaps one way of thinking about the role that universities have to play is to think of how they are positioned in the innovation eco-system. They contribute in terms of knowledge exchange, in terms of producing employable and entrepreneurial graduates – clever minds that will transform the organisations they join. Universities are also at the heart of the skills agenda, helping businesses up-skill their workforce to compete.

University connections with business

Hence our universities are active in the university-business collaboration space. They have supported 2,000 graduates to set up new businesses; they have created over 200

companies based on university intellectual property. And both consultancy income and the number of patents granted to universities have increased significantly over recent years.

However, this only captures one dimension of university-business collaboration. Research by the CIHE, as part of a four-nation study of the UK, Japan, Canada and the US, has found that past metrics – such as Intellectual Property (IP) income, start-up and spin-out activity – fail to capture the richness of the relationships between businesses and universities. They also fail to recognise where value is most created.

There is richness in the relationships that result from businesses and universities cooperating. These are not confined to technology or even manufacturing companies. They extend to service organisations and low-tech operations. The benefits also range beyond technology to management, marketing, simulations and production processes. Indeed in only around 20% of cases we studied did the value relate to technology being transferred into product. The expectation and potential of this wider set of benefits needs to be better broadcast to organisations of all sizes and sectors.

The current limited interactions between small businesses and universities may in part result from a false appreciation of the wider range of benefits that such collaboration can produce.

Opportunities and challenges

As we can see, there are both opportunities and challenges for universities and businesses as they consider ways of collaborating. The primary challenge is one of scaling up university-business collaboration...

- ... for the co-creation of new knowledge;
- ... for knowledge exchange;
- ... for advanced learning;
- ... for higher level skills.

The policy framework

New industry, new jobs, published in April 2009, sets out the Government's intention to support the development of areas of likely competitive advantage in the economy in the future – loosely termed 'industrial activism'. Skills policy is very much linked to these priority sectors, and hence the Higher Education Framework issued recently also proposes interventions to ensure that the provision of education and training supports the sectors of the economy the Government has identified as priorities. This has already translated into action. The 10,000 additional students numbers announced in July 2009 were restricted to science, technology, engineering and mathematics (STEM) subjects given the acute shortage of STEM skills in the economy.

Naturally there is a concern that such a narrowly focused industrial policy could be tantamount to 'picking winners', and hence inadvertently stifle the development of future strengths which have not yet been predicted. Our current success in the creative industries, for example, would not have been predicted two decades ago. This sector now contributes 6.4% towards UK Gross Value Added, exports services worth £16 billion every year, and employs nearly 2 million people.

The university response

There has been a co-ordinated effort in the UK to use university-business collaboration as a means of overcoming the current recession, and that has two broad dimensions: firstly on high level skills and employability, and secondly on the theme of innovation.

The university sector's response to the recession has been to build on long-term processes of relationship building to bring about short term developments: short-term responses to the recession depend on an already existing long-term programme of activity in the area of university-business collaboration in the UK.

The three examples provided on the slide, Lambert, Wellings and HEIF, demonstrate the evolution of the innovation dimension of university-business collaboration in the UK.

I will focus on the Higher Education Innovation Fund

- The Higher Education Innovation Fund (HEIF) is the core mechanism for supporting Knowledge Transfer within the English Higher Education Sector. It is designed to support and develop a broad range of knowledge exchange activities which result in economic and social benefit to the UK.
- In September 2007 the Government announced a fourth round of HEIF, from 2008-09, with funding rising to a final year allocation of £150 million for 2010-11. This is in line with the recommendations for HEIF set out in Richard Lambert's review of business and higher education collaboration in 2003.
- The first round of funding (HEIF 1) was allocated in Oct 2001, with 89 bids being funded. The second round was allocated in summer 2004 - a total of 124 awards were made, 46 of which involved collaboration between higher education institutions. The third round of the programme (HEIF 3) started funding in the academic year 2006/7 and saw significant changes. As part of the Government's commitment to a permanent third stream of funding, the majority of HEIF 3 funds (£164 million) were allocated by a funding formula with every university guaranteed an allocation. In addition there was a smaller competitive element designed to support high impact innovative projects. 11 competition-based projects were funded.

Economic Challenge and Investment Fund (ECIF)

The Economic Challenge and Investment Fund (ECIF) was launched by HEFCE to enable higher education to respond rapidly to the needs of employers and individuals during the economic downturn. Universities and colleges in England were invited to take part in a £50 million scheme to help individuals and businesses through the recession. The ECIF enables universities and colleges to provide tailored training, development and professional support to vulnerable groups. The fund consists of £25 million provided by HEFCE with matched funding from institutions. The new initiative was aimed particularly to help small and medium enterprises.

