



Strategic Review of South of Scotland Innovation System

Report for Scottish Enterprise

February 2010

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Executive Summary

The South of Scotland Innovation System Initiative (SoSISI) aims to increase the level of innovative activity within the South of Scotland (covering Dumfries and the Scottish Borders), and facilitate the interaction for new and growing businesses with the Scottish innovation system. It is delivered through a number of project activities:

- Stimulating and Supporting Human Networking – through a project entitled Linking Entrepreneurs contracted to Fusion;
- Increasing Knowledge Transfer – through a project entitled Knowledge Links contracted to Targeting Innovation; and
- Developing the Innovation System Research – by undertaking key pieces of research to inform and shape further activity.

This report summarises the results of a Strategic Review of the initiative, to assess the progress made, and to inform future developments of the programme.

This initiative is only at the early stages of delivery, but already some conclusions can be drawn from the review. The strategic rationale is viewed to still be valid, with the project addressing the market failures identified in the initial research.

Both projects have progressed well against some targets, but have been slow in delivering the more outcome focused targets. Beneficiaries have responded positively to the initiative, although it is too early to record economic impact.

Evidence of progress has, however, been gathered. The projects had a large influence on changing attitudes towards networking and increasing the awareness /understanding of innovation. Some benefits had already been seen by companies, including new products, increased sales, new markets and suppliers.

If support was not available then benefits for most companies would happen later or not happen at all. The vast majority of beneficiaries were keen to have further engagement with the initiative.

Stakeholders are generally supportive, understand the objectives of the initiative, think it is focusing on the right elements and fits well with other innovation support. Academic partners and external stakeholders, although generally supportive of the initiative, are less aware of its objectives, have had less engagement and were therefore less able to contribute to the review.

The review highlights a number of recommendations. These include:

- Achieving Targets
Although many of the activity targets (business assists etc.) are well on track,

the more outcome focused targets (new products, processes) are further behind, and may prove challenging to achieve. Balancing the need to stimulate demand alongside the support for taking forward a project for a new product will be essential in delivering the targets as well as embedding the behaviour change needed.

- **Measurement Framework**
Building a measurement framework, showing the stages of progressions, will help give confidence to funders that the achievement of targets is possible. It will also help deliverers focus on the areas of most potential.
- **Focused engagement**
At the start of the process a wide engagement was necessary, to launch the initiative, and look for opportunities in a broad area. At this stage of the project a more focused approach may be suitable, targeting groups of companies, and identifying reasons for collaboration.
- **Smarter working**
The initiative is not working in isolation. An obvious alignment is between the initiative and the sector teams. There is also confusion with beneficiaries and partners with the “plethora of support initiatives”.
- **Further research**
The research element could be used to inform future delivery. For example understanding barriers to collaboration, leadership issues and helping develop joint areas of work. In addition, capturing benefits through case studies of companies engaged with the project can be a useful way of showing the return on investment of collaboration for the beneficiaries.
- **Partners for delivery**
The initiative can only deliver part of the improvement needed in the innovation system. Engagement with external stakeholders needs to be re-enforced, to refresh their understanding of the initiative and to encourage their support.
Timescales for delivery is an issue for HEI partners, and results in unmet needs and expectations for businesses. Helping partners to understand this could deliver better outcomes for companies.
- **Awareness raising**
Celebrating the success of the project, and raising the profile with stakeholders and potential beneficiaries, is an important element of stimulating further demand. A conference has been proposed, and if correctly focused, could be a very powerful and positive element of the next stage of delivery. The proposed development of the website could be a useful communication tool in this regard.

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1. Introduction

1.1 Background

“The Scottish Innovation System – Actors, Roles and Actions” report of 2006, concluded that there was a functioning innovation system in Scotland, but that it excluded areas both in the Highlands and Islands and in the South of Scotland. As a result, and to address these exclusions, Scottish Enterprise funded the South of Scotland Innovation System Initiative (SoSISI).

This initiative aims to increase the level of innovative activity within the South of Scotland (covering Dumfries & Galloway and the Scottish Borders), and facilitate the interaction for new and growing businesses with the Scottish innovation system. This is delivered through a number of project activities:

- Stimulating and Supporting Human Networking – through a project entitled Linking Entrepreneurs contracted to Fusion;
- Increasing Knowledge Transfer – through a project entitled Knowledge Links contracted to Targeting Innovation; and
- Developing the Innovation System Research – by undertaking key pieces of research to inform and shape further activity.

EKOS were commissioned to carry out a Strategic Review of the initiative, to assess the progress made, and to inform future developments of the programme. This report summarises the results of that review.

1.2 Report Structure

The remainder of the report is structured as follows:

- **Chapter Two** gives an overview of the programme, assesses the market failure and looks at programme delivery and performance;
- **Chapter Three** reviews the beneficiary survey, both telephone and on line;
- **Chapter Four** describes the feedback from consultations;
- **Chapter five** briefly draws on good practice in innovation system analysis from elsewhere; and
- **Chapter Six** summarises conclusions and recommendations.

2. Programme Overview

This Chapter provides an overview of the SoSISI Programme. It describes the following:

- programme description;
- programme delivery;
- funding and expenditure; and
- performance.

2.1 Programme Description

In 2006 the Scottish Executive published a report entitled “the Scottish Innovation System - Actors, Roles and Actions”. The report identified two regions as having sub optimal innovation systems, one of which was the South Region (the other Highlands and Islands). In 2008, SE undertook additional activity to specifically address the imbalance in the innovation system in the South Region which led to the introduction of the South of Scotland Innovation System initiative in September 2008.

