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Richard Lambert
The Lambert Review of Business-University Collaboration
1 Horse Guards Road
LONDON
SW1A 2HQ

Direct Line	0117 9317300
Direct Fax	0117 9317150
E-mail	chief.executive@hefce.ac.uk

Lambert Review of Business-University Collaboration

Thank-you for your invitation to HEFCE to submit evidence to your Review of Business-University Collaboration. We welcome this initiative to address the demand side of joint higher education-business activity, focusing on both the needs of business and business' perceptions of how these collaborations work.

As you know, HEFCE has been active, especially in the last three years in partnership with the DfES, DTI/OST and Home Office, in developing policies and funding for the 'third leg' of higher education's role in England; in parallel with research, learning and teaching and widening access. In effect this has focused on the supply side of your Review's agenda, and has resulted in substantial progress in raising both the ability and motivation of higher education institutions (HEIs) to work more effectively with business, each other and other stakeholders.

We look forward to being able to contribute to your Review through the meetings which have been arranged between your team and HEFCE as well as through the attached response, and wish you every success in investigating this important field of endeavour.

Sir Howard Newby
Chief Executive

Introduction

The UK has been exceptionally good in generating new knowledge over many decades. However, any society which generates knowledge also needs to be good at sharing, exchanging and transferring this knowledge to the benefit of the economy and general well being of society. This is an area where UK universities and colleges have made unprecedented progress over the last 10 years. The HE-BI surveys demonstrate this in tangible terms. Almost all HEIs have now developed strategies for working with business and the community which focuses on their strengths. The range of knowledge transfer activity which flow from research and teaching is considerable and HEIs have made significant strides in the professional organisation and management of these activities.

HEFCE is the prime funding route for encouraging HE (both universities and higher education colleges) to reach-out to business and the wider community. Since 1999 HEFCE has worked closely with Government Departments and others to put in place policies and funding streams for HE to develop their capability and responsiveness to the needs of business; where business includes companies of all sizes and sectors and other organisations in the wider community. A range of funding programmes has been initiated; together these have allocated approximately £188 million to English HEIs over the period 2000 to 2004. It is Government policy to continue this as a permanent third stream of funding for higher education. The recent Spending Review made available a further £186 million to fund the continuation of HE Innovation Fund (HEIF) from 2004 to 2006.

In parallel, HEFCE has managed the HE-Business Interaction survey, now in its third year. The survey is designed to capture the diversity of interactions between the UK HE sector and business, to test the relevance and develop the robustness of a wide range of indicators and to benchmark HEIs' activity and begin to identify trends.

See annex A for further comment on each section.

Identifying best practice and examples of excellence in business-higher education collaboration in the UK and abroad

Due to the wide and growing range of HE- business interactions, HEFCE actively promotes good practice dissemination, emphasising the fact that excellence in the field can be achieved through different routes reflecting the diversity of HEIs' resources and business needs. Good practice in HEIs reaching out to business may develop into specific delivery protocols once continuing relationships have been established.

Often collaborative models are the most effective in building highly interactive relationships. For example, staff from one HEI may be involved with regional cluster formation in a specific business sector and may identify an opportunity for a company to benefit from knowledge exchange with HE. The contact may best be built upon by a partner HEI who works with the company to identify needs and link them to the range of services offered by a consortium of institutions. If the company requires more bespoke services they could be delivered by a third

HEI with the specific facilities, staff expertise, and knowledge base for example to build a strategic consultancy collaboration or TCS programme.

Comparisons are often made between UK and North American HE-business collaboration success. The HE-business interaction survey and other UK studies attempt to match indicators with those used by the annual survey of the American Association of University Technology Managers (AUTM) so as to give reliable comparison, and to help identify transferable good practice. Different legislative and funding situations mean that caution is needed. However the generic required characteristics described in *Annex A* are found internationally. Active development of long term, sometimes strategic relationships is a key aspect of good practice which minimises risk and enables achievement of a good match between the HE knowledge base and business needs.

Barriers (and enablers) to strengthening business-university relationships

From the HE perspective, barriers to interacting with business are being reduced but some common themes are;

- business timescales vary
- lack of career recognition for academics (relative to research and teaching)
- risk to academic freedom
- lack of demand, particularly from SMEs which are financially constrained
- contractual tensions, often relating to intellectual property

The first two points have been addressed by English HEIs using initial third stream funding to initiate culture, structural and process change within their institutions. For example; wholly owned consultancy companies with streamlined management and workload models for academic staff which weight third stream activity equally with other academic roles.

The generation of further demand from business, being the scope of this review, requires positive action from the DTI, Regional Development Agencies and others. It is important to correct business' perceptions that working with HE inevitably has connotations of open ended projects and little HE understanding of profit and loss in the real world. As more business-interaction support is put in place and academics receive enterprise and innovation training, the actuality and the perception of such mismatches are being steadily reduced.

Many of these concerns are being effectively addressed at the regional level. As the RDAs further develop their role, they naturally look to link HE resource and business demand for the benefits to all. The RDAs are supported by regional HE associations also, which receive HEFCE funding support and often direct input from HEFCE funded third stream professionals.

Do financial considerations currently help or hinder the relationships between business and HEIs

The special third stream funding put in place by HEFCE has provided the opportunity for HEIs to develop business-like processes and to collaborate more easily with commercial partners. However, while business is usually happy to pay a fair price for services, this may leave the charitable status of HEIs in question. There have also been concerns that HEIs are using their publicly funded position to undercut commercial providers (for example in IT consultancy) and raising questions regarding the strict controls on state aid. Arguably it is encouraging that HEIs are becoming significant competition in some areas of business support.

Evidence from the HE-BI survey suggests that while IP exploitation only generates a net profit for a small minority of HEIs, a great many generate significant income from and deliver valuable benefits through services such as bespoke training courses, CPD and consultancy.

How can businesses and universities attract the best graduates and postgraduates with the skills they require

There has been longstanding recognition within the higher education sector that one of its roles is to prepare students to contribute effectively in the workplace. Higher education is perceived as key to higher productivity in a knowledge economy but in recent years employers have voiced concerns that the sector is failing to respond to the needs of employers, both in terms of the supply of subject-specific skills, but also the quality of new graduates' generic skills and attributes, and their ability to make a smooth transition into employment. In the past five years the sector has sought to respond more coherently and explicitly to concerns about students' work preparedness through specific initiatives, in particular the introduction of vocational routes through HE; curriculum development; the adoption of institution-wide strategies and development of the capacity of institutions to engage with employment sectors in the planning of courses and curricula. Work-based learning and e-learning will be significant routes for HEIs' contribution to business in this regard.

The HEFCE has supported these developments primarily through its Teaching Quality Enhancement Fund. More recently it has appointed a co-ordination team for employability which will focus on integrating employability skills into mainstream provision across the sector. Two of the key audiences for the team will be the Learning and Teaching Support Network (LTSN) subject centres and employers and their representatives. The LTSN is already working to enable subject communities to develop links with both individual employers and appropriate sectoral representatives and to address the barriers that exist to engagement between them. The co-ordination team will support the academic community to develop this interaction but places emphasis on the need to influence employer attitudes if the enhancement of graduate skills is to be achieved through partnership between business and higher education.