

Date 6 May 2003

**Richard Lambert Esq**

Lambert Review of Business - University Collaboration  
1 Horse Guards Road  
London SW1A 2HQ

Dear Mr Lambert

**LAMBERT REVIEW OF BUSINESS - UNIVERSITY COLLABORATION**

You wrote to Martin Wyn Griffith on 10 February asking for our input to your review of business-university collaboration. I have been asked to reply.

My apologies for overstepping your deadline. However, I understand that my colleague Andrew Miller contacted Ruth Cleal of your secretariat before Easter who indicated that a response in early May would be in order.

I now attach our return. As you might anticipate, our response is demand side focused. We used a series of workshops, which we convened with over 100 small firms and business support network players as part of Lord Sainsbury's innovation review, to ask some questions about business-university collaboration. I hope you find what we learned helpful.

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Our response confirms the following:

- Historically, collaboration between HEIs and Business Link Operators (BLOs) has been poor. Generally, neither side had seen the value of collaboration;
- Reach out to business by HEIs is improving but is still some way below optimum efficiency in terms of appointment of specialist staff/support structures;
- Few HEIs see the value of engaging with SMEs, their focus tends to be on larger companies;
- BLOs are slow to perceive the value of accessing HEIs' knowledge for their clients. HEIs' assets are difficult/daunting for SMEs to access;
- Wasteful duplication of effort is extremely likely.

There is a read across from a number of our findings under Lord Sainsbury's innovation review:

- The benefits of the DTI's review of business support have yet to kick in. The business support network remains fragmented and incoherent. There is much RDAs and BLOs can do in tandem to resolve this.
- A wealth of good practice and ideas exist in the business support network and beyond but it is in pockets. Both infrastructure and good practice needs to be mapped and made widely known.
- Awareness of available business support, whether from government, HE/Universities or other third parties, is a problem.

In general, companies report that support for innovation is:

- Patchy and inconsistent;
- Confusing;
- Lacking in specialist advice (innovation, design, marketing);
- Bureaucratic and long winded;
- Remote.

The HE/Business interface is seen as wildly varying and there are calls for support at all levels of the innovation /design process, not just high tech or product development, but for services also, e.g. retail, professional & legal.

We conclude that:

- Another layer of business support infrastructure to cover business-university collaboration is not required. Rather, we need to maximise the assets already in place. For our part, we recognise that the SBS needs to do a good deal more to make the case for business-university collaboration and we will be encouraging our BLOs to reach out much more to HEIs/universities in future;
- An innovation education programme is needed for all those working at the industry - academia interface, so that innovation is fostered and promoted and the business case is understood;
- The more the BLOs work with the RDAs in their efforts to bring business and universities together the better. We will do all we can to encourage such collaboration;
- A number of the SBS Directors for the Regions (DFRs) have reported on good practice under this exercise and we shall build on this work and, with a view to spreading good practice, make it more widely known to all those working at the business-university interface.

Finally, we have been struck by the genuine cultural differences between business and universities and have identified a particular need for the right people in business-university liaison posts. It is not enough to simply fill a post with a body, business and HE need 'translators' who can interpret one side to the other. Such people are likely to be in short supply and training will probably need to be provided to ensure that both sides are advised to best effect.

**KEN POULTER**

Director, Enterprise, Innovation & Skills Directorate  
Small Business Service

## **SBS CONTRIBUTION TO THE LAMBERT REVIEW OF BUSINESS - UNIVERSITY COLLABORATION**

### INTRODUCTION

Small businesses are a major contributor to the health of the UK economy and to the diversity of opportunity in our society. They come in many shapes and sizes: from high-growth start-ups to 'lifestyle' businesses and social enterprises. They help increase competition, create employment and foster innovation.

2. The Small Business Service (SBS) exists to provide a strong voice within government for small businesses. Our efforts focus on improving the regulatory environment and developing world-class business support.
3. The SBS aims to accelerate the drive to make the UK the best place to start and grow a business by 2005. We want:
  - many more people, regardless of their background, having the desire, skills and opportunity to start a successful business;
  - everyone with the ambition to grow their business being helped and supported;
  - a supportive business environment with all small businesses finding it easy to respond to government and access its services.
4. It is our task, as an agency of the Department of Trade and Industry, working with the rest of government, to lead in delivering this vision.
5. *Small Business and Government: The Way Forward* ([www.sbs.gov.uk/strategy](http://www.sbs.gov.uk/strategy)), published in December 2002, sets out a new policy framework for a government-wide approach to helping small firms. It was jointly endorsed by the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.
6. It identifies seven strategic themes as key drivers for economic growth, improved productivity and a wider involvement in enterprise for all:
  - Building an enterprise culture;
  - Encouraging a more dynamic start-up market;
  - Building the capability for small business growth;
  - Improving access to finance for small businesses;
  - Encouraging more enterprise in disadvantaged communities and under-represented groups;
  - Improving small businesses' experience of government services;
  - Developing better regulation and policy.
7. Universities and HEIs have a key part to play in relation to these themes, the first three of which are of particularly strong relevance; ie, many of the businesses of tomorrow will be started by graduates, academia has a strong track record in the formation of spin out companies and, likewise, has a huge amount to offer where knowledge transfer and the development of new products and services are concerned.

### Building an enterprise culture

8. HEIs have a very significant role in preparing people for work and employability. The SBS supports the work being led by DfES in implementing the recommendations of the Davies Review into the economy and education, and would see HEIs as having a role in complementing and supplementing the Enterprise Pathfinders work due to commence in schools from Autumn 2003.

9. In recent years there has been an increase in the number of small firms and self-employed, with a corresponding decrease in employment within the public sector and large firms. Those leaving education now and in the future will need to be more flexible and entrepreneurial in order to maximise and maintain their employability. This holds true not only for those who choose to run their own businesses but also for those who choose dependent employment given the changes which they can expect to undergo throughout their careers (in contrast to the experience of previous generations).

10. Young people in particular seem to have generally positive attitudes towards enterprise and the rewards of running a business. However, these aspirations need to be converted into a view of enterprise as a positive, realistic and attainable career choice. HEIs can contribute to this by promoting awareness of the skills identified by Sir Howard Davies – enterprise capability, financial literacy and economic and business understanding – together with facilitating the development of these skills.