This was to be achieved by delivering a series of project activities that will support business innovation. These activities were:

- **Stimulating and Supporting Human Networking** – through a project entitled Linking Entrepreneurs contracted to Fusion;
- **Increasing Knowledge Transfer** – through a project entitled Knowledge Links contracted to Targeting Innovation; and
- **Developing the Innovation System Research** – by undertaking key pieces of research to inform and shape further activity.

2.2 Objectives

The objective of this project, which covers Dumfries & Galloway and the Scottish Borders, was to increase levels of innovative activity across the South in relation to businesses (new or existing), with growth potential, and key sectors, to add value to, and diversify the South of Scotland economy.

The strategic objectives of the project will respond to the following strategies.

SCOTTISH GOVERNMENT ECONOMIC STRATEGY

Improving responsiveness and accessibility of business support services in all areas of Scotland; increasing the level of research & development (R&D) activity and knowledge transfer between the research community and industry; and taking a broad approach to business innovation and removing barriers to innovation

SCOTTISH ENTERPRISE

Stimulating innovation beyond technology and R&D; increasing the commercial exploitation of Scotland's major strengths in science and research; and improving the environment for innovation in Scotland: in particular recognising the need to stimulate innovation in key industries.

SOUTH OF SCOTLAND COMPETITIVENESS STRATEGY

Enhancing industry research links with universities and colleges both within and outside the South of Scotland; and encouraging the development of new products and services and the use of new or improved techniques in businesses and university spin outs.

LOWLANDS AND UPLANDS SCOTLAND 2007-2013 (EUROPEAN STRUCTURAL FUNDS) PROGRAMMES – Priority 1

Stimulating and facilitating better linkages between the business base and higher education; targeting the commercial application of research; and developing the capacity of the industrial community to take full advantage of its links with the research base by having the resources, knowledge and systems for developing sustainable innovation.

2.3 Market Appraisal

The market failures that justify Scottish Enterprise intervention arise from three sources:

- i. *Imperfect Market Information*, in terms of awareness among companies of the benefits of innovation. This isn't helped by the historical policy focus on R&D and technology, which tend to downplay more pragmatic forms of innovation in terms of new products and services, and innovations in process and business models.
- ii. *The time horizon and risk profile of investments*, which contrasts with the short-term outlook and risk-aversion of stakeholders and funders. Often the

scale and nature of the investment involved and the uncertainties over pay-back compares unfavourably with alternative investments – for companies, entrepreneurs and HEIs as well as potential funders (including Scottish Enterprise).

iii. *Externalities*: there are significant economic spill-over effects from innovation; on the positive side there are the ‘demonstration’ effects that come from successful innovation, with additional benefits arising from achieving critical mass (e.g. attracting the interest of funders and managerial talent); on the negative side, there are the potential losses in terms of leakage of benefits (e.g. through early take-over of growing companies or purchase of IP from outside Scotland) – losses are likely to be exacerbated if there is failure to generate critical mass in terms of activity levels

At a South of Scotland level the Scottish Executive research paper into the Scottish Innovation System (SIS) highlighted many weaknesses in the SIS including:

- i. *Low levels of R & D in indigenous SMEs*, due to an inability to attract highly skilled labour (particularly in family-owned enterprises), a high propensity to operate within local markets and a low appetite for risk.
- ii. *Low levels of networking* between locally-owned firms and the universities and between firms within the supply chain, which can often be a catalyst to innovative activity to either develop opportunities or solve problems.
- iii. *A mismatch of knowledge* being generated by academic institutions and knowledge being demanded by the private sector.
- iv. *The impact of geography* and how the locations of higher education institutions, and therefore proximity to the business base, can have a major impact on the levels of innovation and R&D between urban areas and rural locations.

2.4 Activities

A number of activities were put in place and **Table 2.1** reports on the activities that have been delivered to date.

Table 2.1: Activities

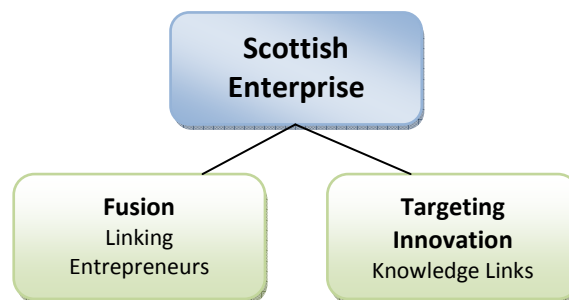
Activities - Project delivery
Establishing informal innovation networks
Hosting events
Providing innovative business success case studies
Facilitating business to HE/FE discussions
Providing referrals to Universities
Providing referrals to innovation support specialists
Identifying, stimulating and Developing collaboration opportunities (business – business and business – FE/HE)

2.5 Programme Delivery

The Programme is funded by Scottish Enterprise and funding from the EU (ERDF).

Scottish Enterprise manages the Project and contracts the Linking Entrepreneurs and Knowledge Links element to Fusion and Targeting Innovation respectively. **Figure 2.1** details the Programme delivery structure.

Figure 2.1 Programme Delivery Structure



2.6 Funding and Expenditure

Table 2.2 sets out the Programme allocation as set out in the Scottish Enterprise Approval Paper

The total Programme allocation was £1,190,000. In the main, this expenditure was allocated towards the two programmes, Human Networking (44%) and Knowledge Transfer (43%). Eight per cent was to be

spent on the innovation system research and only 5% on the project evaluation.

