

# **Innovate UK's integration with Research UK**

Department for Business, Innovation and Skills

Submission from the Royal Academy of Engineering

19 February 2016



***About the Royal Academy of Engineering***

*As the UK's national academy for engineering, we bring together the most successful and talented engineers for a shared purpose: to advance and promote excellence in engineering.*

## Innovate UK's integration with Research UK

### 1. 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?

- 1.1. The Royal Academy of Engineering welcomes the opportunity to contribute to the Department for Business, Innovation and Skills' consultation on Innovate UK's integration with Research UK (RUK). This response builds upon the Academy's submission to the Department for Business, Innovation and Skills' consultation on Higher Education, *Fulfilling Our Potential: teaching excellence, social mobility and student choice*; and has been further informed by the roundtable convened by the Academy at the request of BIS to discuss the risks and benefits associated with the proposed integration.<sup>1</sup>
- 1.2. As outlined in the Academy's submission to the Higher Education green paper consultation, the announcement that government will 'look to integrate Innovate UK into Research UK' came as a surprise and generated significant disquiet among the engineering community, exacerbated by the lack of both prior consultation and detail accompanying the announcement.<sup>2</sup> Consequently, the Academy is pleased that government is now consulting specifically on this matter.
- 1.3. It is unfortunate, however, that government has not articulated a clear case for the proposed integration prior to, or as part of, this consultation. The engineering community's view is that it is for government to set out the strategic objective that it believes the integration will help to deliver, rather than for the community to set out potential benefits of a structural change that it does not advocate.
- 1.4. The lack of clarity regarding the strategic intent behind the integration proposal is compounded by uncertainty about the nature of the new financial products that Innovate UK will be introducing and the impact that they will have on the support offered. Serious concerns exist about whether these (which are assumed to include loans) will be effective in stimulating and supporting the type of high-risk and disruptive innovation that has previously been part of Innovate UK's portfolio. It is hoped that the National Innovation Plan will be used to deliver the clarity sought and restore the confidence of the wider community that Innovate UK's effectiveness and role will not be undermined by the creation of RUK and other changes arising from the Nurse and Spending Reviews.
- 1.5. These concerns notwithstanding, the Academy recognises that the proposed integration of Innovate UK offers the opportunity to reduce the administrative burden associated with the Research Councils and Innovate UK, in part through simplification; however it cannot be assumed that a reduction in burden will automatically arise as a result of the new arrangements. Considerable effort will be required to ensure that the

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<sup>1</sup> Royal Academy of Engineering's submission to the Department for Business, Innovation and Skill Higher Education, *Fulfilling Our Potential: teaching excellence, social mobility and student choice*, 2016  
<http://www.raeng.org.uk/publications/responses/higher-education-teaching-excellence,-social-mobil>

<sup>2</sup> Royal Academy of Engineering's submission to the Department for Business, Innovation and Skill Higher Education, *Fulfilling Our Potential: teaching excellence, social mobility and student choice*, 2016  
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creation of RUK does not increase bureaucracy by adding an extra layer in the management chain. These changes should be framed as a means to improve the administration of research and innovation rather than as an exercise in reducing administrative burden. Furthermore it will be important to remember that research and innovation are different processes and accordingly different skill sets and governance arrangements will be required for their effective administration and management.

- 1.6. Although the primary focus of Innovate UK is to incentivise business-led technology innovation, its relationship with the research base is also important. Closer communication and collaboration between the Research Councils and Innovate UK will undoubtedly be beneficial, as has been acknowledged in the Dowling Review of Business-University Research Collaborations, the Nurse Review and by the government.<sup>3</sup> Closer interactions between the two organisations could further strengthen the offering for collaborative R&D and innovation support and help to bridge the valley of death by enabling a more seamless transition between the funding agencies for high-quality research with strong commercial potential.<sup>4</sup> The Catalyst and Collaborative R&D schemes already demonstrate the type of success that can be achieved when Innovate UK and the Research Councils work together effectively, without being integrated. Efforts to improve the interface between Innovate UK and the Research Councils would therefore be welcomed by the Academy, although it is not felt that integration is a pre-requisite for such improvements.
- 1.7. Integration offers the potential for a more coherent, better aligned and longer-term set of policies and approaches focussed on research and innovation funding. However, this benefit is counterbalanced by the fact that discontinuity in approaches is important for creating a vibrant innovation system, for example, by ensuring diversity and avoiding group think. Therefore it would be important to ensure that the opportunities of alignment do not stifle the agility, variety and effectiveness of innovation support.
- 1.8. The case for continued investment in our research base as a means of fuelling future prosperity is compelling and has been widely articulated. Yet *innovation* is instrumental in delivering the economic and productivity gains associated with investment in research, and offers a key route to developing new tools and approaches for tackling major societal challenges and improving quality of life.<sup>5</sup> It is therefore essential that investment in innovation and associated innovation support mechanisms are considered in tandem with investment in research, even though much innovation investment is outside of the 'science ring-fence'. It is possible that integration of Innovate UK into RUK would result in an increase in the prominence of innovation, with innovation becoming integral to the narrative of success that is already well established by the research community. However, as is outlined in answer to question two, there is a risk that Innovate UK will struggle to be an effective voice for innovation if it is integrated into RUK. Furthermore, although a convincing narrative is important, it would become meaningless if integration adversely impacted on the UK's innovation and research performance.

