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Submitted to **Innovate UK's Integration with Research UK**

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Introduction

1 What is your name?

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INNOVATE UK'S INTEGRATION WITH RESEARCH UK – STAKEHOLDER ENGAGEMENT

4 What do you see as the main benefits of the integration of Innovate UK with Research UK and how will integration provide opportunities not currently available, or taken, to increase innovation?

Use this box to type in your answer:

AIRTO's position on integration of government funding structures is that such changes may be appropriate in pursuit of simplification and efficiency, but only where there is: a clear business case; evidence of clear benefits; a likelihood that tangible efficiency savings can in practice be achieved; and an implementation plan that demonstrates that serious risks, including adverse and possibly unintended consequences, can be avoided.

Britain has a large and thriving Innovation, Research and Technology (IRT) sector, which contributes significantly to our national capabilities (1), with the economic impact for UK plc now estimated to stand at £32-36 billion per annum. The organisations that AIRTO represents are a significant component of the UK's innovation ecosystem, but differ from universities in their primary objectives, strengths and capabilities, which are centred on commercial translation of applied research. Both universities and IRT sector organisations have vital and complimentary roles to play in leveraging publically funded research to drive economic growth. The best outcomes for the UK will be achieved by supporting these two crucial sectors, working together, to operate at the technology readiness levels where they excel.

However, in the case of the proposed integration of Innovate UK (IUK) with Research UK (RUK), the potential benefits seem to be very generalised, unspecific and not very tangible. As far as Innovate UK itself is concerned, the risks of damaging a system that has long been called for, which has taken much effort to establish, that is critically important for the UK and which is now working well, seem to be considerable. Certainly there does not appear to be a strong business case for integration.

Generic benefits could possibly include:

- Opportunities for better communications between IUK and the research/academic community.
- Closer alignment of processes, research themes, sector priorities and policies spanning the innovation and research communities.
- Greater interdisciplinarity in approaching support for research and innovation and stronger business influence and drive in determining research priorities (but note that this could go the other way with IUK becoming a research driven technology transfer agency for academically determined research).
- Improved mobility and broader development of staff. Greater flexibility of staffing.
- Possibly more flexibility in funding allocations, yielding additional support for IUK (but which could also go the other way to the disadvantage of IUK). It might also help to widen access to Research Council funds, to other independent research providers (such as PSREs) for example. The concomitant risk is that IUK funds might become harder to access for non-university organisations.
- Possibly more protection for the IUK budget within the science ring fence.
- Possibly improved routes for engagement with universities for the innovation community.
- Resource savings/efficiency improvements in back office functions (though these are likely to be very modest and should not be seen as a primary rationale for integration, given the risks outlined in our response to Question 4 below - careful consideration should be given to the possibility of unintended consequences that could adversely impact parts of the research and innovation ecosystem that are working well and which are highly valued by stakeholders. IUK is one such very important part).

Reference 1: The impact of the Innovation, Research and Technology Sector on the UK Economy; Oxford Economics, November 2014.

(http://www.airto.co.uk/wp-content/uploads/2015/08/airto_oxford_economics_2014.pdf)

5 What are the main risks for both business and research of the integration of Innovate UK into Research UK?

Use this box to type in your answer:

The government has invested significant time, energy and public funding in establishing a strong innovation agency for the UK, beginning with the establishment of the Technology Strategy Board (TSB) to support the development of innovative technologies and products over a decade ago. This is an area where high levels of risk and financing constraints have typically held back the development of new products and services to the detriment of the UK's economy. After

decades of relative neglect by previous governments, this support for the innovation ecosystem has been widely welcomed by businesses and researchers alike.

This has pushed the UK up to second in the Global Innovation Index rankings (2). Proposed changes to the UK's innovation infrastructure and resourcing must therefore be very carefully thought through, planned and communicated to avoid damaging the UK's innovation performance and its popularity and reputation with technology intensive global businesses. In particular the government needs to demonstrate that it can continue to manage its investment in innovation in a competent, expert and knowledgeable manner. This will be necessary in order to retain the confidence of businesses investing and creating jobs and wealth in the UK.

Having a clear, separately identifiable, business lead body to engage industry, SMEs and the public sector in working together to address the innovation gap has been a huge step forward, demonstrating the government's clear commitment to making the UK a world leader in innovation. This should not be jeopardised by absorption of IUK into a much larger academically lead entity.

