

## **RESPONSE TO THE CONSULTATION ON PLACE BASED INNOVATION TEAMS**

This document is the response from SEEDA to the recent consultation on place based Innovation Teams. As well as summarising the key themes from the consultation, it also sets out how SEEDA intends to respond to the views expressed.

### **Background**

SEEDA issued on 7 April 2008 a consultation document on the introduction of place based Innovation Teams. In addition, there were seven consultation workshops held across the region during May.

A copy of the consultation document can be requested from [innovation@seeda.co.uk](mailto:innovation@seeda.co.uk)

### **Proposal summary**

SEEDA is proposing to establish a regional network of Innovation Teams to drive business innovation and growth in the South East. These Teams will deliver specialist services to businesses that have potential to innovate and grow significantly and will focus primarily, but not exclusively, on areas of the region where there is an existing or developing community of innovation.

The purpose is to develop a broader approach to promoting innovation, where innovation is not restricted to new products or technological breakthroughs and includes new services, new business models or processes. In addition, the aim is to integrate the numerous regional and local innovation and growth programmes into one regionally implemented, locally delivered service. The model proposed suggests that the delivery teams are managed on a local level by partnerships that comprise of key stakeholders to include business and delivery organisations. These managing partnerships will each oversee a team of high calibre experts that will deliver selective services.

The managing partnerships will bring together delivery of not just SEEDA funded services, but also sub-regional and local services to create a more powerful package of support for clients. The Innovation Teams will provide tailored, specialist and technical business expertise to highly targeted businesses and will only support a relatively small number of high growth potential businesses across the region. All services offered by the Innovation Teams will be compliant with the Government's Business Support Simplification Programme (BSSP).

### **Overview of the response**

There has been a high level of response to the consultation. 97 written responses were received and over 150 people attended the seven regional workshops. There is a great deal of interest from partners from across the

region and SEEDA was pleased with the quality of responses from a wide range of stakeholders, including local authorities, strategic partnerships, business organisations, universities, business link providers, practitioners from existing programmes and suppliers.

The high level of response reflects the unanimous agreement that stimulation and support of innovation and growth are essential priorities for the South East economy. Overall, support for the proposed model as the means to address this priority was very high, with 87% of respondents supporting the proposal in principle. Only 11% had significant reservations and just 2% opposed the proposal in principle

There was a very rich mix of comments and suggestions, and these are reflected under the key themes set out below. Overall, the main issues where respondents were in support of the proposal were:

- The need to support innovative businesses and those with growth potential and to target services more effectively
- Simplifying the services available and making them easier to understand and access
- Giving the service a sub regional focus

The main issues on which respondents expressed concerns were:

- A need for greater clarity throughout the proposal
- Any new services should build on the success of existing offers (tempered with the need to make sure that there is change, not just a re-badge of existing services).
- Existing partnerships and other structures should be used where possible

#### SEEDA response

The level of support is welcome and encourages SEEDA to move ahead and implement the proposals. However, there will be a number of changes to the proposal reflecting the responses in the consultation and these will be included in the full specification for the service to be published shortly.

### **Themes**

#### **Innovation & Growth**

Respondents welcomed an approach that looked at innovation in its broadest terms – not just focused on new technology. However, it was felt that greater clarity was required about whether the proposal is about innovation or growth, or both.

#### SEEDA Response

The proposed Teams will deal with both innovation and growth. Innovation is seen to be a means of unlocking the growth potential in the target businesses.

The specification for the service will include a definition of innovation which will reflect the continuum running from a simple change in process all the way through to generating a new product from extensive research and development investment. It will also specify the growth potential of the target client firms, and this will reflect the definitions from the Business Support Simplification Programme.

### **Clients**

The need to focus on a small number of clients with the greatest growth and innovation potential was supported. It was agreed that this should range from the early stage start up companies through to larger businesses. The offer of the Teams will have to be highly differentiated in order to meet the diverse needs of this wide client range. Guidance is sought on how clients who fall outside this tightly targeted group might be assisted.

There was a range of views about whether the suggested target in the consultation document of about 200 clients for each team at any one time as too high or low. On the one hand, some argue that 200 is too low given the impact needed to meet Regional Economic Strategy (RES) targets. Others suggest that given the degree of intensity of support required, 200 may be too high. Feedback from the workshops in particular emphasised that the specification, contract and funding will determine which type of clients are prioritised, and the level of resources may also set limits on the numbers that can be dealt with.