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<sup>3</sup> Dowling Review of Business-University Research Collaborations, 2015, <http://www.raeng.org.uk/policy/dowling-review/the-dowling-review-of-business-university-research>

<sup>4</sup> Dowling Review of Business-University Research Collaborations, 2015, <http://www.raeng.org.uk/policy/dowling-review/the-dowling-review-of-business-university-research> and Royal Academy of Engineering's submission to the Nurse Review of Research Councils, 2015, <http://www.raeng.org.uk/publications/responses/nurse-review-of-research-councils>

<sup>5</sup> Investing in Innovation, Royal Academy of Engineering, 2015  
<http://www.raeng.org.uk/publications/reports/investing-in-innovation>

1.9. Innovate UK is currently in the process of developing its 2016-20 Strategic Plan, which will be based around a new simplified and customer-focused offer to business. This simplified interface for businesses is welcomed by the Academy and addresses the recommendation for simplification made in the Dowling Review.<sup>6</sup> The Dowling Review recommended that government should seek to reduce complexity of the support structures for collaboration and innovation wherever possible and, where simplification is not possible, every effort should be made to ensure that the interfaces to businesses and academics seeking support for collaborative R&D is as simple as possible, even if internally the system of schemes is complex.<sup>7</sup> Integration could provide an opportunity to create a single cohort of business-facing advisors within RUK who could direct businesses to the most relevant Research Council or to Innovate UK according to their needs; however, this could still be achieved through agreement between the separate organisations, without the need for integration.

## **2. What are the main risks for both business and research of the integration of Innovate UK into Research UK?**

- 2.1. According to the Autumn Statement 2015, it is intended that Innovate UK will retain its clear business focus following integration. To achieve this Innovate UK requires a close connectivity to its primary customer base of businesses and entrepreneurs, and an understanding of markets, supply chains and mechanisms of business growth. Proximity to research is also important, but an effective innovation agency should not be overly reliant on the push from research and technology: the pull from businesses, customers and markets is critical. There is considerable doubt within the engineering community that this business-led focus will be adequately maintained if Innovate UK is to be integrated into RUK.
- 2.2. The Academy is concerned that there is a risk that Innovate UK will struggle to be an effective voice for innovation if it is to be integrated into RUK. It is reasonable to expect greater commonality of interests and concerns between the seven Research Councils than with Innovate UK, thus the voice of innovation could become comparatively weak during discussions at the strategic level. This calls into question how feasible it is for Innovate UK to retain its business focus if it is integrated into RUK, despite government's assurances.
- 2.3. If the government intends for Innovate UK to remain as the UK's innovation agency, integrating it into RUK would be both confusing and misleading to the business community, for many of whom the term *research* will not have sufficient resonance. Furthermore, inclusion within a body called 'Research UK' where all the other component entities focus on research will inevitably give the impression that the primary objective is to enhance the commercialisation of academic research. Although measures to address the branding and identity of RUK to signpost it effectively for the business and wider innovation community, e.g. by naming it Research and Innovation UK, could be of benefit, this would ultimately be a superficial change without a parallel focus on ensuring the business-led focus of Innovate UK was safeguarded through governance and internal processes as well.

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<sup>6</sup> Dowling Review of Business-University Research Collaborations, 2015, <http://www.raeng.org.uk/policy/dowling-review/the-dowling-review-of-business-university-research>

<sup>7</sup> Dowling Review of Business-University Research Collaborations, 2015, <http://www.raeng.org.uk/policy/dowling-review/the-dowling-review-of-business-university-research>

