UNIVERSITY - INDUSTRY COOPERATION AND REGIONAL DEVELOPMENT, EVIDENCE FROM THE UK AND THE NORTH WEST OF ENGLAND

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Final conference of the project
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Drivers for change

Consideration of HEI perceptions and realities

The HEI engagement growth model
- Infrastructure: responsive infrastructure which accommodates the business life cycle
- Business Support Services: enterprise and entrepreneurial bootstrapping
- Alignment: engagement aligned to core HEI learning objectives

Funding abundance, costs & opportunities

Conclusions & sustainability
UK & EU policy tools to address HEI knowledge production and commercial exploitation relative to US counterparts, particularly over the last decade.

Persistent market failure in the UK’s SME ‘support’ market.
- The UK’s NW is 7% of GDP (was 9% - fall of 0.7-8% p.a.)
- SMEs make up 99% of businesses, around 60% of UK jobs, and 50% of GDP.
- 32% of firms are innovative active.

Industry concerns as to the lack of commercial skills of graduates (UG, PG and PGR).

Significant public funding of HEIs (pre 2011), and a willingness to publicly fund a step change in regional economic performance.

Research Assessment and Grant appraisal increasingly focussing on the ‘impact agenda’
High transaction costs of dealing with SMEs, particularly relative to LMEs.

68% of firms are not innovative active

‘High growth potential SMEs’ make a disproportion contribution to economic development, but are difficult to identify

- 6% are gazelles
- 10% are high growth (US is 20%)

Unclear rewards but perceived risks of dealing with SMEs

- Expectations/timeframes are often out of alignment
- The boundaries of IP and complex legal remedy
- Reputation

Increasingly though, ~ 10-20% of students wish to engage in company based projects.

HEIs: 75-95% of revenue is derived from teaching & learning.
The development of ‘assets’ capable of fostering and supporting ‘enterprising’ activities.
- Low concentrations of pre-incubator, incubator and science parks adjacent to HEIs, relative to the US.

Remedy stratified business support through the development of ‘enterprise escalator models’, financed by structural funds (Bosma et al 2009)
- Pre-incubator
- Incubator
- Science Park

Support mechanisms to:
- ‘reduce perceptions of fear of failure’
- Proximity to ‘know how’
- Concentrations of economic activity which foster easier access to capital or pre-finance support.
The cooperation of Science and Business as a Factor Enhancing Innovativeness of the Lodz Region

Project with transnational component

"The Co-operation of Science and Business as a Factor Enhancing Innovativeness of the Lodz Region"
cofinanced from European Union under European Social Fund
Human Capital National Cohesion Strategy

Pre-incubator
Micro businesses
'viability'

Incubator
Small businesses
'growth & development'

Science Park
Business development

Supporting organisational growth

Entrepreneur focussed support

European Social Fund
& Government Grants

ERDF & Regional funding
SMART R&D grants

ECB & ERDF, UK Gov,
VC & Seed

Financing, leadership,
Investment readiness

ERDF & government funding

ERDF & Regional funding

Local Gov. & Privately
Financed
Pre-incubator
- £1M ERDF
- £500K ESF
- £1050 sq.mt. + £250 p.a.
- Accommodate 50-150 nascent entrepreneurs p.a.
- Network 50 SMEs p.a.

Incubator
- EDZ - £58 million over 8 years
- Typically new builds £18M invested through partnerships & £8M ERDF/NWDA.
- 120,000 sqft/13,300 sqm
- £1353 sqm + £236 (business)
- 14,000 new learners & 2,400 business engaged & 296 new jobs

Technology/Life Science incubator
- High Science - £25M, £11m RDA, £7M ERDF
- 16,000 sq.m total with 14,720 sq.m lab space
- £1698 sq.m of lab space
Multi-agency investment DSIC

- Manchester, Lancaster & Liverpool Universities, with STFC, NWDA & Council support.
- NWDA invested £50M, with Vanguard House increasing to £67M
- Plan to invest £600M over the next 30 years.

Science Parks

- Collaboration CC, Universities & Investors – 125 company tenants
Pre-incubator: Infrastructure is one component of developing viable ‘base load’ economic activity
- Tailored & general business support, training, access to finance, e-business and business development toolkits.
- Networks and international network development.

2002-6 ERDF
- £298,150. This supported 80 regional SMEs, created 64 new jobs and £4,156,000 of new sales: ROI: Job = £4,658, Sales 1:13

2005-6 ESF
- £271,190 of funding to support 50 nascent entrepreneurs.
- ROI: £5K per new entrepreneur, with a 65% attrition rate

2006-7 ESF
- £217,590 to support 40 nascent entrepreneurs:
- ROI: £5.4K per nascent entrepreneur, with a 70% attrition rate

2007-9 ERDF
- £359,785 was provided by structural funds. The intervention supported 64 SMEs, created 49 new jobs and £5.3M of new sales.
- ROI: Job = £7,342, Sales 1:15
STAGE: ALIGNMENT TO TEACHING & LEARNING OPPORTUNITIES

- **Innovation vouchers/creative credits - ERDF**
  - 100 SMEs assist for ~ £500K
  - £3K up to £10K (with £3K from SME)
  - Follow-on funding
    - Proof of market - £5-10K
    - Micro Project grant-GRAND £50-250K
  - Activity split between academic & student (MBA/PhD).
  - Cultivates new relationships between University & SMEs.
  - Low administrative burden with ‘win win’.
  - Low deadweight & low fall out weight
  - Marginal growth effects (initial assessments).

- **UNITE – ERDF - £3.8M**
  - Multi-partner student placement with SME – 20 days of activity for £930.
  - 2010 and 2013 the project assisted 1300 SMEs (£3K per assist), creating 340 jobs (£3.5K) and safeguarding a further 305.
CONCLUSIONS

- Underestimate time to cultivate economic activity & ecologies – well beyond the grant boundaries of ERDF and ESF timescales.
- High intervention costs - £3K to £7.5K per intensive assist.
- Multiple grant applications to sustain protracted periods of capability building.
- Potentially low HEI engagement levels with SMEs.
- GVA remains relatively unchanged.
- TEA remains relatively unchanged.
- With developed enterprise ecologies there are a number of benefits:
  - Modest diversification of revenue streams
  - An array of micro, SME and LMEs with which to undertake research
  - Improved grant rates for EU and UK funding: 1:3 as opposed to 1:5
  - Improved reputation and increasing prominence in regional policy.
- ‘Interventionist strategies’ vs. ‘Deadweight, displacement, and opportunity costs’ require further research.
- ‘Perception’ appears to be the primary determinant of TEA – goals of the EU are to remedy this over the next decade.