Clarity is sought on how clients will be identified and the links to sectoral activity, which is regarded as important.

### **SEEDA response**

Further evidence will be supplied in the specification on the numbers of clients in the target client group across the region. An indicative regional target will be set out for the network of place based Teams. The network target will not simply be divided by the number of place based Teams - there will be a degree of local flexibility, to reflect the geographical make-up and local priorities. There will be scope for partnerships to propose higher or lower local targets than the mean, supported by local and sub regional evidence and the projected impact on outputs linked to the RES targets.

Teams will be invited to develop sectoral expertise, and to make this available to the network of Teams throughout the region. However, sector alone will not be used as a means to select clients. A basket of characteristics will be used to spot potential, based on experience and research, including a number of helpful suggestions received in the consultation.

Businesses who do not meet the tightly drawn criteria for the Teams will be referred to other relevant support through the core Business Link Information, Diagnosis and Brokerage (IDB) service.

## Services

There was a general consensus supporting creation of a coherent value added service for businesses with significant growth and innovation potential. However, there were comments that the exact nature of the service to be offered by the Teams is not clear, and as currently expressed appears complex. Simplicity is required for the clients, and for potential providers. Duplication with existing services should be avoided. However, the ongoing status of existing services – which will be closed or incorporated into the new Teams - needs to be set out clearly.

Some respondents felt there was a lack of clarity on whether the Teams are deliverers, brokers or account managers. In general managing the client relationship was thought to be very important, but there is concern about possible duplication between the Teams and Business Link.

No significant changes were requested to the list of services outlined in the consultation paper, although respondents at regional workshops were keen to understand how the services would link with the BSSP products. It was widely agreed that services must not be offered as a menu to be selected from but must be tailored to the needs of the individual business. Services must be demand rather than supply led.

Knowledge transfer facilitated via links between higher education and business, and between all organisations involved in innovation and growth should receive more emphasis. Generally, *connectivity* is underplayed.

There were many helpful suggestions about what other complementary services might be co-located with the Innovation Teams, or to which Teams should have easy access.

There was mixed feedback about the inclusion or otherwise of inward investment services in the Innovation Teams. Many felt that this function would be an artificial union and would ultimately diminish the focus of the Innovation Teams.

### SEEDA response

The specification will set out in detail the services to be delivered by the Teams, those that could be co-located with the Teams and those to which the Teams will only signpost or refer.

Teams will be expected to provide case management during engagement with a client and how this will link to Business Link and the planned regional client relationship management system will be set out in the specification.

The specification will also clarify which BSSP services will be delivered in their entirety by the Teams (ie SEEDA will not fund any other delivery channel); those which will be delivered in part by the Teams, and those to which the Teams will only signpost (subject to the national BSSP descriptions being available).

Inward Investment will not be included in the core services offered by the Innovation Teams; however the Teams will be expected to work with their local economic development partners to ensure that high growth businesses that base themselves in the South East and meet the criteria for the Innovation Teams are supported and connected into the business community.

The impact on existing services is given in the section on implementation below and to some extent will be determined by the ongoing BSSP review.

### **Leverage**

It was agreed that a target of 20% leverage from other sources was realistic, but some respondents thought it would be a challenging target. However, there was some question as to what kind of contributions were sought as leverage – funding, other services, support in kind or fees from clients.

#### SEEDA response

The specification will clarify that leverage in this context is related to the ability of the partnership to bring additional services and support to the table, not necessarily 20% additional funding. It demonstrates the commitment local partners have to the programme and ensures that capacity is developed at local level. Client fees for services will not be included in the 20%.

### **Access, marketing and identity**

It was widely agreed that Business Link will have a vital role in providing an access channel to the Innovation Teams. There was some concern that there might be confusion between the role of Business Link and the Teams.

There was a spread of views about the degree to which Business Link would provide all the client flow for the Teams, and the degree to which the Teams themselves would have to recruit their own clients. There was strong agreement that the Teams would have to link carefully to a wide range of existing service providers who might be expected to have existing clients who ought to be referred to the Innovation Teams.

Respondents understood that the new Teams will have to be compliant with the national BSSP guidelines on branding and marketing. There were differing opinions on whether the Teams themselves should have a prominent brand, whether this should be regional or local, and the degree to which a recognisable brand is important to clients. It was recognised that the Teams would need an identity that makes sense to businesses – if not a brand.