Table 2.2: Programme Allocation

	Delivery Costs (£)	% of Total contract value
Human Networking	524,000	44%
Knowledge Transfer	506,000	43%
Innovation System Research	100,000	8%
Project Evaluation	60,000	5%
Total	1,190,000	100%

Source: SE Approval Paper

For each project, this funding was split down to cover Events, Conferences, Staffing costs etc, **Table 2.3** and **2.4** details.

Table 2.3: Human Networking Costs

	Delivery Costs (£)	% of Total contract value
Events	63,000	12%
Annual Conference	60,000	11%
Staffing Costs	330,000	63%
Training	20,000	4%
Commissioned Research	15,000	3%
Marketing	36,000	7%
Total	524,000	100%

Source: SE Approval Paper

Table 2.4: Knowledge Transfer Costs

	Delivery Costs (£)	% of Total contract value
Events	135,000	27%
Staffing Costs	312,000	62%
Training	20,000	4%
Commissioned Research	15,000	3%
Marketing	24,000	5%
Total	506,000	100%

Source: SE Approval Paper

In the main, both projects projected to spend the bulk of their money on staffing costs, and events/annual conference.

2.7 Programme Performance

2.7.1 Progress against targets

Tables 2.5, outlines the progress against the Scottish Enterprise targets set at approval stage. Table 2.6 and 2.7 outline the individual targets for each project and their progress towards these. Note that targets run into 2010/2011 and actual targets are what the projects have completed up until November 2009.

Table 2.5: Progress against SE Targets

	Target	Human Networking	Knowledge Transfer	Total	% achieved
Business Assists	140	*1	46	124	86%
Relationships/networks/collaborations will be developed	70	17	31	48	68%
New products and services developed	40	1	0	1	2.5%

Source: SE Approval Paper

Taking into account all elements from Tables 2.6 and 2.7 that contribute to the Scottish Enterprise main targets, the Programme is seen to be performing well against two of the three, with over two thirds of its relationships/networks/collaborations targets being achieved. However, there was significant under-achievement with regards to new products and services with only 2.5% being achieved to date.

Table 2.6 looks at the Knowledge Transfer project and its performance against targets. The project is performing reasonably well, in achieving many of its targets, including over performing on collaborative ventures to date, and 3rd party event participation. On the other hand it is not performing well in achieving new products, services or new markets.

¹ Business assists are not currently being counted as a target for Human networking, but business interactions are listed in table 2.7.

Table 2.6: Progress against Knowledge Transfer targets

	Target	Actual	% achieved
Company Activity			
Business Assists	185	46	25%
Collaborative Ventures	30	31	103%
Research Projects	15	4	27%
Scoping Reports	6	1	17%
Events			
Special Interest Groups	18	5	28%
KT Transfer Capacity	18	8	44%
Learning Journeys	7	2	29%
HEI	5	3	60%
3rd Party Event participation	24	25	104%
Special outcomes			
New products, services	50	0	0%
New Markets	10	0	0%

Source: Knowledge Links Target Report November 2009

Human Networking, progress against targets is shown in **Table 2.7**. It has achieved over half of its targets for cold calling, and case studies. There is much progress towards the rest of the targets, although there is significant achievement still needed on e-newsletter, collaborations, and new products and services in order to meet contracted targets.

It should be acknowledged that some of the targets involve deeper levels of collaboration, which takes time to build. As such, it would not be expected for the total project targets to be delivered evenly across the three years. It is more likely that there will be a slower start to delivering these targets.

Table 2.7: Progress against Human Networking

	Target	Actual	% achieved
Company Activity			
Research on Businesses	700	243	35%
Cold Calling	192	120	63%
High Growth Businesses	180	55	31%
Media Presence	28	6	21%
Case Studies	12	7	58%
e-Newsletters	58	7	12%
Events			
Entrepreneur Meetings	80	24	30%
Networked Group Meetings	9	3	33%
Annual Conference	2	0	0%
Virtual Entrepreneur Meetings	14	0	0%
Outputs/Outcomes			
Business Interactions	1200	448	37%
Linkages	340	78	23%
Collaborations	80	11	14%
Collaborative Projects	15	6	40%
New Products and Services	40	1	3%

Source: Fusion Target Report November 2009

3. Beneficiary survey

Feedback was sought from beneficiaries, both as a sample of companies in a telephone consultation, and a broader on line survey.

3.1 Telephone Survey

This section looks at the telephone survey results, in which a total of 14 respondents took part.

Seven of the businesses took part in Linking Entrepreneurs project and six in the Knowledge Links Project.

Table 3.1: How discovered project

	Linking Entrepreneurs	Knowledge Links	Total	%
Direct Contact	1	1	2	15%
Word of mouth	3	0	3	21%
Through another organisation	2	4	6	43%
Advertising Campaign	0	0	0	0%
Leaflet	0	0	0	0%
Website	0	0	0	0%
Other	1	2	3	21%
Total	7	7	14	100%

N=14

Forty three per cent of the respondents found out about the projects through another organisation. Word of mouth and “other” were also ways in which businesses found out about the projects. Respondents noted “other” as finding out through an event/seminar.

Businesses seemed to understand what the projects were trying to achieve with those attending Linking Entrepreneurs stating that the project was about:

- promotion of positive collaborative thinking between business and entrepreneurs;
- putting like minded businesses together.; and
- to share best practice.

Those attending Knowledge Links described the project as a way to:

- access experts in other areas at a low cost or free;
- access expertise in academic areas and to make academia aware of the expertise that the businesses have; and
- encourage innovation and to support companies to do that.