### Encouraging a more dynamic start-up market

11. Universities have a key role to play in creating a dynamic start-ups market. Working with their business support partners, they are in a prime position to make graduates and under-graduates aware of the benefits of starting a business, or becoming self-employed. For those who choose such a career path, universities are able to provide young people with the skills that they require to start and run a business. Thus the chances of them launching firms that are commercially viable and have the potential to grow, is considerably enhanced.

12. Universities also contribute to the success of start-ups by providing access to the technology and business related resources held within their academic faculties. Such access is valuable in helping people find solutions to business problems and locating the sources of specialist knowledge and information that they may require. To maximise the benefit to communities of their local universities, they should work closely with the RDAs who are actively engaged in programmes promoting entrepreneurship in the English regions.

### Building the capacity for growth

13. The majority of current approaches to identifying the main drivers and inhibitors to small business growth focus on individual business processes, eg, management development, workforce skills, innovation, e-commerce, capital investment, etc. In going about our task of developing a comprehensive three-year government strategy for this theme, the SBS will need to understand the inter-relationship in small companies between these factors and how they interplay with company culture, ownership issues and sector specific factors.

14. In year one we aim to map and understand these inter-relationships, identifying those areas where government and the SBS can make a difference, publishing our strategy by March 2004. We will develop our strategy in consultation with our delivery and policy partners. In years two and three we will systematically tackle the issues in the strategy, again working with our partners and reporting progress to the 'Whitehall Group.'

15. This year the SBS' Business link Operator (BLO) network plans to spend £22m providing technology and knowledge transfer support. Of this:

- £10m will be from the BLOs' own resource;
- £6m will be from the RDAs;
- £3m will be EU money;
- £3m will be come from other sources.

16. Annex B details the relevant SBS schemes in this area.

### **SBS PERSPECTIVE ON BUSINESS - UNIVERSITY COLLABORATION**

17. In 2001 and 2002 the SBS co-funded some reports by Messrs Brown and Brickwood\* on collaboration between HEIs and Business Links. These reports confirmed that:

- Historically, collaboration between HEIs and BLOs had been poor. Generally, neither side had seen the value of collaboration;
- Reach out to business by HEIs was improving but was still some way below optimum efficiency in terms of appointment of specialist staff/support structures;
- HEIs and BLOs knew little of one another;
- Few HEIs saw the value of engaging with SMEs, their focus was on larger companies;
- BLOs were slow to perceive the value of accessing HEIs' knowledge for their clients. HEIs' assets were difficult/daunting for SMEs to access;
- Few HEIs and BLOs possessed staff who could collaborate with one another;
- Wasteful duplication of effort was extremely likely.

18. A number of recent workshops with SMEs and BLOs, designed to facilitate our contribution to the innovation review (see paragraph 27), have confirmed that the situation remains much as Brown and Brickwood described. With the BLOs, the SBS will play a full part in bringing about change. Clearly, there are potential areas for HEIs/universities to get involved in supporting and actively participating in management development and other initiatives and it will be important for BLOs to ensure they are generally engaged with HEIs in their area. For our part we recognise that the SBS needs to do a good deal more to make the case for such collaboration in future and we will be encouraging BLOs to reach out much more to HEIs/universities.

\* Opportunity and Change in Higher Education Institutions and in Business Link, 7 August 2001, Nigel Brown, Alan Brickwood and Mark Corney.

\* Assessing the potential for Collaboration between Higher Education Institutions and Business Links in the SE Region, 9 May 2002, Nigel Brown & Alan Brickwood

19. The more the BLOs work with the RDAs in their efforts to bring business and universities together the better. A number of the SBS Directors for the Regions (DFRs) have reported on good practice under this exercise (see Annex C). We will endeavour to build on this work and, with a view to spreading good practice, make it more widely known throughout the network. Noteworthy in this regard is activity in the following regions: SW (South West Knowledge Exploitation South West and 'Inspire South West' and the work being done around graduate retention); NE (work in support of ONE's RES, in particular, 'Recognising our Universities and Colleges at the heart of the Region's economy' and support for ONE's strategy for success); and East Midlands (support of EMDA's Innovation Strategy, East Midlands New Technology Institute and the ERDF innovation process bid).

20. The following points are also worth making. Collaboration between business HE/universities is a two-way process - both parties must be bought in for it to be a success. Both parties have different objectives and must understand those of the other party. Successful collaboration usually also means some degree of compromise, of "academic purity" on the university side and of ways of working on the business side. Incentives to academic-SME collaboration from the R&D tax credit (where an SME sub-contracts work to an HE or FE institution, for example) are a welcome incentive to this process, but they need to be made as accessible as possible to ensure take up.

21. Collaboration of this type may be something of an alien concept, however, especially for SMEs, assistance is therefore necessary, both to promote the value of the concept and to then subsidise take-up, either through the framework of a national scheme such as TCS or one of the many more localised initiatives to be found around the country funded through ERDF etc. Embedding people in both directions is likely to be the way to build strong working relationships.

22. A number of publications have been produced over the years, either by individual institutions, by regions or by sectors promoting university capabilities. Although a good idea in principle these have been seen by some SMEs as yet another pile of paperwork to wade through. Their preference is for a real person (facilitator) to broker the interaction - expensive but probably the most practical approach for SMEs. SMEs appear to most value relationships with individuals. This does not mean that the relationship has to be with someone in a Business Link and BLOs use an active brokerage model designed to signpost SMEs to the right source of help. Given the cultural differences involved, care should be taken to ensure that those filling such facilitator posts are the right people to properly engage with business and Universities/HEIs. (Indeed, it may help to think of such persons as translators. Under TCS and CBP (Colleges and Businesses in Partnership) (for details see Annex B) SBS looks on its 'Associates' as translators who have some understanding of the knowledge being sought by the company and who are able to translate the knowledge required into 'company speak' and visa versa).

23. It is essential that the regional universities work with regional businesses (ideally whole supply chains) to address regional economic priorities. The RDAs can very usefully take this forward.

24. We acknowledge the value of incubators and science parks in nurturing and developing business start-ups, whether they be high growth knowledge-based businesses or low tech and community based enterprises and we work closely with

their representative bodies through co-sponsoring UKBI and UKSPA. Whilst wanting to ensure the availability of such facilities we also, along with their representatives, want to ensure that they are of good quality and that they are adding value. Through UKSPA we are sponsoring a study (being conducted by Angle Technology) into the role of Science Parks in helping high tech innovation led companies. The report should be published in October 2003 but draft findings will be available in mid May. We are also sponsoring the development of benchmarking and national standards for incubation managers through UKBI and SFEDI.

