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House of Commons
Science and Technology
Committee

**Research Council Support
for Knowledge Transfer:
Government Response to
the Committee's Third
Report of Session 2005–06**

Fifth Special Report of Session 2005–06

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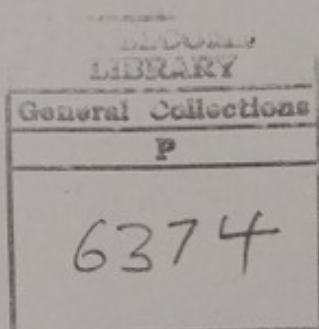
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Fifth Special Report

On 15 June 2006 the Science and Technology Committee published its Third Report of Session 2005–06, *Research Council Support for Knowledge Transfer* [HC 995–I]. On 5 October 2006 the Committee received a memorandum from the Government which contained a response to the Report. The memorandum is published without comment as an appendix to this Report.

Government Response

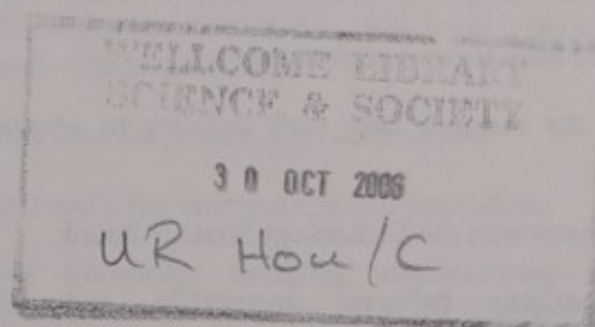
Introduction

The Government welcomes the Committee's Report on Research Council Support for Knowledge Transfer, published on 15th June 2006. Knowledge transfer has rightly been given a high profile in the Government policy set out in the 10 Year Framework for Science and Innovation and more recent updates of that Framework.

The Government welcomes the Committee's recognition of the importance of knowledge transfer and the acknowledgement that it can grow in tandem with research excellence. In parallel with this enquiry, Peter Warry led an Economic Impact Group which reported to the Director General of Science and Innovation on 14 July 2006. The thrust of that study is generally well aligned with the findings of the Committee and, together, these reviews provide helpful guidance to Councils on the future direction of their work.

As the Committee recognises the Research Councils are amongst many organisations in the UK supporting and facilitating knowledge transfer. Success in strengthening knowledge transfer and in the economic impact of investments in research will depend upon the active participation of business and other research users, universities and research institutes and key intermediary organisations. Research Councils have key leadership roles in both the excellence and the economic impact of the research base.

The Government's response to the Committee's individual recommendations is set out below, much of which has been prepared by Research Councils UK (RCUK) in association with the Research Councils. The Government endorses RCUK's responses, which are shown in *italics*.



Role of the Research Councils

1. The Research Councils have an important role to play in adding value to the research supported across the UK and we welcome the Research Councils' commitment to support knowledge transfer. (Paragraph 19)

As major investors in UK research and postgraduate training, the Research Councils are committed to maximising the effective exploitation of knowledge through the movement of people and ideas for economic and social good. This responsibility extends beyond the Research Councils' immediate support for research training and knowledge transfer to leading a UK research base which values innovation and places an increasing emphasis on the application and exploitation of research.

A large number of organisations are involved in knowledge transfer, including Research Councils, Funding Councils, Universities, Public Sector Research Establishments, RDAs and the Technology Strategy Board. These organisations or groups have distinctive and interconnected roles and responsibilities. It is important that these roles are clear and, where appropriate, coordinated. For example, when Research Councils allocate money to Universities for research, the intellectual property which flows from the research belongs to the University and the University has primary responsibility for exploiting it. In recent years, the Government has encouraged Universities to put more emphasis on knowledge transfer through the Higher Education Innovation Fund and this has been highly successful.

The Technology Strategy Board has a major role in delivering Government support for user driven research in areas of specific interest to business. The Board consists mainly of industrialists and venture capitalists. It is therefore very well placed to fund research for the direct purpose of creating wealth and jobs.

