



**Lambert Review of Business-University Collaboration**  
**HM Treasury**

**Final Report Response: March 2004**

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## **Introduction**

NESTA, the National Endowment for Science, Technology and the Arts, is the UK's only fund tasked with pioneering ways of supporting and promoting talent, innovation and creativity in science, technology and the arts.

We were established in 1998 by Act of Parliament, which laid down our three statutory aims of:

- Helping talented individuals (or groups of such individuals) in the fields of science, technology and the arts to achieve their potential;
- Helping persons to turn inventions or ideas in the fields of science, technology and the arts into products or services.
- Contributing to public knowledge and appreciation of science, technology and the arts.

We have chosen to achieve these aims largely through our three core programmes – Learning (formerly Education), Fellowship and Invention and Innovation. To date we have made 424 awards through these programmes and invested over £26million in supporting creativity and talent across the UK. We have become one of the largest single sources of early-stage seed funding and have a reputation for supporting highly innovative approaches to learning, involving public, private and voluntary sector partners. Moreover, our recently launched Graduate Pioneer Programme has just selected 30 graduates from the creative industries to attend an Academy aimed at developing their entrepreneurial skills. A significant number of the projects we have supported have a strong relationship with the university sector (15% of the Invention and Innovation programme, for example).

Against this background we welcome the opportunity to submit evidence on the Lambert Review on Business University Collaboration. Our focus is therefore on innovative and research-based business, and helping the creative and innovative bring their ideas to market.

## Overview

We welcome the recognition in the report of the importance of improving co-operation between universities and business. Through our experience of funding creativity and innovation, we strongly believe that the UK's future competitiveness depends on the profitable exploitation of knowledge and ideas. As a result, there are three areas where we feel the report should have taken a slightly different tack. The bulk of this response addresses these three issues:

- The focus on Science and Technology transfer at the expense of co-operation in other sectors, such as the Creative Industries;
- The emphasis on big business at the expense of SMEs; and
- The value the report places on clusters and regional developments.

## Expansion to Different Sectors

NESTA strongly supports the science-related proposals put forward in the report, for example those relating to Science Enterprise Centres. However, we do not feel that the potential for university-business collaboration in other sectors has been sufficiently explored, or at least set out in the report. Government attention on Research and Development, as well as on innovation, needs to be extended beyond simply thinking about science and technology. As an organisation set up to support creativity in individuals, and groups of individuals we feel that more emphasis could have been placed on improving collaboration and research between universities and the Creative Industries<sup>1</sup>.

In a number of Creative Industries disciplines, such as design, fashion, media and others, students' work represents a body of potentially valuable intellectual property, and we feel that more thought should be given to how HEIs might be encouraged to work with students to exploit this. This is particularly important given research carried out recently by NESTA<sup>2</sup> which demonstrates that, while businesses in these sectors are successful, and growing at twice the rate of the economy as a whole, they find it disproportionately difficult to attract investment on the open market. We feel that any actions resulting from this review into university-business collaboration should not inadvertently add to this problem.

NESTA's latest programme, the Graduate Pioneer Programme (GPP), is designed, in part, to enable recent graduates in the creative industries to commercialise their ideas. This programme has invited 30 graduates into "the Academy", a 3-week intensive course in business skills where the participants are helped to develop business plans to support their ideas. The best of these are then given £35,000 in support to enable the business to get off the ground. We are also examining other models of supporting graduate entrepreneurship in the creative industries, to establish the best way forward in this area. Current work is with the Manchester Science Enterprise Centre (MSEC), which has extended its programme to include those students wishing to develop enterprises in the area of art and design and the Centre for Fashion Enterprise, which is supported by London College of Fashion, and funding from HEIF, as well as ourselves.

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<sup>1</sup> The Creative Industries are defined by DCMS as "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property". In sectoral terms this amounts to advertising, architecture, the art and antiques market, crafts, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing, software and computer games, television and radio.

<sup>2</sup> *New Solutions to Old Problems: investing in the Creative Industries*, NESTA, 2003.  
[www.nesta.org.uk](http://www.nesta.org.uk)

We would recommend that the Government consider whether there are any elements of this programme that could be replicated by other universities.

Finally on this issue, we would recommend that, in addition to improving awareness of the Research and Development Tax Credit among those who are already eligible (as is recommended in the review) Government also considers increasing its uptake by increasing the variety of businesses which are eligible. Again, we would recommend that these should include the Creative Industries, where research and development (for example in the development of a film, a design etc) adds enormous value to the company, but currently does not qualify for this tax incentive. This mirrors the finding of the review that many of the exemplars of research-intensive businesses, particularly ones at the smaller end of the scale, are located outside of the traditional manufacturing sectors.

### **Focus on Big Business**

While there are a number of references to SMEs in the Review, its comments and recommendations focus primarily on “big business”, and what can be done to encourage collaboration between universities and large companies. NESTA accepts entirely that this is vital to the overall UK economy, but it need not be done at the expense of ensuring that cooperation between Universities and SMEs, right down to micro-businesses is encouraged. In short, more consideration should be given to stimulating collaboration between universities and small business.