25. Clearly, some areas retain higher proportions of graduates within their local economies than others. If the local economy is strong and there are plenty of opportunities for graduates they will be more likely to stay on. There are concerns about how some of the proposed changes that will arise from the HE White Paper could impact on SMEs and start up/growth strategies. Some areas of the country tend to benefit less than others from spin-offs from university research. Yet if some universities in those areas choose to stop running certain courses, say science and engineering courses because of high costs and low take up, this will further reduce the likelihood that these local economies will ever benefit from research based innovations.

26. There is a read across from a number of our findings under Lord Sainsbury's current innovation review:

- The benefits of the DTI's review of business support have yet to kick in. The business support network remains fragmented and incoherent. There is much RDAs and BLOs can do in tandem to resolve this;
- The SBS/RDA BLO management pilot exercise is one sign of RDAs and BLOs working together. But RDAs (strategy) and BLOs (delivery) need to be closer together and be mutually supportive. We will be encouraging the BLOs to work closely with their RDAs to help deliver the RDAs' innovation strategies;
- A wealth of good practice and ideas exist in the business support network and beyond but it is in pockets and needs to be made more widely known;
- Awareness of available business support, whether from government, HE/Universities or other third parties, is a problem;
- An innovation education programme is needed for those working in the business support network so that innovation is fostered and promoted and the business case is understood.

### **SMEs' PERSPECTIVE**

27. We believe we can best contribute to the innovation review with a cross-cutting 'demand side' input. Accordingly, we have recently engaged with the BLOs' clients (the consumers of government business support) via a series of workshops - seven real and two virtual - throughout England (over 100 SMEs attended).

28. Each event focused on the innovation review's 'Innovation in Business Work-stream.' We sought to identify the barriers to SMEs from innovating more. A raft of issues was discussed, including the following:

- University / Business collaboration.

- Developing new products or services;
- Developing the company's strategy, vision, values;
- Developing new markets;
- Government intervention;
- Accessing new science and technology;
- Funding innovation;

### Key Comments from SMEs

29. The current innovation support situation can be described as 'could be better.' A number of schemes are regarded as working well: viz, Smart, TCS, STEP, IUKE.

30. In general, companies reported that support for innovation is:

- Patchy and inconsistent;
- Confusing;
- Lacking in specialist advice (innovation, design, marketing);
- Bureaucratic and long winded;
- Remote.

31. The HE/Business interface is seen as wildly varying and there were calls for support at all levels of the innovation /design process, not just high tech or product development, but for services also, e.g. retail, professional & legal.

32. Among things that would be perceived as beneficial would be an incentive to create mutual, self-help networks. There were calls for help with the path to market for new products and easier access to government support was needed.

### Quotes

33. The following are among the sentiments expressed at the workshops:

"We have the magic – how do we become better at commercialising it."

"Businesses can get help but they need to understand that they need help."

"Universities don't have clocks they have calendars."

34. Annex A records the most relevant comments from 3 of the workshops. These are highly representative of the general consensus at all 9 workshops.

35. Annex C is a set of innovation overviews provided by a number of the SBS DFRs. They cover South East, South West, West Midlands, East Midlands and the North East.

SBS

2 May 2003

## **SBS INNOVATION REVIEW WORKSHOPS**

### Eastern Region Workshop 27 March 2003

#### R&D Tax Credits

- R&D Tax credit not widely understood;
- Need to prove genuinely R&D then 24% back from Inland Revenue;
- Must be over 10% of time on R&D;
- SMART funding is taxable beware of claiming twice.

[Note: the points recorded above were also made at the North West and West Midlands workshops, reported on below].

#### Developing new Products, Services & Markets

- Good at identifying problems not so good at bringing to market;
- “When you know you have a problem, how do you implement the innovation?”
- Many solve the problem but do not know how to exploit the answer;
- Many people have ideas but don’t know what support is available;
- Need to research the competition;
- Always looking for new products;
- Life cycle of some components is too short;
- Make a business out of developing products early in the supply chain, crystal ball gazing – making a part of an overall product;
- Virtual products – blur between innovating product/business;
- Must use a design management process;
- Big innovation comes from a new product where no product exists;
- Not enough time free to innovate 9-5 employment;
- Market place is too small;
- Having created/ solved problem how do you get them into the market;
- Barrier is not being recognised as European;
- Cannot use grant for market research can use it for market assessment (what the market needs);
- Research – how many widgets and who would buy it;
- Early stage research funding money should be available;
- Library business information centres are a good source of market information but how many use them;
- Grant for market research would help.

#### Accessing new science and technology

- In a particular technology area you need to know which university/ professor is active in area;

- Most used Universities for research;
- Sometimes too much time was spent on something that had no intrinsic value;
- The loss of the BLOs' specialist counsellors (Innovation and Design) was mentioned several times. They were perceived as a group who were aware of all the issues concerning innovation and the management and design process.

### University collaboration

- University spin out of IPR, some are good at collaborating but some are too greedy for IPR;
- Development/proving feasibility/prototype is fairly simple, help is needed with exploitation;
- Companies do not ask for assistance.

A common view of HE establishments is that they:

- Do not understand industry or commerce;
- Are exceedingly bureaucratic;
- Are ivory towers of distant people who do not know how to speak to industry;
- Universities should have liaison officers with industrial and commercial experience within their organisations to assist in the relations between academia and industry.

### North West Workshop 1 April 3003

#### Developing new Products, Services & Markets

- Many don't know when to stop being internally innovative and go out for specialist support;
- Also they don't know when to stop the activity and the spend. This is a big barrier and it is important that the innovator finds out the viability as early as possible; need a first filter process – is the solution the a tax break on pro bono sharing of time and expertise between other small businesses?
- Loss of ideas due to cost of IPR (often larger than the potential profit);
- SMEs should only bother to take out a patent on niche products because with larger patents with greater commercial potential they may lose control and the legal costs of protecting the patent can invalidate the commercial benefit;
- Innovation is not necessarily “invention” of a new product; it is a mindset;
- Patents are expensive, suggestion to use the Patent Co-operation Treaty (PCT);
- Use the end of SMART to fund PCTs;
- People need confidence and training to innovate;
- Identify the problem – innovate the solution – “...need to make it happen in bite sized chunks”;
- SMEs need advice on partnering; “partnering/partnerships are another way to skin the cat;”
- Need for specialist understanding in market research;
- “I need help in managing the innovation process.”