#### SEEDA response

Business Link will be the primary, but not the only, access channel. Public money will not support any other access channel.

Innovation Teams will be expected to raise awareness of innovation and growth and to make effective connections between all partners working with innovative and growing businesses so that a network of collaborative organisations and mutual referral is formed.

As part of BSSP, Business Link is further developing its Information, Diagnosis and Brokerage (IDB) service. The role of Business Link is to provide the primary access channel to publicly funded business support and to broker on to the deliverers of the support. How this will relate to the role of the Innovation Teams will be set out clearly in the specification.

As soon as the BSSP guidance on marketing and branding is issued it will be made available. The *services* delivered by the Innovation Teams will not carry any other names or brands. It remains to be seen whether the identity of the delivery organisation will be allowed alongside the BSSP brand on marketing material for the services. The decision on the name and branding of the Teams will await that guidance. Note that “place based innovation teams” is currently just a working title. Guidance to date indicates that the name of a delivery organisation should simply describe what the organisation is there to do. Proposed names / descriptors for the Teams will be tested with the business community.

### **Governance Structures**

There was broad support for the proposal that the Innovation Teams should be directed by managing partnerships comprising all the organisations in the locality who are involved in supporting innovation and business growth. The suggested list of organisations was generally welcomed, including, for most respondents, the important role of local authorities as key partners in the managing partnership.

The non-prescriptive nature of the proposal from SEEDA was welcomed. Most respondents preferred that the partnerships would be based on existing structures, and there were many suggestions for which these could be.

Respondents raised a number of issues that need to be dealt with:

- The role of the managing partnership must be clarified. Some saw them as managing a commissioning or subcontracting function; others seeing them as strategic; and others as the employers and directors of the service
- The involvement or otherwise in the partnerships of organisations which might be involved in delivery
- Balancing representation of all interested parties with creating cumbersome arrangements
- Avoiding dominance by one party
- Whether there is a need for business representation
- Avoiding bureaucracy and adding a layer to the hierarchy

## SEEDA Response

The role of the managing partnership will be set out in detail in the specification. However, partnerships will be expected to have direct control of the services delivered.

The form the partnerships will take will be left open for partnerships to suggest, but where there is an existing effective partnership already in place that can provide the right governance this would be the preferred option, with minor adjustments if required. The specification will set out criteria that managing partnerships will have to satisfy and will provide examples of possible corporate governance structures.

### **Degree of local flexibility and regional collaboration**

The sub regional nature of the proposal was welcomed. There were questions about the degree to which the service will be identical throughout the region and how much flexibility will be allowed.

The response from the workshops in particular welcomed the principle of regional wide collaboration. Benefits of regional collaboration include:

- Provides SEEDA with information about the market to inform policy making
- Provides a mechanism for the Innovation Teams to develop shared solutions to common sub-regional issues
- Maximise expertise, sharing knowledge and contacts
- Ensures that clients have access to the best expertise and contacts from across the region
- Aggregate the “deal flow” of good propositions to take to the investment and corporate venturing / open innovation communities.
- Have maximum impact on the RES targets

A number of respondents suggested that making regional collaboration work effectively was a role for SEEDA, and it should be resourced appropriately.

## SEEDA Response

The core service will not vary across the region as the customer journey must be consistent and fit for purpose. Flexibility with the offer to clients comes in part from the services and support that is brought to the table by the local partners. Flexibility will also apply to where the targeting and emphasis is placed ( eg ratio of scalable micros to more mature SMEs, sectoral expertise)

To build and facilitate the regional collaboration between the Innovation Teams, a number of requirements will be built into the specification document to enhance the regional connectivity. SEEDA will make a commitment to ensure that resources will be available to facilitate these connections and joint activities and case working will be actively encouraged.

### **Targets and Measurement**

A number of respondents asked about how the success of the Innovation Teams will be measured. This was partly to understand the overall purpose of the Teams, and the contribution to RES target delivery, but also because how the Teams are measured will determine where they will place their emphasis and priorities.

A number of respondents expressed concerns that target driven behaviour can be detrimental, and in particular mitigates against cross-referral of clients.

Some respondents also suggested that there should be targets that stimulate cross-regional collaboration.

#### SEEDA response

The specification will include the performance indicators that Innovation Teams will be measured by. These will reflect the standard Regional Development Agency tasking framework which seeks to measure attributes associated with business development and growth, and will be further influenced by the monitoring and evaluation requirements of the BSSP products which the Teams will deliver.