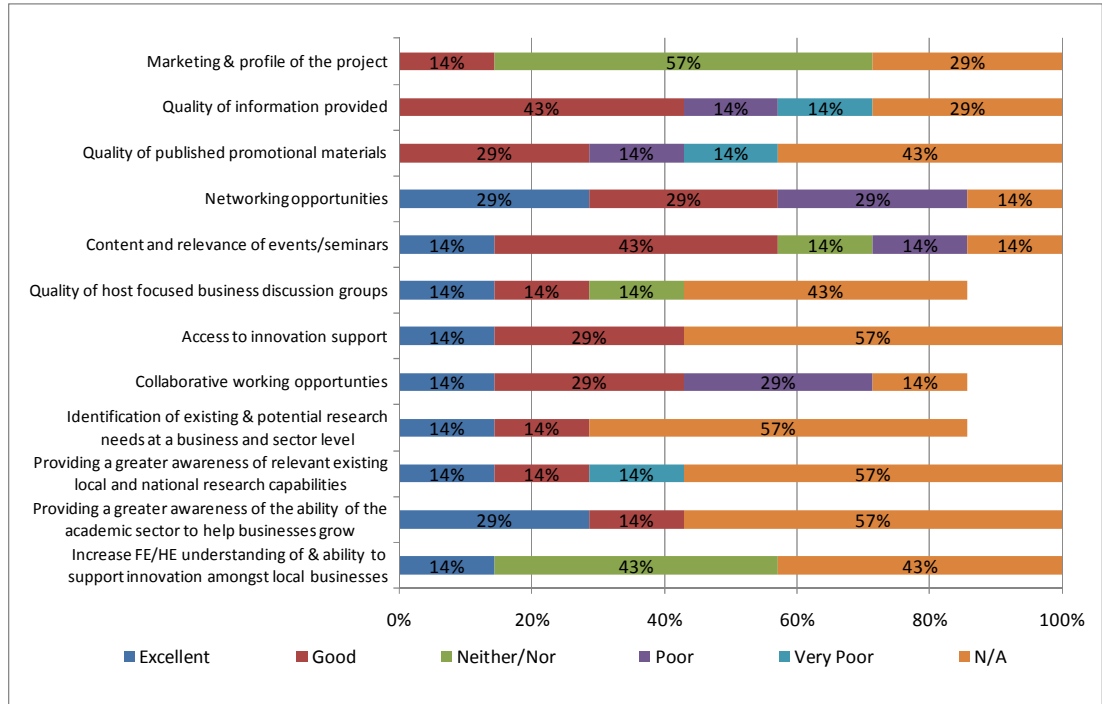
Companies were attracted to the projects for many different reasons. The most commonly cited answers were:

- meeting new organisations and finding out what is new in the area;
- accessing like minded businesses;
- raising the profile of own business in the area;
- looking at expertise and collaboration ideas; and
- learning more about innovation and new techniques.

3.1.1 Satisfaction with the projects

Respondents were then asked to rate various aspects of the projects. Their responses are shown in **Figure 3.1** and **Figure 3.2**.

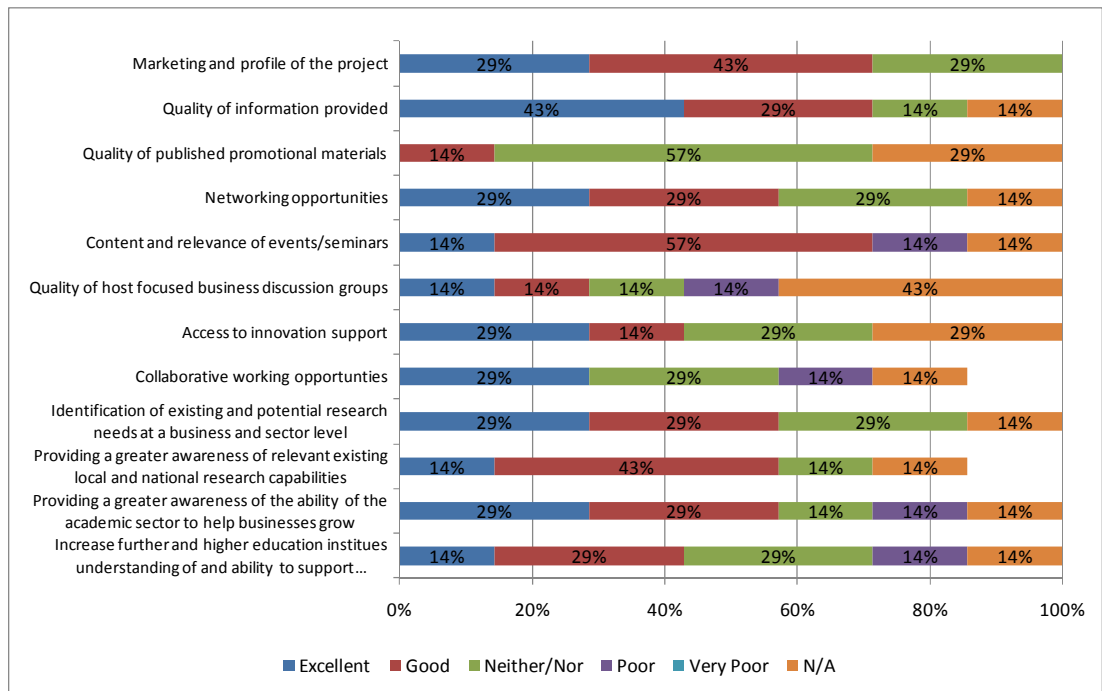
Figure 3.1: Linking Entrepreneurs



57% of respondents were happy with the content and relevance of events and 58% rated the networking opportunities as good or excellent. 43% of respondents felt the quality of information provided was good. A high percentage of the respondents were non committal (neither/nor) on the marketing and profile of the project. 43% of respondents noted that the quality of published or promotional materials was not applicable. Additional comments made about this included that they had never really seen any promotional materials.