Outcomes from ECIF

For businesses the scheme will provide:

- skills training to manage the business challenges arising from the recession;
- access to knowledge and expertise which will improve business performance;
- training and development and support packages to business as a way of managing a shrinking business or as an alternative to redundancy.

Absorptive capacity a key factor

This slide outlines the various forms of business-university interaction along a continuum, which is contingent on the absorptive capacity of the firm and the boundary spanning behaviour of university academics. To be clear, this is where the real challenges often are in achieving successful university-business collaboration.

A partnership response

University-business collaboration has been at the heart of the higher education sector response to the economic crisis. There has been a proactive campaign by Universities UK to reach out to business and, crucially, to bring home the importance of universities for society and economy through the potential of university-business collaboration to assist economic recovery.

Universities in the UK have responded rapidly to the pressures the recession has placed on students, graduates and businesses. The UUK reports give examples of the range of actions taken by universities in all parts of the UK, including providing extra help for this year's graduates; making it easier for companies to access university expertise; free courses for the newly unemployed; and targeted help for industries in difficulty.

Some examples include:

- the University of Leicester has established a 'graduate start-up scheme', offering £5,000 worth of training and business support to graduates who want to start their own businesses.
- Keele University is helping to equip 140 unemployed or at risk people in North Staffordshire with skills in environmental management, to help them take advantage of opportunities in a growth industry.

- The University of Worcester has developed a graduate internship programme with local employers which will enable graduates to combine a year-long paid work experience with further study.
- The Open University is using its website to provide free advice on coping with redundancy and how to recession-proof your career, as well as including tips for getting jobs and help in developing a 'personal action plan' to outsmart the recession.

This partnership approach has been exemplified in the Higher Education Task Force established by the CBI – the representative body for the business sector. The CBI Task Force explored what business wants from higher education. While Universities UK represents universities 'reaching out' to business, the CBI Task Force was a business led initiative – it consisted of 16 business leaders and 3 university Vice Chancellors.

Key messages from the Task Force report included:

- universities are a "vital public good";
- business needs excellent universities to produce the graduates, postgraduates, research and innovation that are required to drive economic growth and prosperity.

The business sector also signed up to a number of commitments to do more in partnership with universities.

CIHE Task Forces

Given the nature of the CIHE's work – fostering university-business collaboration, we will launch a series of Task Forces in 2010. The first will explore the next wave of engineering and manufacturing jobs and research. The second will focus on the digital and creative industries. Both task forces will explore where businesses and universities can better work together on relevant research and on creating the right jobs for the right graduates. They will also look at what the UK can learn from other countries and identify key industry trends.

The Engineering and Manufacturing Task Force will be co-chaired by Richard Greenhalgh, former Chair of Unilever UK and current Chair of the CIHE, and Professor Nigel Thrift, Vice Chancellor of the University of Warwick. The Digital and Creative Industries Task Force will be co-chaired by Rona Fairhead, Chair and CEO of the Financial Times Group, and Professor Christopher Snowden, Vice Chancellor of the University of Surrey.

The shared insights generated by the CIHE Task Forces will improve the ways in which students are better prepared for the world of work, and ensure that business and university research collaborations more clearly focus on the UK's need for global competitiveness and a better society. Sector by sector, the Task Forces will take an international perspective and look for best practice at home and abroad, and will develop creative and collaborative solutions to the global challenges we face.'

Moving beyond tech transfer

In closing, we can see from the UK experience that there are concerted efforts to ensure that we are encouraging businesses and universities to work still closer together to develop the graduates and postgraduates that the UK needs: employable and entrepreneurial graduates who will challenge and change the ways things are done. This is a shared responsibility and the collaboration involved requires mutual and sustained commitment from all.

The challenge for the university sector involves moving beyond technology transfer and a transactions-based approach:

- to focus on a broader range of impacts;
- to focus on co-creating knowledge and co-recognition, beyond the “teach, tell, publish” paradigm;
- to encourage the constant interchange of people and ideas;
- to move away from the conventional metrics.

Our businesses have said that they see UK universities developing some of the best research and graduates anywhere in the world. The advancement of knowledge and its implementation through a more highly skilled workforce requires still closer partnerships between universities and businesses.

I thank you.