

10 September 2008

The Secretariat - c/o Isabell Donnelly
Joint Future Thinking Taskforce on Universities
Higher Education Futures and Research
The Scottish Government
Europa Building
450 Argyle St
Glasgow G2 8LG

Dear Isabell

NEW HORIZONS: JOINT FUTURE THINKING TASKFORCE ON UNIVERSITIES

Scottish Enterprise welcomes the interim report of the Joint Future Thinking Task Force as an important step forward in redefining the relationship between the Scottish Government and Scotland's universities. We are encouraged that the report sets a direction that has enormous potential - if fully and properly followed through - to optimise higher education's contribution to increasing sustainable economic growth.

We believe that the following three key actions need to be taken if we as a nation want to achieve a major step change and really exploit the economic opportunities that already exist:

- We must collectively create the conditions that will strengthen relationships, collaboration and connectivity between business, universities, Government, the Funding Council and Scottish Enterprise;
- We must prioritise public sector investment in a way that targets barriers to economic growth, including stimulating business demand and maximising commercialisation opportunities; and
- We should increase the exploitation of Knowledge Transfer and Intellectual Property for economic benefit.

The Government's Economic Strategy emphasises the importance of making the most of Scotland's human capital and broadening out the country's competitive advantage. Scotland's universities provide the country with distinctive global advantages in the supply of both human and intellectual capital. We believe that Scottish Enterprise's relationship with business, particularly in Scotland's key sectors, can be more fully exploited in collaboration with the Scottish Funding Council and Scottish universities to help turn these strengths into global competitive advantage in a number of key areas such as life sciences, informatics & computing and renewable energy – all areas where Scotland can be a world leader both academically and economically.

Balancing Supply and Demand

The Taskforce's Interim Report sets out clearly the current strengths of Scotland's universities and their importance to Scotland's economy. However, the report also recognises that these strengths are not reflected in the relative performance of the Scottish economy. Attention is rightly drawn in particular to the challenge of increasing demand for knowledge from Scotland's business base. This challenge is true for both **research** – *“Absorptive capacity is the ability of businesses to absorb external knowledge and for that knowledge to be translated into commercial processes, new goods and services. There is evidence to suggest that this is relatively low in indigenous Scottish firms”* (p18) – and **learning** - *“It does not matter how skilled the population is unless there is demand from businesses for new, higher skills.”* (p17).

In striving for a step change in Scotland's economic performance, we believe that the Scottish Government must make resource prioritisation decisions that balance the requirement to maintain and grow Scotland's areas of strength (supply of knowledge) with the urgent need to address the barriers to economic growth (business demand for knowledge). Universities undoubtedly have a key role to play in knowledge transfer, but the major missing ingredient is the capacity of Scotland's business base to turn knowledge into increased innovation, productivity and growth. Addressing this gap will require the right levels of investment to (a) stimulate business demand and (b) support the post-academic R&D required to deliver successful commercialisation outcomes for the economy.

Enhancing Knowledge Transfer

We believe strongly that the country must develop the best possible mechanisms for delivery of a step change in performance in the area of knowledge exchange and exploitation of Scotland's intellectual property (IP). Continued excellence in the generation of IP is a necessary but not sufficient condition for increasing sustainable economic growth. More emphasis needs to be placed on exploitation and commercialisation. The key challenge for Scotland is to develop a collaborative approach between business, universities and the key agencies aimed at increasing the exploitation of IP for economic benefit.

Much needs to be done to make knowledge exchange more geared to market opportunities, to build business demand and to allow and indeed encourage exploitation of IP generated by public funding. Maximising the extraction of economic benefit for Scotland from IP developed through public funding in Scotland requires the Scottish Government, its agencies and the universities to secure a route to commercial exploitation that prioritises economic benefits.

Funding a Step Change

Achieving a step change in Scottish business's absorptive capacity and the encouragement of greater collaboration is unlikely to succeed through the application of a formula driven General Fund for Universities. There is a need to further incentivise collaboration with business around both spin-outs and strength of partnership with industry, particularly with those businesses and sectors in Scotland that have the ambition and capacity to be globally successful. It is these businesses and industries that have the potential to place a disproportionate demand on universities, in both research and learning, and where academic-industry partnership can bring the greatest contribution to increasing Scotland's sustainable economic growth.

It is also important that the Horizon Fund for Universities is of sufficient scale, value and impact to secure the change required to allow universities to work more effectively with Scotland's business base. The Horizon Fund can play a key role in:

- incentivising the need to better understand and respond to the requirements of Scotland's key sectors in the area of skills and employability;
- supporting the building blocks of world class research and research pooling which underpin industry competitiveness in areas such as life sciences and informatics;
- focussing on investment that builds knowledge industries of scale through consolidating and building enhanced access to knowledge transfer between universities and industry.

We believe that, if the Horizon Fund is to lever step change, it must stimulate new approaches focused on the opportunities within Scotland's key sectors.

Higher Education as a Key Sector

The Interim Report proposes that higher education is recognised as a key sector in its own right in the context of the Government Economic Strategy. The Strategy acknowledges the importance of taking advantage of the opportunities presented by Scotland's strengths in public sector dominated sectors such as education and the higher education sector is undoubtedly crucial to the success of all of Scotland's key sectors. However, we are unclear what advantages lie in higher education (as a largely public funded sector) being recognised as a key sector. It will be particularly important that any such move does not deflect higher education from its important role working across the existing key sectors.

Scottish Enterprise's Contribution

Scottish Enterprise is keen to work with the Scottish Funding Council, the universities and the business sector to build the effective collaboration required to ensure the knowledge generated by Scotland's universities can raise the levels of innovation, productivity and growth in Scotland's economy.

Working with industry leaders in both Scotland and overseas, we can help to identify the areas of greatest potential for Scotland. We recognise the value in aligning our resources and investment with those of other agencies to gain the maximum possible impact. We have also been leading the creation of Advisory Groups for Scotland's key sectors that can support the stimulation of demand.

There are already specific initiatives that demonstrate the power of collaboration in areas of opportunity and potential, including:

- The **Translational Medicine** Research Initiative is the World's first partnership in translational medicine, combining commercial, clinical and academic expertise to better understand a wide range of diseases such as diabetes, cancer and stroke. This collaboration (between US pharmaceutical giant Wyeth, four Scottish Universities, the National Health Service across 4 NHS Boards, the Chief Scientists Office and Scottish Enterprise) has to date generated 14 top tier commercial opportunities and is releasing the value

from these via two routes - direct application by Wyeth and through releasing IP for exploitation by existing or new businesses.

- **Informatics:** Prospekt is at the forefront of the commercial exploitation of informatics research at the University of Edinburgh. The programme, part funded by Scottish Enterprise in state of the art facilities, brings together the University's research excellence with global industry market demand (drawn in from major private sector partners) to exploit unique future technologies to create significant additional economic value Scotland. In the first 18 months, 14 enterprises have been generated, significantly increasing the department's commercialisation output.

In addition to a focus on those transformational projects that can help generate a step-change in Scotland's competitive advantage, Scottish Enterprise has strong one-to-one relationships with businesses across lowland Scotland that have the greatest potential to contribute to increasing Scotland's economic growth. These relationships can be harnessed to help build the absorptive capacity essential to ensure Scotland's economy benefits from the human and intellectual capital generated by the country's universities.

I hope these comments are helpful. Scottish Enterprise looks forward to working closely with the universities, the Funding Council and the Scottish Government in taking forward the outcomes of the Taskforce's valuable work.

Yours sincerely

Hugh Hall
Acting Chief Executive