As one of the UK’s largest providers of early-stage and seed capital for small businesses, we would have liked more consideration being given to stimulating research in small business. We consider that while many of the recommendations in the review may be feasible for big business, promoting Research and Development in smaller businesses may require a different approach.

This is evident in the discussion of Knowledge Transfer, notwithstanding the Review’s recommendation that priority should be to identify non-collaborating SMEs that have the potential to gain significant benefits from working with universities. The Government should give further consideration to the problems faced by small businesses in order to guarantee that they are able to access these opportunities. For example, SMEs might need specific support before they are able to bid for contracts and undertake collaborative research or consultancy.

Already they suffer from a knowledge gap – of the basic routes to gaining finance, especially specialist finance opportunities, and business planning guides. Without addressing these more fundamental problems first they will likely be left out of any opportunities that an increased encouragement in University-Business Knowledge Transfer would bring about – the benefits instead going to big business. NESTA would be very keen to work with the Small Business Service or Treasury towards implementing this.

### **Regional Clustering**

We welcome the emphasis that the Review gave to Regional Issues and Cluster arrangements, both in improving knowledge transfer and in increasing UK productivity. Though we recognise that there is an argument to be made for concentrating on the creation of a few world-class research institutes – one mainly made by large multinationals – we agree with the Review that this needs to be balanced against the needs of SMEs. And, as stated, the successes in this field has mainly been localised to the “golden triangle” of the East and South East of England. We would therefore look to ensure that, in the creation of these world-class research institutes, consideration should be given to encouraging

their development in all the nations and regions of the UK, so that businesses in these regions can benefit from collaboration with a world-class institution in their region. Perhaps the 'Renaissance in the Regions' model, developed for the museums sector by the Museums, Libraries and Archives Council, could be looked at as an example from another sector.

Within the Creative Industries we recognise that there is an important role for Cluster arrangements not only in improving the links with HEIs but also in the regeneration of communities, for example Hoxton in London and the Northern Quarter in Manchester. They are providing innovative new services and products, and developing new ways for people to interact with businesses and universities. We believe that these types of arrangements also have the potential increasingly to impact on other sectors of the economy in cross-service and cross-product innovation – thus improving knowledge transfer and fulfilling the report's stated aim of increasing university-business collaboration. Implementation of these policies should bear in mind this added benefit of clustering in the Creative Industries, and priority should possibly be given to collaboration between universities and businesses in areas in need of regeneration.

### **Further Considerations**

In addition to the three main points above, we would also like to comment on three other areas of the report:

- The requirement for additional data on student employability;
- The league table of the world's best research-intensive universities; and
- The need for increased third stream funding and the view that too much emphasis has been placed on the number of University spinouts.

#### *Student Employability*

It is clear that additional data on student employability is required. However, it is equally important to ensure that the basis for comparison between different disciplines, and institutions, is robust. An over-simplistic measure may give misleading information about the relative employability of graduates from different courses. For example, for a number of science-based courses there is a career path and a national shortage of people entering those careers. As a result, graduate employment is high, and would be so regardless of the quality of university courses. By contrast, in some arts and Creative Industries disciplines, none of these is the case, and as a result an excellent course may in fact have little impact on relatively high graduate unemployment. Without extreme care in agreeing and publishing the indicators to be used, it is feasible that this data might impact the uptake of these courses and limit the development of a potentially profitable section of the workforce.

#### *League Table of Research-Intensive Universities*

We have similar worries about the prospect for a league table of the world's best research-intensive universities. Again we support any additional data being made available – especially within arts subjects, whose research are traditionally overlooked in favour of more scientific courses. However, this suggestion needs to be balanced against the consideration that such a league table may give a distorted view of the research market – any league table must be careful to take into account the long-term benefits of research, over (say) a 20 year period, rather than only short-term research outputs.

#### *Funding for innovation*

Finally, we agree with the Review's recommendations that the Government should increase third stream funding, and in a way that enables universities to

make long-term plans. We also support the particular emphasis on proof of concept funding and share the Review's concern about University spinouts, on the grounds of their unsustainability. As an organisation that, with respect to its limited budget, invests in a large number of projects at a very early stage before deciding which to fund to a greater degree, NESTA is well qualified to feed in its experience – finding ways to ensure that more emphasis is given to creating quality rather than quantity in University spinouts. We would therefore welcome the opportunity to work with the Government and HEIs on the implementation of this proposal.

Our locus as an organisation tasked with supporting talented individuals is on supporting this class of enterprise. Through our experience in running the Graduate Pioneer Programme we are managing to build a more comprehensive picture of the value of graduate enterprises. This, and our experience of supporting projects through our Invention and Innovation programme (of which 15% are connected to universities) allows us to assess how best to translate the undoubtedly high quality research that the UK produces into commercial products or services. Our experience of mentoring and other forms of non-financial assistance could provide a useful insight into how best to improve the quality of University spinouts.

### **Conclusion**

NESTA is already acting as an advisory member of the Council for Graduate Entrepreneurship, and would welcome additional opportunities to contribute our experience to the debate on how best to implement the Lambert proposals. We were therefore disappointed not to have been consulted in the course of his preparing the report, and hope to be able to play a more active role in the future.

We would welcome the opportunity to talk in more detail about our work and use this experience to inform government policy on how best to support innovation and creativity across the UK.