### Developing people

- STEP not universally known;
- Educate the innovator to get into the market place;
- Link innovation to continuous improvement;
- There is a danger of losing the necessary balance between skills and training;
- There was an issue regarding retention – “You train them up, qualify and they then depart.” However, some valued day release for Modern Apprenticeships etc, as a staff retention tool;
- The culture of knowledge sharing should be spread across companies.

### Accessing new science and technology

- Experience is very important in providing help. Where have all the innovation and Design Counsellors gone? Too many BLOs no longer have them;
- Innovation is a thought process;
- A major blocker is the cost of the initial idea: “I always find a reality check at an early stage.” “Whatever you do, find out early if there is a big one (barrier) in the way;”
- This big barrier could be removed by sharing time and experience with others at no cost;
- Consider sharing the [Business Link Wessex] scheme called ‘The Virtual Company scheme.’

### University collaboration

- The universities currently use an e-mailing system and should be encouraged to continue this with their alumni, creating a very powerful resource of contacts and expertise. At present upon leaving university, graduates are made to give up this point of contact and the network breaks down;
- With regard to finding and selecting the most appropriate institution for a given company a central registry, easily accessed by companies (maybe through Business Links or Libraries) would be very beneficial.

### West Midlands Workshop 3 April 2003

#### Developing new Products, Services & Markets

- The Manufacturing Advisory Service is well respected for its support;
- Need for support in assessing the potential market and viability of the idea.

#### Developing People

- Not many school leavers want to go into manufacturing;
- Graduates tend to want to work for the bigger companies;
- We should target innovative companies with mentors or creating centres of excellence (Enterprise hubs or Innovation Networks);

- Few had used TCS;
- One company was concerned that their workforce were all approaching retirement age and they could not attract young graduate chemists. TCS could be a good option;
- Need proper support and management of the person;
- A view of a smaller company (5/6 people) was that a small business who needs to recruit would be better served by recruiting permanent staff even if you pay more;
- Not so good if looking for MBA when you want to innovate the business rather than your product;
- There is a distinct lack of young people prepared to enter into the manual/manufacturing trades most are not interested and, in the main, do not even take up offers of work experience in manufacturing;
- Graduates seem only to want to go into large multinationals.

#### Accessing new science and technology

- A pre-SMART support product would be a good idea;
- All SMEs agreed that they would like BLs like Birmingham who have specialist counsellors to be the filter;
- Many use Universities.

#### University collaboration

- University contact has a mixed reception within the group. It was generally agreed that you had to look for the right University with the right technology and/or speciality;
- Need Key holders or liaison officers with industrial experience to help entry to the Universities;
- Universities are generally long winded;
- Some found that the experience was a good one, but clearly dependant upon the ability to find the right partner and individual within the University;
- Most SMEs do not think of contacting HE bodies;
- The sharing of IPR resulting from an HE / joint commercial venture, is often seen as a point of conflict, where users of universities feel that they do not get a fair result;
- Most SMEs cannot afford to invest large sums in R&D and a clear form of collaboration, should be devised so that both parties gain from the exercise;
- More universities should be encouraged to exhibit at trade shows.

## **RELEVANT SBS SCHEMES & SERVICES**

Our present programme of business support in this area has been reviewed against the SBS strategy and nationally, in 2003/04, we will concentrate our resources on programmes which encourage small businesses to link with universities for the purpose of knowledge transfer and on improving the local availability of help and advice for management and skills development. In these areas we will contribute and build on work underway elsewhere in government such as the DTI innovation review and the DfES skills strategy.

The three most relevant SBS schemes in this area are TCS, STEP and Smart.

### **Knowledge Transfer**

#### TCS

TCS enables firms to take advantage of the wealth of scientific, engineering and technological knowledge and business management expertise available in the 'knowledge base'.

Each TCS Programme involves one or more high quality graduates (TCS Associates) working in a company for two years on a project, which is central to the company's needs. Representatives of both the knowledge base and the company partner jointly supervise TCS Programmes.

Part-funded by means of a DTI grant to the knowledge base partner, the company also contributes to the direct costs of the TCS Programme, but the amount depends upon the details of the specific Programme. An SME, currently, will generally contribute about 40% of direct costs (£16,000 per Associate per year) and a larger company will normally contribute about 60% (£24,000 per Associate per year).

TCS is managed throughout the UK, on behalf of the eleven Government Sponsors, by the Small Business Service and is a Business Link service.

At 31 March 2003 there were 903 TCS Partnerships with 1062 graduate places. 11% of TCS partnerships involved large companies, 32% involved medium sized companies and 57% involved small companies (15% of TCS Programmes involved micro companies ie less than 10 employees)

Government expenditure on TCS during FY 2002/03 was just over £25M of which DTI contributed just under £17M

The Final Reports on TCS Programmes that completed during the year ending 31 March 2002 suggest that on average each Associate project results in

A one-off increase in profit before tax	£ 47,000
Annual increase in profit before after Project completion	£156,000
Investment in Plant and machinery	£ 97,000
Number of new jobs created	4
Number of company Staff trained	19
Number of new research projects initiated by the research partner	3
Number of research and other papers published	2
TCS Associates offered and accepting employment in their host company	56%

*Note these figures have been derived from reports submitted by the partners on completion of each TCS Programme.*

TCS and CBP (Colleges and Business in Partnership, TCS in its Scottish, Welsh and Northern Irish guise) are being replaced by Knowledge Transfer Partnerships. In effect, KT Partnerships will combine TCS and CBP so that companies can draw on the knowledge, skills and expertise that reside in FE Colleges, HE Institutions, Research and Technology Organisations and Public Sector Research Institutes. Greater flexibility in Project length (between 1 and 3 years) is also going to be possible. The other operational elements of KTP mirror TCS and CBP.

## STEP

STEP is managed by the Small Business Service and co-sponsored by SHELL International Ltd

STEP aims to encourage SMEs to consider employing graduates and to provide undergraduates with experience in industry, thereby encouraging them to consider a career in a smaller firm.

Undergraduates benefit from an 8-week project undertaken during their final summer vacation, working on a project identified by the Host Company. There is a variation of STEP involving projects in the electronic engineering area where the project can be longer than 8 weeks and at any time of year.