For the Linking Entrepreneurs project the final two questions (i.e. greater awareness of the academic sector and increase FE/HE understanding) is not a main focus. However all respondents were asked all questions, and this could be an indirect benefit. As such, for completeness, the responses to this question have been included.

Figure 3.2: Knowledge Links

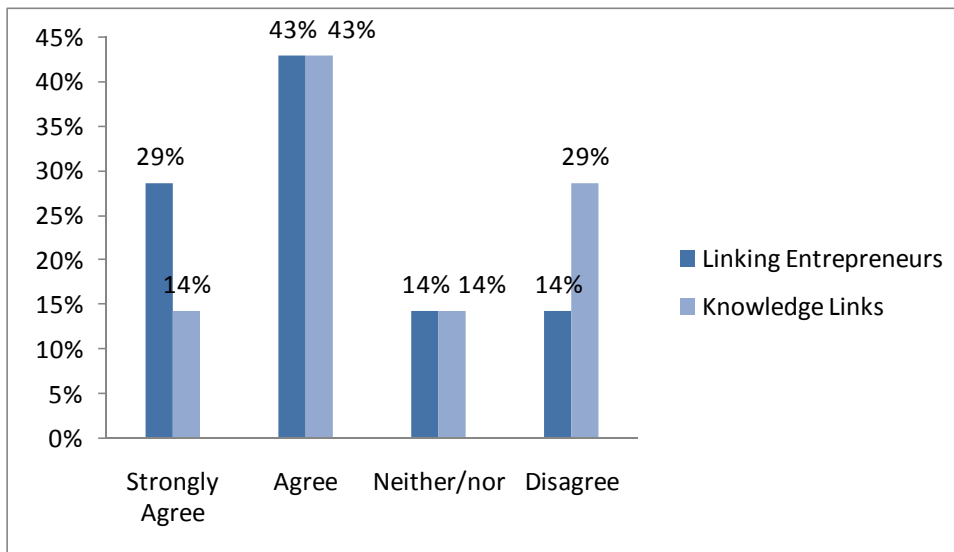


The marketing and profile of the Knowledge Links project was rated highly by respondents with 72% saying that it was excellent/good. The quality of information provided, networking opportunities, and collaborative working opportunities were seen as particularly strong aspects of the project.

Respondents were less satisfied with the quality of published promotional materials, again mentioning that they had not seen very much of this.

Figures 3.3 and 3.4, over, look at the extent to which each programme was meeting the needs and expectations of respondents.

Figure 3.3: Project has met/is meeting your expectations



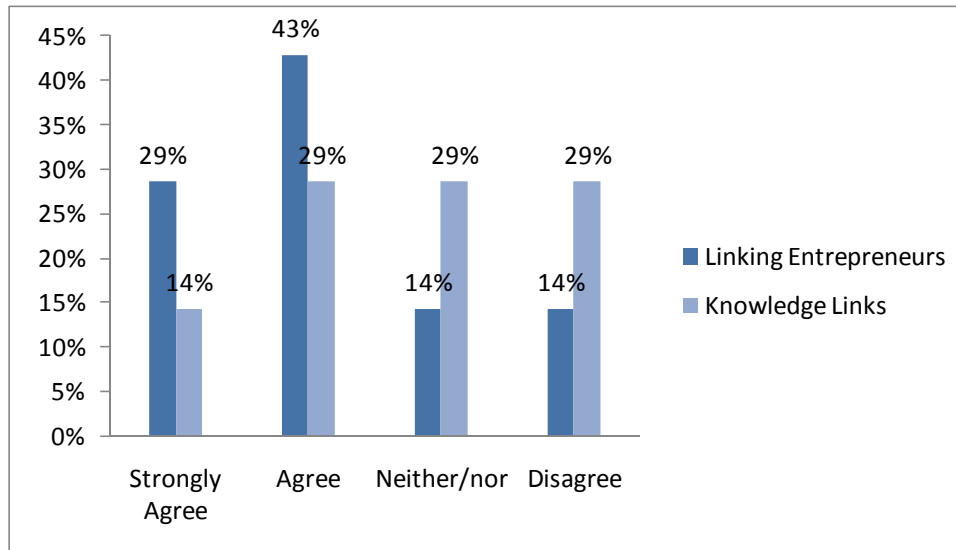
N=14

Responses were generally positive towards the projects meeting the expectations of businesses, with the reasons for this given as:

- programme has been good so far;
- helped to change plans;
- good networking opportunities arisen; and
- kept well informed.

However, one third of the Knowledge links projects disagreed that the project has/was meeting their expectations, with the stated reasons being that projects had not started yet, and were in early days and also that there was a lack of promotional material/information packs.

Figure 3.4: Project has met/is meeting your needs



N=14

Within the Linking Entrepreneurs respondents 72% strongly agreed/agreed that it was meeting their needs. For Knowledge Links respondents, only 43% of respondents felt that it was meeting their needs. 58% of Knowledge Links respondents were non committal or disagreed that the project was meeting their needs.

Reasons for the project not meeting their needs included:

- engagement process is too long; and
- didn't get support.

Those who responded positively to the project meeting their needs commented that the support available was good, there were good networking opportunities, and contacts were being made with the right organisations.