SEEDA will consider whether incentives for cross referral and regional collaboration can be built into the core requirements.

### **Geographical coverage**

Most respondents welcomed the proposal to focus Teams on sub regional areas. Most agreed that the Teams should be focused where there is evidence of existing innovation and growth and where there is likely to be a critical mass of potential clients. There were a number of questions about how the proposed areas had been selected and requests for clarification. There were many suggestions about which areas might successfully be the focus of a Team.

Within the proposed areas, there was a range of opinions about how Teams should be deployed to serve the area and where the focus should be. Some sub regions had a broad consensus, some had more diverse opinions.

There was concern that businesses with potential who are not located in these areas would miss out as services were pulled towards a main location.

#### SEEDA Response

The specification will emphasise that the service will be open to any business, wherever located, which satisfies the criteria for growth and innovation potential. In practical terms Teams will need to be focused where there is a critical mass of businesses necessary to deliver the outcomes and the Team members must therefore reach out from these bases to support clients beyond the immediate business clusters. SEEDA accepts that this becomes more challenging in non-



homogenous and less dense areas and expects to see some models developed around Team members working from satellite bases.

From the opinions expressed, SEEDA believes there should be eight Teams. This provides a small enough number of Teams to operate effectively as a network with regional coverage whilst enabling each Team to be large enough to carry out the required activities. Each of these Teams will be expected to support companies that meet the innovation and growth criteria within one of eight sub-regional zones which have been identified through the consultation phase. The flexibility available locally is in the place or places within each zone where Team members will be based.

The first phase of implementation will include those zones where there is a strong enough consensus between partners about the operation and focus for the Team. The second phase will include those zones where a majority of partners suggested that more time would be helpful to build the required partnerships.

An outline zone map is attached in Annexe 1. Some local discussion, facilitated by the SEEDA Area teams, is continuing around the shape of the zones and the readiness of partners to proceed. Currently the following phasing for the eight zones is proposed with a Team in each zone supporting target clients.

Phase 1 zones (April 2009)

West Surrey & North East Hampshire  
Buckinghamshire & Milton Keynes  
Berkshire & Basingstoke  
South & Mid Hampshire & Isle of Wight

Phase 2 zones (October 2009)

Kent & Medway  
East Surrey & West Sussex  
East Sussex & Brighton and Hove  
Oxfordshire

**Implementation**

**Transition of Services**

Respondents asked for greater clarity from SEEDA on the relationship between the new Innovation Teams and the existing resources and services that exist in localities and which programmes would come to an end.

**SEEDA response**

SEEDA will be communicating with those bodies that hold contracts for services that will cease or will be delivered in future through the Teams. Some of the programmes are regional and some local. SEEDA will terminate contracts (or some contracts will naturally come to an end) between April 2008 and October 2009.

The specification for each sub-regional zone will make it clear what SEEDA funded services and resources will be delivered by the new Teams and what will cease to be funded.

In some cases TUPE may apply as some roles may be transferred from current bodies to new structures. SEEDA wishes relevant expertise to be retained where possible and is currently seeking legal advice that will be shared with partners that are affected by TUPE issues.

### **Timetable**

There was an even split between respondents who favoured the proposed timetable (or faster), and those who thought that more time was needed. To an extent, this reflected the need for time for partners to seek agreement on the shape of the sub-regional zones to be covered and location of Teams in their area and the development of appropriate managing partnerships and governance structures.

The majority of respondents were in favour of a phased approach to implementations although it was noted that this must not be too prolonged.

### **SEEDA response**

SEEDA is currently taking advice on the best procurement method for the Innovation Teams. The timetable published in the Consultation Document will slip.

It is currently intended to meet the following timetable:-

#### **Phase 1**

- Publish specification by early August 2008
- Invite first stage expressions of interest outlining partnership arrangements for the first four zones during early September 2008
- Preferred bidders invited to submit full business plan by mid November 2008
- SEEDA approval process – November 2008 to February 2009
- Contracting February and March 2009
- Service in first four zones begins April 2009

#### **Phase 2**

- Invite first stage expressions of interest for second phase zones – Dec 08
- Preferred bidders invited to submit full business plan by late Feb 09
- SEEDA approval process – April to June 2009
- Contracting July to September 2009
- Service in second phase areas commences October 2009.