Project costs are borne mainly by the host company although some of the costs may fall on local sponsors and some on national sponsors. Undergraduates receive a Student Allowance of £165 per week. Support for the infrastructure cost comes from the Sponsors.

On a local and then regional basis each STEP student gives a short presentation on their project and the outcomes. The winner in each round then goes forward to the National Final and a chance to be named the 'Most Enterprising Student (of that year ie 2002).

## Outcomes

In 2002 there were around 1200 STEP Projects.

96% of companies participating believed the benefits equaled or exceeded the cost of taking part (32% believed it exceeded)

94% indicated that the project had a positive impact on the future of their business

65% indicated that the project contributed to the development of existing technologies

66% state that the project contributed to the introduction of new processes or procedures

50% say the project contribute to the introduction of new skills

75% of companies claimed not to employ graduates on a regular basis

71% now consider that they are more likely to consider employing graduates

57% of students said that they were more likely to work for a small business in future

60% of SMEs offered STEP students some form of continuing employment after the completion of their project.

## **Smart**

The smart scheme is being re-modelled. It will become R&D grant for SMEs and Innovation capability grant -investing and innovative idea (both working titles).

## **R&D GRANT FOR SMEs**

An internal review of the delivery of Smart/R&D grant and the Enterprise Grant scheme recommended that SBS Regional Teams should work with Business Link locally and regionally to improve ways of working and improve the customer experience. The R&D element of the smart scheme is being replaced There will be four types of R&D grant:

**Micro** – 50% of costs up to £20,000 grant (<10 employees)

**Research Project** (replaces Smart Feasibility Study) – 60% of costs up to £75,000 grant (<50 employees)

**Development Project** – 35% of costs up to £200,000 grant (<250 employees)

**Exceptional Project** – negotiable up to 35% of costs up to £500,000 grant (<250 employees).

For Research and Development Projects higher percentage rates will be available in Assisted Areas. For Research Projects the percentage rate is lower than the current Smart Feasibility Study rate (75%) but a much higher grant is available (£75,000 against £45,000) – we have removed Research Projects from the “de minimis” state aid restriction which was potentially becoming a barrier for some SMEs.

R&D Grant addresses market failure of finance providers to invest in early-stage, technology-based SMEs and their projects. Evaluation evidence from Smart shows that this type of support increases productivity and produces other benefits. A separate piece of work under the Innovation Review is looking at the effect of Smart grants on the skills in SMEs.

## **Innovation capability grant -‘investing and innovative idea’**

This grant will enable SMEs to contract a mentor, and through the mentor associated expert input, to produce an action plan for an innovative product or process.

Universities may not be the prime source of mentors but many will have people capable of fulfilling that role successfully. Many more will be capable of injecting the technological consultancy into such products.

## **SBS - Best Practice Services**

*Following an internal review, it has been decided that by close 2003/04 the SBS will no longer be responsible for the delivery of the services listed below. A new delivery mechanism is under consideration. However, these services are relevant to this area so are included for completeness.*

The Small Business Service provides a range of services that is an integral part of the CBI/DTI “Fit for the Future” campaign. Aimed primarily at SMEs, they are delivered mainly through intermediaries, including Business Links, Trade Associations and other business support organisations. These include:-

**Connect ([www.connectbestpractice.com](http://www.connectbestpractice.com))** - a CD ROM-based service consisting of a series of interactive modules designed to raise awareness of particular aspects of best practice through presentations, one-to-one sessions, seminars, etc.

This versatile service has been used both in its traditional role to promote best practice to SMEs and also to deliver central messages which apply to all types of organisations, such as information on Business Excellence, Y2K, the Euro, the Minimum Wage, Exporting and the Information Society Initiative.

Other than its use by businesses, a recent development is its intended use by DfEE with schools. Another government department, DETR, is also using Connect in support of the Construction Best Practice Initiative.

**Benchmark Index ([www.benchmarkindex.com](http://www.benchmarkindex.com))** - allows companies to measure their performance compared with their competitors in 80 different areas of business activity. Whilst benchmarking has long been recognised as a powerful management tool by larger companies, the resources required to carry out successful benchmarking have typically been beyond most SMEs. The Index has therefore brought high quality, low-cost benchmarking to many SMEs for the first time.

Since coming into operation in October 1996 it has become the largest service of its type in the world, with over 8,000 benchmarks having been carried out.

At the request of the European Commission it was used in a transnational project that benchmarked over 1,500 companies across nine EU member states as part of the drive to improve the competitive performance of European SMEs.

**Inside UK Enterprise ([www.iuke.co.uk](http://www.iuke.co.uk))** - offers UK companies a unique programme of one-day visits to host companies considered to be exemplars in different areas of best practice, to try to encourage the growth and prosperity of small and medium-sized businesses.

Exchanges take place at host company premises throughout the UK and those attending join an organised group of typically 10-15 visitors. About 6,000 individual visitors per annum participate in the programme with over 140 companies acting as hosts. The methodology is effective because it relies on business helping business in a working environment. It is not government, or consultants, seeking to dictate or advise on particular courses of action.

IUKE is the biggest scheme of its type in the world and its philosophy has subsequently been adopted by a number of other countries (Holland, Germany, Austria and Spain).

## **SBS DFRs' INNOVATION OVERVIEWS**

### **INNOVATION IN THE SOUTH WEST**

The regional innovation strategy was launched by the SW RDA in early 2002 and sets out 18 specific actions to be undertaken by the RDA with its regional partners, including SBS and the SW BLOs. Since then a number of other activities and approaches have also been developed.

Current main regional activities include:

**Knowledge Exploitation South West (KESW)** – development of a major RDA funded (£3.7m over three years) initiative with the South West HEIs to improve the productivity and competitiveness of the regional economy through better exploitation of the HE knowledge base in the South West. This builds upon Higher Education Innovation Fund and Science Enterprise Challenge funding to create a more uniform platform of support for businesses.

Under this initiative the HEIs have recruited a team of specialist business advisers to reach-out into the business community to build and improve HEI/SME links. The project is led by HERDA SW – an RDA sponsored body comprising representatives from all the HEIs – and the SBS RMT sits on its main steering group. A priority has been to link the KESW Advisers with the SBS Smart Team and the wider SW BLO network to ensure effective joint working and collaboration. Additionally KESW will produce 700 learning opportunities through entrepreneurship training for HEI staff and students and lead to the creation of 70 new businesses. Its aims are supported by the “K4B” (Knowledge for Business) website which allows business to search and access the help available from the SW HEIs, theme by theme.