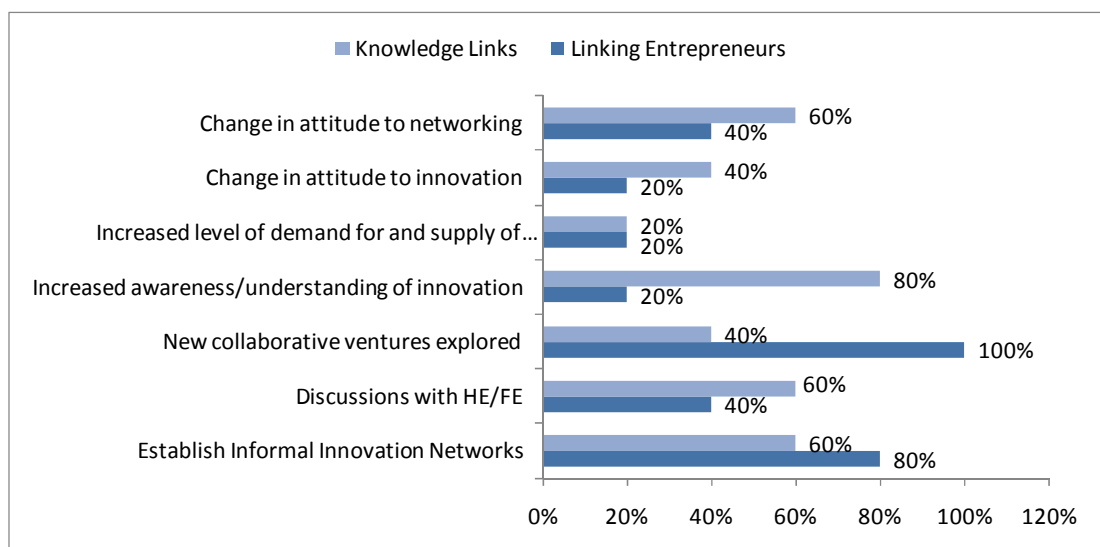
Respondents were asked to note improvements that could be made to the projects to support the South of Scotland area, those who commented left the following comments:

- it would be a good idea to publish a list to let people know who is attending and to produce name tags at events to see who is who and identify companies;
- it is hard for businesses in the current climate, and awareness of the help out there and more events would be good as well as the opportunity to meet new people;
- more literature explaining what the project is all about, e.g. an A4 or A5 booklet as an information pack
- better communications, to know what events are happening, with plenty of notice;
- round table discussions and sharing best practice;
- online seminars as businesses cannot always get the time away to attend events/seminars; and
- the projects must understand there is a business window for change/activities and if not taken that opportunity can be lost.

3.1.2 Outcomes and Impacts

Respondents were asked to comment on some of the benefits that the projects had led to or would lead to (Fig 3.5)

Figure 3.5: Benefits that have happened



A very high percentage of Knowledge Links respondents felt that the project has allowed them to increase awareness/understanding of innovation and also changed their attitude towards networking.

Of those that responded from the Linking Entrepreneurs project, all of them have benefited from exploring new collaborative ventures and 80% have established informal innovation networks.

Both projects felt that they were not seeing an increase in the level of demand and supply of research activities.

Respondents felt that in time, both projects would allow them to explore new collaborative ventures. Respondents from the Linking Entrepreneurs projects expected that in time they would have discussions with Higher and Further education and those on the Knowledge Links anticipated that there would be an increased level of demand for and supply of research activity.

Businesses were then asked to note if the projects had led to any tangible business benefits:

- Linking Entrepreneurs;
 - Accessed local suppliers (3)
 - Expanded into new markets (3)
 - New processes implemented (2)
 - Won new customers/business (2)
 - Increased sales (2)
 - Improved skill levels in organisation (1)
 - Reduced operation costs (1)
 - Increased profit (1)
- Knowledge Links
 - New processes implemented (3)
 - Improved skill levels in the organisation(2)
 - New product development (2)
 - Accessed local supplier (1)
 - Expanded into new Markets (2)
 - Accessed other public sector support (1).

One business had reduced its operations costs by 2%, and increased its sales and profit by 2%.

When asked what would have happened if support from the Knowledge Links or Linking Entrepreneurs Project had not been made available, 54% responded that the benefits would not have happened at all or would have

happened later, whilst the remainder felt that the benefits/impacts that they had benefited from, would have happened anyway without support (46%)

Table 3.2: What would happen if support was not available?

	Linking Entrepreneurs	Knowledge Links	Total	%
Benefits/impacts would not have happened at all	2	2	4	31%
Benefits/impacts would have happened later	1	2	3	23%
Benefits/impacts would have happened anyway	3	3	6	46%
Total	6	7	13	100%

Of those that thought the benefits would have happened later, two organisations anticipated it would have been six months later and one business one year later.

With so few companies being able to evidence impacts at this stage, it is not possible to do an overall Economic Impact Assessment of the initiative. However, the fact that even at this early stage individual companies are showing impacts gives some evidence that the project is progressing towards tangible benefits for companies.

Beneficiaries were also asked if they believed they were operating in a growing, static or declining market.

For the majority, the markets for both projects were growing, although within the Linking Entrepreneurs beneficiaries there were some businesses who felt that the markets for their products or services were declining strongly.

Many research studies have shown that there is a strong correlation between innovation and growth. Therefore it is interesting to note that, even in a time of economic challenges, the majority of the businesses engaging with the projects are positive about the growth of their markets. This suggests an innovative and entrepreneurial attitude for those companies.

Figure 3.7 and Figure 3.8 (over) looks at the state of the markets for respondent's product (s) or service(s).

