

Building a Smarter Future: Towards a sustainable Scottish solution for the future of higher education

February 2011

Introduction

The FSB is Scotland's largest direct-member business organisation, representing around 20,000 members. The FSB campaigns for an economic and social environment which allows small businesses to grow and prosper.

We welcome the opportunity to submit our response on the above consultation. Our response will not cover all the questions in the consultation but will focus on the areas of interaction between higher education and businesses.

Business and higher education

The FSB believes that higher education may have a role in the growth and success of some businesses; we also believe that some businesses can provide unique insights to higher education by providing a setting and test ground for skills and knowledge developed at university. A 'smarter future' for Scottish higher education is therefore one that should involve Scotland's businesses.

Where businesses do interact with universities, there are reports of positive outcomes on both sides. For example, we spoke to several business owners with experience of interaction with universities – both on their own and through *Interface* – who had found their collaboration a positive experience overall. In spite of this, several factors continue to discourage businesses from engaging with universities and this is reflected in responses to our 2009 annual membership survey, where universities and colleges were cited by only 11 per cent of respondents as sources of business support. Of those who did approach universities and colleges, around a third said they found this interaction helpful. We have identified three specific factors influencing all the higher education issues the consultation raises as requiring business interaction, although there may be more.

1. What is 'Business', anyway?

The term 'Business' is very wide, covering an almost infinite number of categories, sectors, number of employees, missions, size of turnover, spending power etc. Therefore marketing what HE can offer to 'Business' is going to require multiple approaches and angles in order to reach across the business base in Scotland to those businesses with the most to gain from an interaction with a university. Equally, the approaches taken by business in terms of obtaining qualified staff or developing innovative products vary hugely from business to business. There is no one way to develop a meaningful interaction.

2. Cultural barriers

The consultation document recognises that there are significant cultural barriers to overcome between business and higher education. The one common factor in all businesses is that they exist to make money, with ideas and knowledge being a means to that end. This is fundamentally opposed to the *raison d'être* of universities, where the creation of knowledge is the end-goal, either through teaching or research, with funding only being the means. These differences result in different cultures, different approaches and very different judgements on the value of what higher education can offer. However, there is no reason why these cultural differences should be swept aside. The fact remains however, that knowledge transfer is the third function of higher education after research and teaching, and interaction with business is, at best, the third interaction that higher education makes after academics and students. Setting aside the concern that perhaps higher education is trying to do too much with the same material, universities will inevitably treat businesses as third in the priority list. To mitigate this, a cultural translator is needed. Interface is a good example of an organisation with this function.

3. Economic pressures

As a business organisation we are aware that nearly all areas of the public sector are looking for 'greater engagement or support' from business. This is perhaps unsurprising in view of imminent public sector funding constraints. Businesses are ready to play their part in rebuilding the economy but they should not be treated as a default, ersatz funding source. In order to succeed at driving the recovery they have to retain their mission: to make money. Businesses will not fund education or research unless there is a business reason to do so which will eventually pay dividends. The feedback we received from businesses confirmed that cost of collaboration or training was the most important factor in proceeding with a knowledge transfer collaboration, obtaining training for staff, or providing a placement opportunity.

Questions

Research and knowledge exchange

- *How do Scottish SMEs unlock the potential within our universities' research departments? How can universities support them in this?*
- *How do we make it more attractive for university researchers to engage with SMEs?*
- *What is the role of Scottish Enterprise and Highlands & Islands Enterprise in this?*

- *How do we engage the SME business base and overcome any cultural barriers? What specific approaches do they need/would they welcome?*

The principal issue raised by the businesses we spoke to about knowledge exchange was that, in general, business are completely unaware of:

- any potential within university research departments that might be relevant to them; or
- the many funding schemes that may be open to them to help facilitate a collaboration.

Business owners who did benefit from either interaction with research departments or funding generally report that they stumbled upon the opportunities by accident.

A second issue identified is that businesses, particularly small businesses, have very little time to go in search of potential academic partners, and when they do they are often met with an unwelcoming or dismissive response. The funding mechanisms available to facilitate collaborations are usually difficult to navigate and come with complex conditions and stipulations that make proceeding too costly. Feedback to FSB on Knowledge Transfer Partnerships, for example, suggests that these schemes have been developed for and targeted at larger companies in specific sectors as opposed to the small businesses that make up the largest proportion of Scotland's business base.

Thirdly, there is also a high risk that a research interaction will not actually result in an usable outcome for the business. The business therefore needs to be very sure about its involvement and the potential of the idea before proceeding. Necessarily this involves a long lead-in time and lengthy negotiations with academic partners.

There is unlikely to be a widespread appetite for this kind of collaboration amongst the broad business community, so stimulating this would require a targeted approach to businesses likely to benefit. These may not be the businesses which have thus far been attracted by past initiatives.

Some potential actions to explore might include:

- Improved marketing of collaboration opportunities with universities to business. The FSB is aware of the challenges of marketing a wide range of products to a highly diverse business community and recognises small businesses are notoriously difficult to reach. However, some work is ongoing on how to communicate best with the Scottish business community, which, once complete, could be shared with the university sector.
- Review of existing funding mechanisms with a view to improving their flexibility to enable small businesses from a variety of sectors to benefit from research more easily. Widening the Technology Transfer Opportunity Mechanism beyond the limited number of sectors it was established for, for example, may increase business interest.
- Development and expansion of the Interface model, which has been successful in brokering partnerships between businesses and academics is a positive approach

to overcoming the cultural barriers that exist between businesses and higher education.

Student support and Funding

- *How could businesses be incentivised to support part-time study?*
- *If you believe that Scottish businesses should invest more in higher education, how do you envisage this happening?*
- *What incentives do we need to provide to employers?*
- *How do we encourage more meaningful interaction and stronger collaboration between universities/business schools and employers?*

As we have noted in our responses above, there is no case for small businesses to invest more in higher education per se. There may be exceptions, for example in very special cases where a company's corporate social responsibility activity focuses on education, or where there is a personal connection between the business owner and a particular university. Investing in higher education training or releasing staff for to study, even part-time, over a lengthy period is extremely costly to any small business and such an investment would therefore have to promise tangible returns in terms of increased productivity in the long term. It is not likely that the majority of business owners across Scotland will find investment in higher education either relevant or rewarding to their business. Business investment is unlikely therefore to become a reliable source of funding for higher education.

Businesses might be more motivated to support higher education in any mode if more vocationally-facing courses were available in subjects that businesses found useful to up-skill their staff or to recruit from. This is why ever more flexible approaches to provision such as modular, bite-sized courses with work-based learning elements are attractive to business and vocationally orientated learners. The FSB recognises that higher education cannot operate purely in response to changing business need. This approach would not therefore be appropriate for all areas of higher education.

Higher education needs to be clear about why it wants to interact with business. What is the primary motive? If the aim is to improve financial sustainability by selling higher education's offerings to business then universities themselves need to become businesses, research their market, develop products that will sell and build a customer base.

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