**“Inspire South West”** – this programme will use EU ERDF Innovation Actions funding secured by the RDA to boost the demand for innovation among regional enterprises. The SW BLOs together with other regional partners have been invited to develop bids for novel, experimental initiatives aimed at changing the behaviour of SMEs within our Region, to make them more ‘hungry for innovation’ and increase the demand for business support services, especially in Objective 1 and 2 areas. SBS and the SW BLOs are involved as members of the Steering Group and expected to be key delivery partners.

It is also planned that EDRF funding will support four regional technology panels focused on key sectors to encourage greater take up of ‘foresight’ information and various initiatives to encourage support for and interest in science and technological innovation among communities and young people.

**South West Innovation Relay Centre** – contract now managed by the RDA aiming to facilitate technology transfer agreements between South West companies and others elsewhere in Europe. For the current contract period, this work will have a strong sectoral bias, building on the RDA/BLOs work with the priority industry sector groups. The approach adopted is to focus upon innovation as a process rather than becoming too engaged with the underlying technologies.

**Design and innovation** - Design Catalogue – Design Council initiative funded and supported by SBS and SWRDA to create an on-line catalogue of designers intended to provide a platform to promote design companies in the region and to make it easier for SMEs to locate a design company that will meet their needs. Also, (historic now but...) Design in Business Week - funded by SWRDA/SBS/Design Council. Event took place in Swindon in November to build awareness of the value of design in improving company competitiveness and attracted some 300+ SME delegates. The SW BLOs were key to the successful delivery and implementation of each of these initiatives.

**Graduate Retention** – the RDA has funded a major study to inform regional efforts to retain and recruit graduates for the benefits of the South West economy. A range of projects will follow to promote work experience, raise the profile of local employment opportunities, improve the information base and improve understanding of local employer demand. SWRDA is already funding a web site (Gradsouthwest.com) in association with HERDA-SW, to provide information for graduates about life and work in the South West and has a vacancy service to put graduates directly in touch with employers in the region.

#### Other SWRDA Innovation Activities

A number of other RDA-led initiatives are planned or underway throughout the Region to support innovation, these include:

**NHS Knowledge Exploitation** - RDA providing £1,000,000 over 3 years + PSRE Challenge Funding – currently tendering for joint feasibility study with Dept of Health to build up capacity within regional NHS Trusts for intellectual property (IP) management and develop integrated network of support for IP exploitation based upon existing technology exploitation and business support organisations.

**Knowledge base mapping** – study currently underway by Arthur D Little to map and analyse the outputs of the regional research and development base to determine how this can best be developed and exploited to promote regional economic development. Will also be used to help target investment in incubators. Will contribute to the development of an industry led regional science/technology panel later in 2003.

#### Other Strategies

Innovation also features strongly in a number of other RDA strategies in which SBS and the SW BLOs are closely engaged including:

- Targeted support for business incubation units and science parks
- Developing a strategy to promote enterprise and increase the business birth-rate
- Establishing the Regional Venture Capital Fund
- Support for priority sectors in the Region
- Development of the South West Regional Observatory
- Broadband roll-out and e-commerce promotion projects

## INNOVATION IN THE NORTH EAST

The most significant publicly-funded innovation-related support in the region derives from or is driven by the innovation strategy in the RES. ONE North East have been particularly pro-active, and have taken some bold initiatives aimed at encouraging innovation. A key plank of the RES is “Recognising our Universities and Colleges at the heart of the Region’s economy”, thus leveraging in particular HEIs’ contributions to R & D given the lack of other publicly funded, or major corporate, R & D facility in the Region.

The initiatives derived initially from a report by Arthur D Little which *inter alia* identified the Region’s potential “centres of excellence”. Since then, an infrastructure is being developed, elements of which include a Science and Industry Council; five centres of excellence which have been recently established under new CEOs; and Northstar, an exploitation company to facilitate the creation of new companies around University-developed IPR. A JV with the private sector is being developed at Knowledge Campus, a centre for fast-tracking innovative product developments by the region’s SMEs. The whole package is central to ONE’s “Strategy for Success”, published some months ago and which is supported by the private sector (several leading NE businessmen are on the Science and Industry Council). A recent conference promoted the initiatives.

The Strategy for Success is beginning to percolate into the BLOs, and the Business Support network generally. However, as yet there is still a gap between the Strategy for Success initiatives and the generality of SMEs and business support organisations. Some BLOs are already targeting the new centres of excellence to develop closer working relationships, but real progress is partly dependant on ONE providing more clarity on the BLO/cluster group relationships to which the centres of excellence are effectively attached. The cluster groups are a clear link in the chain, but are at varying stages of development and engagement with business support.

The Northstar initiative will need to be better integrated with a “High Growth” company initiative run on an arms-length basis by BL Tyne and Wear, which will need access to similar expertise.

A further ONE initiative is the innovation action fund, to provide easier access to small “facilitating” sums than Smart. The scale of the grants available has now increased from the initial £5k, to fund up to £60k. There were some teething troubles between ONE and the BLOs with the flow of funds, but these now appear to be resolved. To date around 180 SMEs have benefited from the scheme, which has been run on behalf of ONE and the region’s BLOs by Business Link Tees Valley.

To launch and progress their innovation action plan, ONE North East set up a group known as Pioneer. This consisted of a number of specialists in innovation, including secondees from various places. Two BL staff were seconded for several months to develop the strategies and approaches. Pioneer has since been disbanded and its functions either absorbed elsewhere in ONE or hived off as a separate company. The BLO secondees are now back in the BLOs, but it did help to ensure network buy-in to the initiatives started by Pioneer.

The BLOs are developing, and are committed to further develop, links with the University network. Progress on national schemes, such as TCS and STEP has been limited, partly by demand, partly by similar schemes run by the Universities themselves, partly by funding limitations, and partly by some lack of knowledge by BLO advisers. All BLOs have targeted further use of such schemes, and the move to the new DTI products should help.