Figure 3.7: Linking Entrepreneurs Market Status

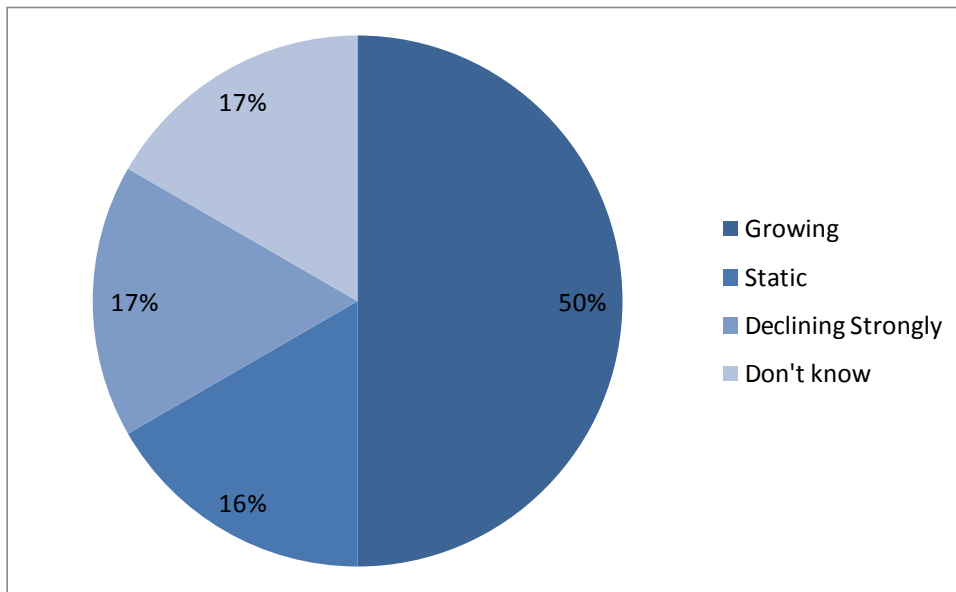
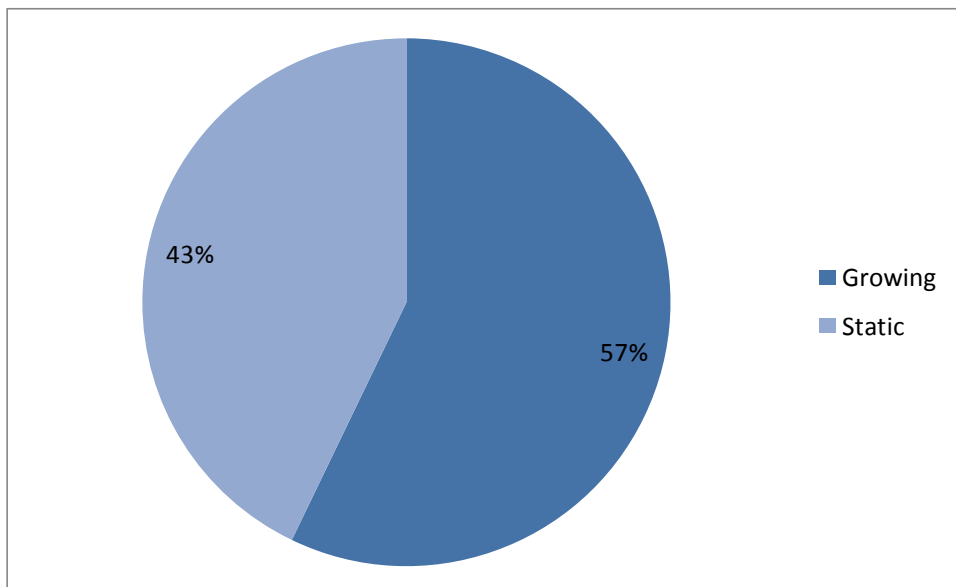


Figure 3.8: Knowledge Links Market Status



3.1.3 Future Prospects

Respondents were asked to think about the future of their business and how relevant the initiatives are.

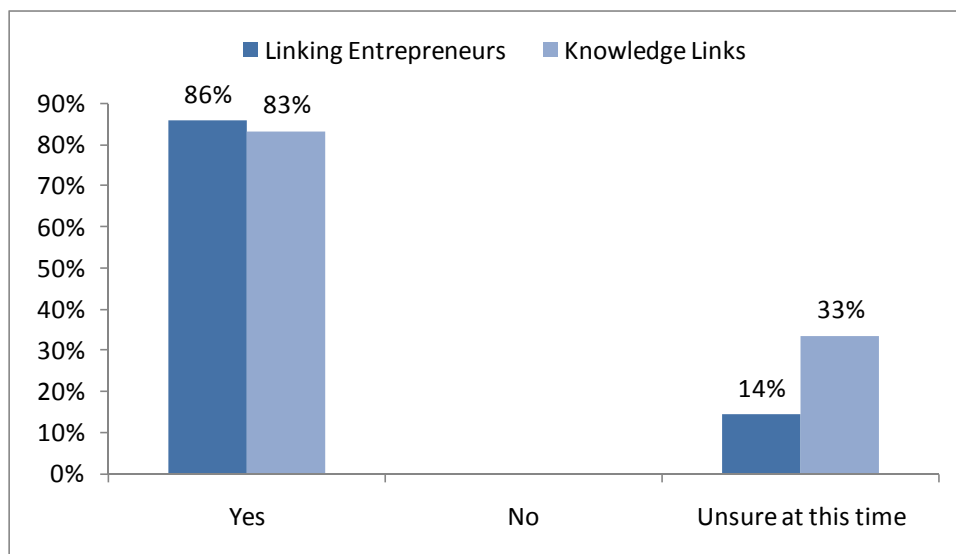
Table 3.3: Relevancy of project

	Linking Entrepreneurs	Knowledge Links	Total	%
Extremely relevant	3	2	5	36%
Relevant	4	5	9	64%
Total	7	6	14	100%

All respondents found the projects to be extremely relevant/ relevant to their business.