The Government agrees with the Committee that Research Councils have a unique and important role in funding research of world class excellence. But they have a further important role in delivering economic impact from that research, either directly or by encouraging the wider research community to become more aware of the economic potential of their work. These two roles for Research Councils are interrelated and not in conflict. Knowledge transfer activities vary from Council to Council depending on the nature of the research and the characteristics of the user communities. For example the relationship between the creative industries and the AHRC will be rather different to the relationship between the pharmaceuticals industry and the MRC. But a number of responsibilities feature prominently in the work of many Councils. These include:

- i. knowledge transfer from their own institutes;
- ii. collaboration of the research base with industry to advance the frontiers of research;
- iii. co-funding of projects with the Technology Strategy Board;
- iv. funding collaborations between universities and other Government Departments such as DEFRA and MoD;

- v. providing policy analysis and advice to Government Departments and other public bodies;
- vi. training highly qualified people for the labour market (we believe this is the largest component of knowledge transfer);
- vii. follow-on grants to explore the commercial potential of research results;
- viii. the effective deployment of the Small Business Research scheme;
- ix. business plan competitions which give researchers first hand experience of commercial issues.

The ten year framework on science and innovation provides a coherent structure for this wide range of work. Each Council must agree with the Director General of Science and Innovation plans and goals for increasing the rate of knowledge transfer and their level of interaction with business. These goals have already become an integral part of the performance management system for Research Councils and their performance against the goals informs the spending review.

Professor Philip Esler, the Chief Executive of the Arts and Humanities Research Council (AHRC) has, on behalf of the Chief Executives of all of the UK Research Councils, taken responsibility for championing and driving forward this ambitious agenda.

Co-ordination of UK support for knowledge transfer

2. We are not convinced that measures put in place to facilitate national co-ordination of knowledge transfer are sufficient and we believe that there is a need for coordination between all UK funders of knowledge transfer to be enhanced. We recommend that the Government takes the necessary steps to ensure a co-ordinated knowledge transfer strategy. We recommend that the Research Councils lead the development of a strategy through which engagement between all organisations currently involved in support of knowledge transfer can be enhanced. We consider that there is a particular need for increased engagement between RDAs and the Research Councils. We call on the Research Councils to develop effective working relationships with all RDAs, strengthening links where necessary, disseminating good practice and supporting RDAs in building up their expertise (Paragraph 25).

The Research Councils' action plan for tackling the issues raised in the "Increasing the Economic Impact of the Research Councils" report sets out the Research Councils' intention to establish and lead a new national partnership which will bring together the leading players in the knowledge transfer arena, specifically:

- *the users of research from the private and public sectors*
- *the university sector and other national research institutions*
- *intermediary and knowledge brokering organisations, including the Regional Development Agencies and their counterparts in the Devolved Administrations*

- the public funders of research and training including the Research Councils, UK Funding Councils and the Technology Strategy Board

The aim is to provide a high-level strategic forum in which to address actively the real and perceived barriers to innovation, particularly business-university interactions, as well as spreading best practice. Initial discussions have already taken place with several organisations and it is anticipated that this new partnership will be launched by the end of 2006.

The Research Councils agree that there is a need for greater consistency in their relationships with the English Regional Development Agencies and their devolved equivalents. This will be addressed at a strategic level via the forum outlined above, through continued engagement via membership of the Science and Industry Councils, the RDAs Regional Innovation Science and Technology Group (RIST) and through Research Council-RDA collaboration on specific initiatives.

The current landscape shows a rapidly growing picture of many and varied interactions. SEEDA estimates that they are currently engaged in more than 50 projects with the Research Councils and the Councils' own mapping of RDA collaborations suggests that nationally there several hundred collaborative activities underway or being planned. This growth in partnership working reflects the establishment of the RDA Science and Industry Councils and the development of their knowledge transfer strategies. In addition the Research Councils and RDAs' are now using the additional capacity building funding provided by Government (£5M from 2006-07) to fund a wide portfolio of activities including new posts focused on business collaboration, strengthening and establishing networking activities, and brokering events.

The Director General Science and Innovation in OSI will meet representatives of the stakeholders described above once a year, to review the effectiveness of knowledge transfer coordination between them.

The Research Councils' view of knowledge transfer

3. We welcome efforts to develop a clear, cross-Council understanding of what the term 'knowledge transfer' should mean to the research community. We urge the Councils to clearly communicate what is and isn't included within their view of knowledge transfer. (Paragraph 29)

The Government acknowledge the term "knowledge transfer" has different usage in different parts of the research community. The understanding of the term continues to evolve. The Warry Report took this a step further by considering the economic impact of research and knowledge transfer activities.