## INNOVATION IN THE WEST MIDLANDS

- The Regional Innovation Strategy (RIS) was developed, supported by European structural funds, during 1999. It was recognised at that time as a groundbreaking piece of work, bringing together for the first time all the public sector delivery agencies with a remit to promote innovation. The RIS research phase undertook a comprehensive mapping of the region and its capabilities, which subsequently underpinned the development of the West Midlands Economic Strategy and influenced the sectoral focus of the first RIS action plan.
- The RIS set targets for increasing by 2004:
  - the proportion of innovative firms from 60% to 90%;
  - investment in R&D, fixed capital and education and training to at least the UK average
  - the proportion of firms who engage in joint innovation activity from 50% to 90%
  - the proportion of firms who make joint investments in innovative activity from 22% to 50% and
  - to spread best practice to increase productivity to at least the UK average.
- A new RIS action plan is currently being developed. Rather than simply update the existing actions, it is taking the opportunity to identify a smaller number of key priorities and develop a programme of activities to deliver those priorities. It will also identify an ongoing programme of innovation research and development that will ensure that the West Midlands continues to match and wherever it can lead international best practice in our innovation systems.
- It is essential that innovation is woven into the mainstream activity to ensure that all can benefit from implementing innovative practices. Below are some highlights from the programmes linked to the Regional Innovation Strategy in trying to achieve this goal.
- Within the West Midlands ten priority clusters have been identified for focusing economic development. Each of the clusters is developing an action plan which includes the present and future research and development needs led by a private sector chaired Cluster Opportunity Group (COG).
- Mercia Spinner – a regional support programme to encourage spin-outs from higher education providing support for patenting, prototyping and business

plan development. Second stage funding now coming on stream for 'accelerator grants' for spin out companies in their first year of trading.

- **CONTACT** – a regional 'first stop shop' for companies to make links with HEIs funded through HEROBaC 2. Proactive brokerage model that helps companies access university expertise.
- **Lord Stafford Awards** – a regional innovation awards scheme that celebrates success in HE/business interactions. The award categories for development and achievement and being extended in 2003 to include best student business plan and best HEI spin out. Also recognised through the process is that rewards to and recognition of academics are an important part of creating champions within HEIs and a Lord Stafford Professorship for Enterprise is under development for 2003. The awards celebrate success and stimulate greater engagement by businesses by positioning the event as a 'gold standard' for innovation that companies will aspire to winning.
- **Regional innovation skills programme** – a package of projects aimed at getting students and graduates into SMEs in particular including: targeted special TCS funding to support cluster development; shorter term student placement/project development; brokered graduate/business linkages in parts of the region and support for gap year student placements.
- **Mercia Institute of Enterprise (MIE)** – Science Enterprise Challenge programme involving all the WM HEIs. The RDA is developing plans with MIE to extend its successful Enterprise Fellowship Scheme that provides bursaries to students developing business ideas into full business plans and subsequently to business start up.
- **SAIL** – a European thematic network (Strengthening Academic Industrial Links) looking at European best practice in this area. The region is also linked to other thematic networks focusing on incubation, access to finance and technology transfer.
- **Technology Networks** – a programme to link businesses in the High Technology Corridors to R&D expertise in QinetiQ and the European research organisations, as well as regional HEIs.
- **Technology Audits** – a more in depth version of the above project, proactively identifying QinetiQ technologies that could be applied to assist in SME diversification.
- **Innovation Networks** – a grant funding programme to support new product development in collaborative networks of 3 or more SMEs. This programme aims to encourage networks of small companies to form to develop a new product or service, grant aided by the scheme. The values of the programme are for easy, minimal bureaucratic access to support, focused on the priority West Midlands cluster areas.
- **Design projects** – programmes to ensure retention of design and creative graduates in the region. DesignSpace provides specialist incubation services for new design graduates starting companies; Creative Apprenticeships place a graduate with an existing designer to help grow their business; Design Bursaries will support students through a relevant MA programme to help them to become 'business ready'. For example the North Staffordshire Design Initiative is using design as the key differentiator in its total

regeneration effort and as part of that programme there will be a new product development scheme for high value added products, a designers network and a design festival to celebrate the area's growing successes.

- **PI<sup>2</sup>** – an interactive workshop based programme to engage businesses directly and train intermediaries in key innovation concepts. Aimed at creating innovation champions across the region, the programme takes a hands on approach to encouraging creative thinking, managing the innovation process and sustaining innovative culture change.
- **I-offensive** – The aim of the i-offensive is to move from the strong but supply-side led innovation system into a sustainable demand-pull model where the case for innovation is clearly demonstrated in terms that businesses can really understand. It will seek to coordinate innovation programmes operating in the region, simplifying access to information and knowledge through publications in a variety of media, including the web and more active use of broadcast media. It will (in conjunction with PI<sup>2</sup>) provide a toolkit to intermediaries for use with businesses, presentation material that partners can use in their own marketing and web resources for partners and companies to access.
- The final area of current in strategic and practical development activity is bringing together key players to develop region-wide policies that add value to partner activities including an incubation strategy, an entrepreneurship strategy and a business start up strategy.

## INNOVATION IN THE SOUTH EAST

- Priority two of the South East Regional Economic Strategy is to 'Enable Businesses to adapt prosper and grow through innovation'. There are five actions listed to reach this target.
- Support knowledge transfer into the business community. Lead partners are: SEEDA, Enterprise Hubs, HEIs, businesses and research institutes and laboratories. Ongoing action is to encourage the spin out of technologies and the commercialisation of ideas.
- Drive the adoption of best practice through networks, and ensure high quality support for business networks. This will be achieved through the encouragement of the development of value-added business networks within the region; the facilitation of the spread of best practice through network co-ordination in the region and interface with best practice networks across the country and internationally; support of the development of specific activities and projects in support of manufacturing firms, the launch of a Clusters Fund in November 2002 to support cluster development projects to encourage the development of supply chains within the regions.
- The support of rural businesses by encouraging investment in new technologies, processes and markets.