- 2.4. Furthermore, there are cultural differences between the research and innovation communities that may have a bearing on the benefits of integration, and in some instances it may be necessary to accommodate these differences rather than enforcing alignment. For example, an emphasis on publication and open access, which is of particular value to the research sector, may act as a disincentive for companies seeking innovation support for whom commercial confidentiality is important.
- 2.5. Concerns have also been raised by the engineering community that integration of Innovate UK into RUK may have a detrimental effect on the timescales by which Innovate UK operates. Speed is frequently critical to businesses seeking support for innovation, including how quickly their application is assessed and how quickly funding is received. Although Innovate UK is perceived as having shortened the timeframes with which it operates, further improvements could be of benefit. Therefore there is a risk that integration of Innovate UK into RUK may have detrimental effects on Innovate UK activities if either alignment of timings is sought or bureaucracy and administrative burden is increased.
- 2.6. Evidence received by the Academy has stressed the importance of Innovate UK retaining, and even increasing, its agility. For Innovate UK to provide the UK with the most useful and impactful innovation support it needs to be agile in its approach. Strategic and operational autonomy are considered critical for Innovate UK to innovate and experiment with its own approaches, ensuring public money is spent to best effect. Evidence from other countries suggests that autonomy is critical to the success of innovation agencies.<sup>8</sup>
- 2.7. One of the main risks to the success of RUK and the proposed integration of Innovate UK surrounds the selection of the Chief Executive. The Nurse Review suggests that the Chief Executive of RUK 'should be a highly distinguished scientist, capable of delivering a managerially efficient organisation and of interacting effectively with Government'.<sup>9</sup> The Academy believes the criteria should focus less on scientific distinction and more on breadth and relevance of knowledge and understanding across the spectrum of research, innovation and business. This focus on breadth and relevance of knowledge and understanding should also extend to the representatives on the RUK Board.

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

- 3.1. Taking into account the proposals as detailed in the Higher Education green paper, *Fulfilling our Potential: teaching excellence, social mobility and student choice*, and the Nurse Review of the UK Research Councils, as well as other announcements made in the Autumn Statement 2015 and the forthcoming National Innovation Plan, substantial restructuring to the UK's research and innovation landscape is inevitable. To accompany these significant changes the engineering community would welcome a clearly articulated and stable strategic policy framework.

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<sup>8</sup> Where Next for Innovate UK?, NESTA, 2016

[http://www.nesta.org.uk/sites/default/files/where\\_next\\_for\\_innovate\\_uk\\_final\\_0.pdf](http://www.nesta.org.uk/sites/default/files/where_next_for_innovate_uk_final_0.pdf)

<sup>9</sup> Nurse Review of Research Councils, 2015.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/478125/BIS-15-625-ensuring-a-successful-UK-research-endeavour.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/478125/BIS-15-625-ensuring-a-successful-UK-research-endeavour.pdf)

- 3.2. As will have been evident from this response, the engineering community remains to be convinced of the merits of full integration. The Academy would urge government to consider strengthening the interfaces between Research UK and Innovate UK as a more effective way of delivering benefits and mitigating risks than subsuming Innovate UK into Research UK. If government is committed to full integration, it will be essential to implement this in a way that maximises preservation of the distinctive natures of Innovate UK and the Research Councils.
- 3.3. For Innovate UK to remain successful and useful it will need to continue to be agile and responsive, thus it will need to retain significant strategic and operational autonomy. Therefore the governance of both Innovate UK and RUK should be streamlined, transparent, and flat, and composed of individuals with appropriate knowledge and understanding.
- 3.4. If Innovate UK is to be integrated into RUK, efforts to improve communication and broaden views throughout the organisation will also be required to ensure the diversity of perspectives across the research and innovation landscape can be accommodated in one organisation.
- 3.5. The engineering community could not be clearer on the importance of Innovate UK retaining its business-facing focus. Thought should be given to how the requirement for Innovate UK to look outwards to business could be built into its governance.
- 3.6. The Academy acknowledges that there is likely to be a trade-off between timely action and getting the right structures and effective management in place. Nevertheless, it would be detrimental if the timely delivery of innovation support, including to existing recipients, was hampered by disruption during the transition period. Such times of transition can increase the risk of organisations becoming inward-facing and pre-occupied with internal changes, which could have a detrimental impact on the UK's performance in the global innovation competition.<sup>10</sup>
- 3.7. Just as it will be important for government to remember that a significant proportion of UK research will not be administered through RUK, it will be equally important for government to remember that a significant proportion of innovation support is not administered through Innovate UK. Innovate UK needs to be considered in the context of the bigger picture of innovation.
- 3.8. Innovate UK now has a broad base of support amongst the engineering and business communities. Reassurance is now needed from government that the proposed changes will not lead to momentum being lost.

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<sup>10</sup> Investing in Innovation, Royal Academy of Engineering, 2015  
<http://www.raeng.org.uk/publications/reports/investing-in-innovation>