As indicated in the published action plan, effective communication about Research Council knowledge transfer activities and the impact of their expenditure is a priority for the future.

4. Whilst we accept that the Research Councils may sit at the 'push' end of the research chain, we are concerned by the perception that they are not interested in the requirements of industry. We urge them to address this perception and to ensure that

user requirements are fully considered when determining funding priorities. (Paragraph 32)

Collective response to recommendations 4 and 6

The Research Councils value the views of all of their stakeholders and take seriously the Committee's concern that some users perceive that their views are not heard.

Industry and other user representatives are prominent amongst the membership of each Council's decision making and advisory bodies. The membership of every Research Council, which determines the overall strategic direction and funding priorities at the highest level, includes a number of industry or user representatives, coming from a wide spectrum of R&D intensive companies including Rolls Royce plc, Microsoft Research Ltd, and GlaxoSmithKline. Additionally, as part of their advisory mechanisms Councils operate some form of high-level user group or committee. Representatives from relevant industrial sectors are involved in these groups. More broadly, all Councils use a variety of means to listen to the views of their stakeholder constituencies. For example, many hold open Council meetings and all consult with their stakeholders during the development of their science and research strategies and on major investment decisions. Increasingly Councils are also using surveys to seek the opinions of their stakeholders.

At the more operational level, industry and other user representatives are engaged during the development of collaborative research initiatives or programmes and are members of peer review colleges or peer review committees and panels. The Research Councils are also using high-technology procurement to stimulate innovation by raising businesses awareness of the opportunities available in the construction and use of research facilities, with BBSRC, CCLRC and PPARC working together (with UKAEA and DTI) through a new Knowledge Transfer Network.

A number of activities outlined in the action plan for "Increasing the Economic Impact of the Research Councils" will help to tackle the concerns raised. These include:

- *proposals for a national partnership for knowledge transfer outlined above*
- *the provision and publication of comprehensive information on the nature and level*
- *of research funding that is directly relevant to user need*
- *a review of engagement and interactions with industry and business*
- *the development in partnership with industry and other users of a number of*
- *economically relevant "research missions",*
- *user community satisfaction surveys for all Councils*

The number of licensed biopharmaceuticals is forecast to grow at a rate of around 20% per annum. However such biological drugs are large and complex molecules which require sophisticated manufacturing methods. BBSRC and EPSRC have worked closely with the biotechnology and pharmaceuticals sectors to identify the generic research challenges, where greater understanding will improve the ability of companies to manufacture efficiently. In

2005 18 companies agreed to co-fund a £14M initiative with the Research Councils, where research objectives are based on industrial need. Representatives of participating companies are closely involved in research funding decisions. Proactive management of the programme ensures that companies are made aware of relevant research developments as they arise.

5. We welcome the effort made by the Research Councils to set out future knowledge transfer priorities within their Delivery Plans. We find that some of the Research Councils have taken a narrow approach and that consequently, their Delivery Plans do not reflect the wider view of knowledge transfer. (Paragraph 35)

The Research Councils and RCUK published their revised delivery plans for 2006-07 to 2007-08 in May 2006. Each of these reflects the definition of knowledge transfer outlined above and all include information on collaborative research and training, flow of knowledge and people and commercialisation. Future delivery plans will be developed in the light of the increasing economic impact action plan.

Engagement with stakeholders

6. We are concerned by negative perceptions of Research Council communication and engagement with their stakeholders. We urge the Research Councils to take steps to engage business users more effectively. It is important that the Councils clearly consult and act upon the views of all stakeholders, addressing the perception that they are only interested in informing them. (Paragraph 38)

Please see the response to recommendation 4 above.

7. We believe that there is a need to enhance SME-Research Council engagement considerably. We recommend that the Research Councils are more proactive in their engagement with SMEs, recognising that very distinct challenges must be overcome if SMEs are to be successfully involved in knowledge transfer, for example in collaborative work with universities. (Paragraph 40)

The Research Councils work with, and through, the RDAs and their counterparts in the Devolved Administrations and through trade associations and Knowledge Transfer Networks to raise awareness amongst SMEs and those in low R&D intensive sectors of the benefits that the research base can offer. This includes organising joint events with RDAs to target regional businesses and using the RDAs to identify new business partners for collaborative research and training activities funded by the Research Councils. Given the widely differing needs of different sectors and companies, the Research Councils are committed to offering flexible support through their Small Business Research Scheme. This supports activities such as collaborative research between a business and university funded through Research Councils' responsive mode. As companies are able to choose their level of support and engagement this can be particularly attractive to SMEs who are able to get involved with research projects, often with a local university, without being required to make a significant financial contribution. Other opportunities enable SMEs to become part of consortia through supply chains or through clubs organised by intermediary approaches such as Networks and Trade Associations.