- Encourage best practice in regulation, particularly on land-use planning by establishing a regional property forum and regular bilateral discussions between Regional Assembly and main statutory agencies.
- To encourage businesses to embrace the principles and practice of Corporate Social Responsibility. SEEDA are currently developing a self-assessment toolkit.
- There are 40-60 sector networks in the SE, all with the opportunity to apply for SEEDA funding; some are also supported by the BLOs. Aero networks and tourism networks are supported primarily by SEEDA. The Marine network is supported by a Local Authority (Chichester). The Pharma-bio and media networks are supported by a combination of SEEDA and the BLOs. In addition, through Learning and Skills funds, SEEDA has supported the development of employer learning networks e.g. SEPNET optoelectronics. These networks facilitate the exchange of best practice, knowledge and information, peer support and awareness raising of the sector. There are a large number of trade bodies and associations within the region, many of which are involved in the nine sector groups.
- SEEDA have created development plans for their clusters, to ensure that they are fully operational in terms of all elements of the 'Porter Diamond', in effective adoption of best practise, particularly through 'lean' in supporting: technology transfer, networks helping with access to VC, building and servicing facilities, ensuring that industry is web-enabled, tackling skills issues.
- The FRESA does not have specific 'skills for innovation' initiatives, however, all the FRESA Strategic Objectives contribute directly to innovation. SO1 focuses on improving productivity and innovation, and SO3, which the SBS RMT have the lead, focuses on raising the supply and skills of entrepreneurs to expand the small business economy; key to raising levels of innovation.
- £2,000,000 has been committed by SEEDA to the BLOs in the South East to fund a programme of activity to develop and raise the quality of leadership across the region. This is being done through a mentorship programme, employer learning networks and the promotion of diagnostic packages delivered by the SE BLOs.
- Significant HE collaboration funded by Government money include, for example, hatcheries (Graduate Research Ideas in Science and Technology GRIST), and the Thamesway Consortium working with the Universities of Reading, Surrey, Brunel and Royal Holloway, particularly on third key issues.
- SEEDA has established 11 Enterprise Hubs, and a further 9 should be operation by end of 2003/04. The emphasis has now moved from setting up Hubs, to improving the incubation process to increase the rate of development of new companies. 328 firms are currently using Hubs. Enterprise Hubs have recently been recognised as best European Practice.

## INNOVATION IN THE EAST MIDLANDS

EMDA is drawing up a Strategic Framework for Innovation in conjunction with other regional partners. It will encourage regional and sub-regional partners to consider elements of specific importance to them and how they might develop their own action plans. The four themes of the framework are: to foster a culture of innovation; regional strengths; business innovation; and knowledge transfer.

EMDA will take a lead facilitating role in developing the Innovation Strategy and will work closely with key delivery partners including the university network via the East Midlands Universities Association (EMUA), Sub-regional Strategic Partnerships (SSPs), GO East Midlands, SBS/Business Link network, sector-based business networks which link directly into priority clusters, the RCME, business investment groups, and the DTI.

Funding will range from small-scale contributions towards collaborative activities, to major capital investment in land and property development, in order to create strategic sites for incubation and innovation. These will be ongoing activities with contributions made by EMDA, SSPs, sector networks, universities, and Business Links amongst others.

### Innovation culture

**Sector based business networks** - There will be support for these networks to encourage innovative thinking by raising awareness of the funding opportunities, and support available by offering a range of support mechanisms. This will include regular events and case studies of successful examples of business improvement.

**Creative and innovative people** – Employers will be encouraged to support life long learning and the contribution of innovative and creative employees, such as the development of new management skills and to recognise the importance of scientific and technical knowledge in developing new products.

**Science and technology graduates** - The Get on with graduates, STEP and TCS programmes will be used facilitate the transfer of technology through the links with higher education.

### Regional strengths

Science and Industry Council – **By the end of 2003 EMDA will have developed a model council to identify the strengths of the region's science base and have investigated ways of exploiting them involving the universities, public funded research organisations and the private sector.**

**Innovation Centres** – To identify the region's research strengths, develop University Innovation Centres and link internationally recognised businesses with the regional knowledge base.

**Supply chains** – Activity within cluster development to support companies within manufacturing supply chain networks to keep up with improve demands for quality and cost focusing on better management skills and workforce expertise.

#### Knowledge transfer

**Central referral mechanism** – To ensure easier access to the science base in the region. A university network task group has been established to address their ability to reach out to business.

**Regional Incubation Master Plan** – To encourage the start-up of science and technology businesses through, for example, the East Midlands Incubation Network (EMIN) and the development of a network of incubation centres through the Innovation Clusters Fund.

#### Business Innovation

**Innovation Road Map** – Creation of a web-based ‘road map’ by the end of 2003. This will guide innovators through available support and ensure cohesion between support agencies. The DTI’s Review of Business Support aims to simplify access to national support initiatives and so EMDA will work with partners to add information about regional and local support, through a tailored website for the East Midlands. There are plans for the site to be linked with EMIN and business support delivery organisations, Business Links and universities.

#### East Midlands New Technology Institute (EMNTI)

The EMNTI has been established to encourage engagement between higher and further education institutions and local SMEs to deliver training, advice and support that advance the use of technology in the workplace.

Five NTI networks, each comprising a lead institution and up to four partners, will be formed around the EMDA key cluster areas: Clothing and textiles, creative industries; health and biosciences; high performance engineering; and food and drink. Each network will invite active participation from the relevant EMDA Cluster Managers, LLSCs and Business Links.

The networks will work closely with business to identify and deliver opportunities where the benefits of implementing technology can really impact on local employers, providing not only training, but also drawing upon their well of knowledge and experience to advise and support SMEs. The NTI will fund these networks through the careful allocation of capital grants both to network members (to develop educational provision) and SMEs (to assist in the purchase of suitable equipment).

#### MEDILINK EAST MIDLANDS (MEM)

MEM is a non-profit making organisation aimed at providing a networking and information resource facility for the Healthcare sector in the East Midlands. The organisation is part of national network of Medilink organisations. It brings together the healthcare industry, NHS Trusts, hospitals, universities and other higher education establishments for mutual benefit by:

- Building the membership base
- Providing a networking resource
- Providing an information resource
- Brokering product/service development
- Transferring knowledge/mentoring
- Promoting Industry
- Developing skill base
- Creating new business
- Developing supply chains

### INNOVATION PROCESS

An ERDF Innovation Process bid has been approved and Business Link Nottinghamshire is taking the lead in rolling the programme out across the East Midlands. The Business Link is currently recruiting the contract co-ordinator and an adviser to lead in this area.

The project will identify ideas within the higher education community on SMEs with commercial potential and transfer them to the market place by providing advice to the business on new technologies, enhanced usage of ICT and market opportunities available to them.

The Business Link Network will work with EMIN and a range of existing business networks and support organisations to identify the most appropriate SMEs and match them with the source of new ideas on technological know-how. This will enable a more structured approach to support the Innovation Process, focusing on the needs of the SME.

Businesses will be encouraged to think about developing products and innovative processes within their businesses. Business Link will design & create a diagnostic tool to enhance SME business performance. This tool will be developed with EMDA.