Furthermore, it is clear to AIRTO that innovation does not follow a neat and simple linear model that translates technologies straight into products from the fruits of academic research. Innovation is not simply the process of invention. Innovation is a highly complex non-linear process taking its inputs and drivers from a variety of different sources, many of them originating in business and industry. The innovation process is usually complex, involving many partners, disciplines, barriers and challenges, and requiring expert commercial consideration each time a funding and investment decision is required. This is a very different process from that underlying the handling of academic research programmes.

Simply drawing the BIS innovation and research portfolios together under one roof while protecting the distinctiveness and success of IUK will not necessarily yield much in the way of simplification at the process level or performance improvement. In fact it may well risk diluting and diverting the focus of IUK away from its business lead mission. Integration might result in some unintentional drift in IUK's mission, such that its focus could become fully centred on science and technology based innovation, to the detriment of striving to stimulate broader innovation e.g. in business models, supply chains and broader aspects of business. Overall it is not evident that the change has been called for or encouraged by stakeholders in either business or research communities; in fact quite the reverse seems to be true.

Specific risks include:

- Loss of confidence by business and industry if sufficient benefits do not materialise and IUK's focus moves more towards exploiting academic research outcomes.
- Loss of IUK agility, speed of response, efficiency and effectiveness if, as seems inevitable, another layer of governance and bureaucracy has to be added on top of the current management. This would seriously deter business and industry from engaging.
- Failure at the top level of the integrated body to understand and take account of the marked differences in process between handling innovation and academic research programmes – as referenced above, there is no simple linear model to translate a technology straight from research to product - research and innovation programmes serve different purposes, Trying to achieve a mixed mission for RUK/IUK risks creating confusion all round.
- Dilution of IUK's strong messages to business (and thus dilution of the government's message that innovation is key to achieving growth and productivity goals).
- Loss of IUK's identity, which would send a negative message to business, particularly if companies consider that they will be forced to work more closely with academia in order to address their innovation challenges and obtain support.
- Lack of clarity on leadership – the leadership and management of IUK needs to be business focused rather than academically focused, but it is hard to see how this could be achieved with integration into a much larger research and academically focused organisation.
- Application of inappropriate management processes. Procedures used by the Research Councils to award grants are very different from those used by IUK and inappropriate for innovation activities. It is vital that these differences in procedure are recognised and protected to ensure that IRT sector organisations can continue to access IUK resources.
- Discouragement of SMEs. IUK has a particularly good track record at encouraging and engaging with SMEs and it is generally well-regarded in the SME community. SMEs find it much harder to engage with universities and they will be particularly sensitive to any loss of service and support for their needs, which typically include clarity of commercial focus, speed of response and agility in mechanisms for providing support.
- Distraction from opportunities to engage with the wider field of innovation stakeholders beyond RUK, including for example other departments of government and other partners within BIS (such as the UK Space Agency for example).
- Loss of a separate, strong and distinctive voice to advise government on innovation related matters and to contribute to policy formulation. This would lose some of the tensioning between research and innovation and between academically and business led viewpoints. It would overall risk losing diversity of contributions to thought leadership in the research and innovation ecosystem.
- The hazards inherent in efforts to force differing cultures together are well known and frequently result in failure or domination by one of the parties. In this instance it seems highly likely that the innovation component would be subordinated to the academic research component in the integrated organisation, a perspective reinforced by the call for a senior and widely-respected great scientist of international standing to lead RUK.

Reference 2: The Global Innovation Index 2015: http://www.wipo.int/edocs/pubdocs/en/wipo_gii_2015.pdf

6 Are there any specific issues Government should consider when looking at the practical arrangements of integrating Innovate UK into Research UK?

Use this box to type in your answer:

- Strategic clarity is needed – setting out a clear purpose, vision, business case and measurable strategic objectives for the combined operations.
- Government needs to be aware of and establish transparent means for reconciling tensions between the innovation and research communities both within the integrated body and between external stakeholders in business and academic research. It must balance the dynamics of technology push and market pull.
- A clear leadership and organisational structure needs to be set out, with a strong focus on leadership of the innovation portfolio that is business rather academic in orientation. Reporting lines within and beyond the integrated body must be made explicit and great care must be taken in populating the senior levels and selecting the overall leadership for the combined operation; there could be a lot to be said for selecting a senior and experienced individual from industry to lead.
- IUK needs to remain outward looking and must not be submerged by additional bureaucracy.
- IUK must retain its own strong mission, resources, brand and identity.
- An effective explanation of the compelling reasons for the integration, the strategy and the operational details must be presented to all the stakeholders to avoid

the appearance of a complete takeover of IUK by the research community. An alternative to the name "Research UK" should be considered to emphasise that the new organisation is driven by more than academic research and its subsequent commercialisation.