However, engaging the SME sector presents specific challenges, because a significant number may not have the experienced people or resources to seek out and establish potentially

valuable collaborations, and the time horizons for such enterprises tend to be short and potential projects focused on very specific problems or products. The Research Councils recognise the need to stimulate SME-HEI collaboration further, as well as continuing with their own activities look to work with the RDAs to develop better and more visible networking mechanisms and brokering arrangements, as well as identifying and promoting best practice.

Balancing priorities

8. The Research Councils knowledge transfer agenda, whilst important, should not detract from their main priority, the funding of basic research. The Research Councils should challenge the perception that research funding is at risk by clarifying and clearly communicating future financial allocations and plans for knowledge transfer. (Paragraph 45)

The Government believe the funding of research and of knowledge transfer are interrelated activities. With the growing emphasis on economic impact described above, much funding of research will have direct relevance to knowledge transfer objectives as well.

The Research Councils welcome the clear statement by the Committee and also in the Warrar Report that "the Research Council's primary task is to deliver excellent research" and that an increased emphasis on knowledge transfer and the economic impact of Councils' work must not come at the expense of sacrificing research excellence. Research Councils are confident that the growing emphasis on the economic impact of their work is both desirable and compatible with their commitment to research excellence.

Information about future plans and investments is included in each Council's revised delivery plan as well as in the economic impact action plan.

9. We remain convinced that the main role of the Research Councils is in the support of basic research. We accept that there is a blurred line between basic and applied research and we acknowledge Research Council use of the term 'frontier research' to describe the research they support. We still think there is value in use of the terms 'basic' and 'applied' research. The Research Councils need to take steps to ensure that they are recording sufficient information about the research they are supporting to enable them to rapidly respond to concerns about funding levels for basic and applied research. (Paragraph 47)

The Government agrees with the Committee that a major role of the Research Councils is to fund underpinning blue skies research. However, in the context of securing maximum public benefit from the funding of research, either in terms of direct economic benefit or wider public good, it is necessary to recognise that many projects which start as blue skies research lead to unforeseen applications during or after the term of the project. Accordingly, the Government does not now regard it as appropriate to seek to categorise all individual research programmes as either "basic" or "applied".

Embedding a knowledge transfer culture

10. We commend PPARC for its efforts to promote the importance of applicability and knowledge use to researchers. We urge PPARC to actively communicate its intentions where knowledge transfer is included within grant proposal evaluation criteria and to clearly convey the message that knowledge transfer will not determine the success of a grant application. We recommend that the other Research Councils consider this approach as a mechanism for embedding a more result-orientated culture. (Paragraph 53)

Research Councils aim to nurture excellence in research and excellence in knowledge transfer. In accordance with the Warry report, the Government expects all Research Councils to make funding decisions based on assessments of research excellence and the potential for economic impact, for example by including user representatives on commissioning panels.

The Councils will review their application forms and guidance to applicants to make sure that the advice on describing the potential benefits of the research is unambiguous and that applicants understand how this information will be used in the decision making process. Councils will also be reviewing their training for, and guidance to, their peer reviewers to ensure that they understand how to assess information on economic impact and how this relates to other assessment criteria, particularly research excellence.

Performance measurement

11. We welcome the publication of Research Council performance assessment metrics but consider that refinement is required. We are particularly concerned that the Output 2 metrics, as they stand at present, measure activity rather than output and that they may influence the activities of the research community. We recommend that the Research Councils and RCUK regularly review the assessment metrics and the impact they are having, reporting back periodically. (Paragraph 55)

Although the new Output 2 "better exploitation" performance metrics were introduced in 2005, and the first year's data and analysis will be published in October on the OSI & RCUK web sites, the Research Councils acknowledge that further development and refinement of metrics is required. The development of effective methodologies and metrics to assess the value of knowledge transfer activities and in the longer term their economic impact is a challenge that all research intensive countries and many groups in the UK are grappling with. Building on existing and on-going work, the Councils will be funding a study to explore metrics and evaluation methodologies and to develop new approaches to capturing the effectiveness of knowledge transfer and ultimately the economic impact of Council's investments. Additional work will explore the potential for international benchmarking.

Cross Council co-ordination

12. We have found little evidence of Research Council co-ordination or sharing of best practice in the context of their knowledge transfer activities and we have not been persuaded that the Knowledge Transfer Group has achieved much in the two years since its formation. Also, despite their clear remit to co-ordinate and harmonise, we

have not seen any added value from RCUK in this area. We urge the Research Councils and RCUK to take the necessary steps to enhance the effectiveness of their co-ordination in knowledge transfer. (Paragraph 59)

Knowledge Transfer schemes

13. We were impressed by the evidence we have received and welcome such clear Research Council successes in supporting knowledge transfer. (Paragraph 62)

14. We commend PPARC for the approach that they have taken to develop a single, flexible scheme. We recommend that the other Research Councils, with support from RCUK, apply this simplification to their own knowledge transfer funding strategies. Communication of Research Council knowledge transfer funding strategies should be improved. We recommend that RCUK develops a single, simple web portal through which information on all Research Council knowledge transfer schemes can be easily accessed. (Paragraph 65)

Collective response to recommendations 12 to 14

The Research Councils recognise that they should create a more powerful body to lead and coordinate the delivery of increasing economic impact.

To strengthen collaboration and joint working and drive the step change in the economic impact of Councils' activities, the Research Council Chief Executives have appointed Professor Esler to lead a new high-level cross-Research Council group (the RCUK Knowledge Transfer and Economic Impact Group). This group will be provided with additional resources to oversee a programme of work aimed specifically at increasing the economic impact of Councils' activities and demonstrating this increase.

This new group will build upon the work of Research Councils Knowledge Transfer Group, which made valuable progress in defining the scope of knowledge transfer activities, devising and running the Business Plan Competition, developing of the current suite of Output 2 metrics, and sharing best practice through seminars with leading knowledge transfer practitioners.

As detailed in the economic impact action plan, early activities for the new group will include projects to explore the potential for harmonising and simplifying the range of Research Council knowledge transfer funding schemes, and introducing common terminology and branding where appropriate. A new web portal will be created to enable potential users to access all of the Councils schemes through one gateway. This will be launched by July 2007.

Capacity for knowledge transfer

15. Since effective knowledge transfer may encompass many different stakeholders including academia, policy makers and industry, it is important that the Research Councils fully consider the expertise they need to build to operate successfully. (Paragraph 72)

16. We commend EPSRC for the strategic approach it has taken in developing a broad skills base. We encourage the other Councils to use recruitment and secondments to strengthen knowledge transfer expertise. (Paragraph 73)

Collective response to recommendations 15 and 16

All of the Research Councils require a range of expertise and experience to engage with their stakeholders and deliver their business effectively. With the increasing emphasis on knowledge transfer, all of the Councils have sought to strengthen their expertise and resources through new appointments to decision making bodies, partnership working with knowledge transfer specialists and additional appointments. For example, BBSRC has created two new business interaction posts whose role will be to focus on working with business the RDAs and relevant knowledge transfer networks. NERC have made a new senior appointment to head up their knowledge transfer team and EPSRC has restructured its KT structure and industrial sector teams to improve the integration and coordination of knowledge transfer across its research portfolio.

The Committee should note that whilst EPSRC recruits its staff from across a wide range of occupations and backgrounds to ensure that it has access to a broad skills base, only two of its senior staff (rather than its entire staff complement) have been recruited directly from the academic sector.

17. We commend the steps taken by MRC to actively exploit the research resulting from their investment and we urge RCUK and the other Councils to follow the example of MRCT where appropriate. (Paragraph 74)

MRC Technology commercialises and exploits the research outputs and IP arising from MRC's investments in its own Institutes and Units. Each of the Research Councils which have their own Institutes and facilities (namely BBSRC, CCLRC and NERC) have appropriate and effective mechanisms in place to enable the effective exploitation of their research. Each Council's approach reflects the governance model of its institutes, the nature of the research funded and the IP generated:

- BBSRC formally transfers ownership of IP to its institutes through the conditions of its grants. This is in line with government policy and the recommendations of the 1999 Baker Report. In order to encourage management of IP on a portfolio basis, BBSRC has invested in an exploitation company, PBL, to handle commercialisation across its four plant and microbial science institutes*
- CCLRC established Central Laboratory Innovation and Knowledge Transfer (CLIK) Ltd in 2002 to manage the commercialisation of CCLRCs' IP professionally*
- NERC employs a number of "exploitation scouts" to identify and develop early-stage commercial opportunities and has put in place a partnership with ISIS Innovation, one of the UK's leading university technology transfer organisations, to manage IP arising from four of its main institutes.*

Performance management

18. It is difficult to see how the Research Councils can effectively allocate funding to different knowledge transfer activities in the absence of comprehensive data on their impact. We recommend that the Research Councils proactively seek out information required to evaluate impact and that, once such data has been obtained, full impact analysis of all Research Council knowledge transfer schemes is conducted. In addition, we recommend that Research Council funding for knowledge transfer is neither increased or decreased until more is known about the impact of the schemes. (Paragraph 79)

All Research Councils undertake periodic evaluation and assessment of their knowledge transfer activities as part of their commitment to business improvement. These are typically retrospective studies looking at the longer term impact of earlier investments, as well as assessment of on-going schemes. Recent reviews include evaluations of the bioscience business plan competition, KTPs, and the Biotechnology Young Entrepreneurs Scheme by BBSRC, an EPSRC study on their collaborative research investments, an ESRC evaluation of their collaborative training investments and a study of their earlier "small business programme", NERC studies on the longer term impacts of their research investments and the effectiveness of their portfolio of knowledge transfer schemes, and a PPARC study looking at the effectiveness of its support for industry. As part of their commitment to addressing the economic impact challenge, the Research Councils are collating and sharing the findings from these studies and will use this to inform Councils' planned reports on the economic impact of their investments (as described in the economic impact action plan). This will ensure that more is known about the impact of knowledge transfer activities, before the Councils are next in a position to allocate budgets (post CSR).

In addition, as indicated in response to recommendation 11, the Research Councils will be funding a study to develop new approaches to capturing the effectiveness of knowledge transfer, which will provide a better means for evaluating the economic impact of Council's investments.

External challenge

19. We welcome the idea behind conducting an External Challenge of Research Council activity in support of knowledge transfer. We consider that the processes employed led to a report with questionable independence. RCUK did not fully consider the resources required for a full review of this area, giving the External Challenge Panel a near impossible task. We recommend that the Councils conduct a detailed review of the processes involved in this External Challenge. Such a review should take account of problems such as provision of appropriate resources and timescales, and should enable the development of best practice to inform future exercises of this nature. (Paragraph 83)

The Research Councils have accepted the Committee's conclusions and have completed a review of the External Challenge to learn lessons from the pilot exercise. This review draws upon the thoughts of panel members and Council participants as well as the views expressed by the Committee. The report will be considered by the RCUK Knowledge Transfer and Economic Impact Group with a view to informing any future exercises of this nature.

Further encouraging exploitation

20. We welcome recognition by the Research Councils of the importance of enhancing business skills and we encourage them to further develop training activities in this area, making them available to as many researchers as possible. (Paragraph 84)

On 1 August, RCUK published a report "Assessing the Impact of the Roberts' Review Enhanced Salaries and Stipends on Postdoctoral and Postgraduate Positions" which looked at the impact of the additional funding for training and skills made available following the Roberts Review of SET skills in 2002. The findings show that the Councils have been successful in influencing HEIs to use some of the skills funding to provide business planning, enterprise, IP management and entrepreneurship skills training. The Research Councils will continue to encourage the HEIs to invest in this kind of training and it is likely that there will be a greater shift of emphasis towards business skills training in future.

As part of their commitment to delivering an increase in the economic impact of their activities the Research Councils will be seeking to identify best practice in a number of areas, including skills training, and to expand their investments where appropriate. For example, BBSRC is considering doubling the size of the biotechnology Young Entrepreneurs Scheme such that a substantial proportion of all postgraduates supported by BBSRC are given training in commercial awareness and enterprise.

21. We believe that the Research Councils should maintain a 'hands off' approach to management of Intellectual Property within universities. (Paragraph 88)

The Research Councils believe that intellectual property rights should be assigned to the organisation best placed to exploit them, which in the majority of cases is likely to be the organisation undertaking the research. This view is supported by the Funding Councils, UUK and the universities themselves, who believe that these responsibilities, particularly the exploitation of intellectual property, should reside with the university carrying out the work.

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