Businesses were then asked if they would have future engagement with knowledge base and other businesses. **Figure 3.9** details the findings.

Figure 3.9: Future Engagement



Businesses over the two projects are likely to have further engagement with business base and other businesses. They hope to do this in the following ways:

- meetings and networking
- come and visit the organisation, informal chats etc;
- collaborative working; and
- advisory capacity.

Finally the businesses were asked to leave any other comments about the programmes. Examples of the most commonly cited comments were:

- keep up the good work in the future;
- hosted well/project first class;
- collaboration with HE/FE needs to be set up to activate at point of contact as currently it results in having to wait too long for progress; and
- facilitation skills could be improved.

3.2 On line Questionnaire

This section looks at the online questionnaire results.

A total of 34 respondents took part in the online survey, and actively responded to the questions. (N.B. There were two further respondents, but they were unsure of the projects and therefore failed to answer the questions in any detail.)

Table 3.4: How discovered project

	Linking Entrepreneurs	Knowledge Links	Both programmes	Total	%
Direct Contact	8	5	5	18	53%
Word of mouth	2	3	1	6	18%
Through another organisation	0	1	2	3	9%
Advertising Campaign	1	0	0	1	3%
Leaflet	0	1	0	1	3%
Website	0	0	0	0	0%
Other	3	2	0	5	15%
Total	14	12	8	34	100%

N=34

Over half of the respondents heard about the projects through direct contact. 18% heard about it through word of mouth and 12% through another organisation.

Of those that responded “other”, this was described as hearing about the projects through event/seminar/conference.

Businesses believed they had a good understanding of what the projects were trying to achieve, with those attending the Knowledge Links describing the project as:

- trying to make useful connections and contacts between businesses and other organisations especially further and higher education and the Enterprise Company.
- facilitating exchange of knowledge, expertise and ideas - business to business and also education providers to business; and
- bringing together commercial needs and academic expertise.

Those attending the Linking Entrepreneurs stated that the project helped:

- linking like minded individuals, in particular entrepreneurs to aid the growth of their business via networking and think tank;
- to stimulate business development through interactions with other businesses;
- informal networking with business and people actively engage in business and sharing of common problems; and
- making synergistic links between companies who might not otherwise engage.

Companies were attracted to the projects for many different reasons, the most commonly cited answers were:

- networking with other businesses;
- collaboration with further and higher education;
- access to expertise; and
- finding new partners and potential clients to work with.

3.2.1 Satisfaction with the project

The next three figures look at the ratings of satisfaction of the programmes. (Figures 3.10 – 3.12)

Figure 3.10: Satisfaction with aspects of Linking Entrepreneurs (LE) projects

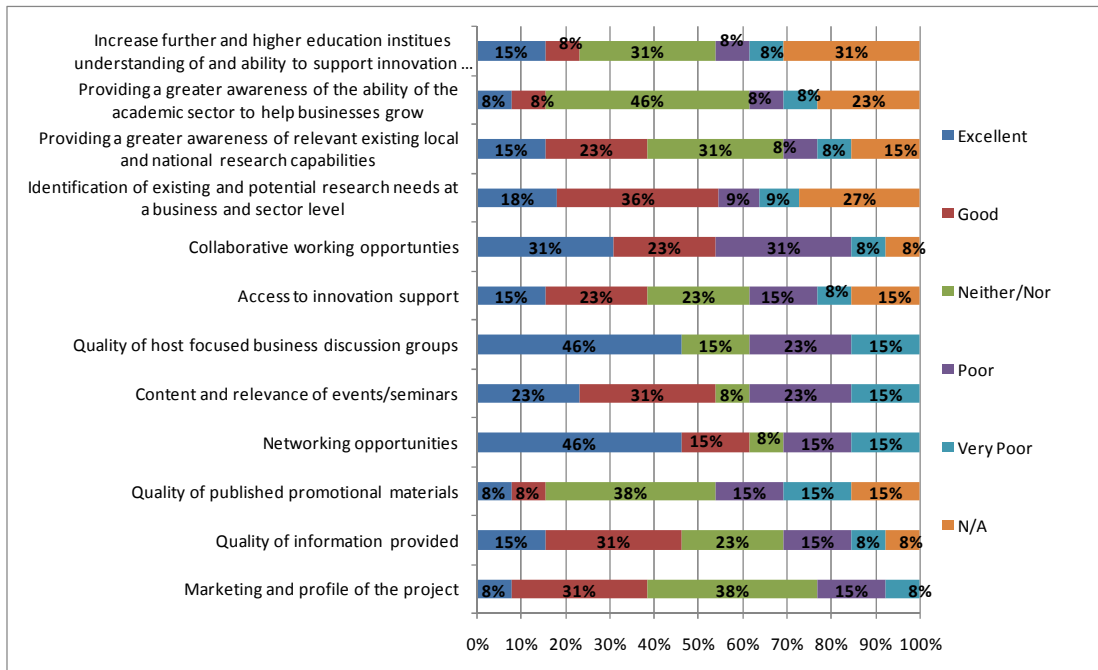


Figure 3.11: Satisfaction with aspects of the Knowledge Links Programme

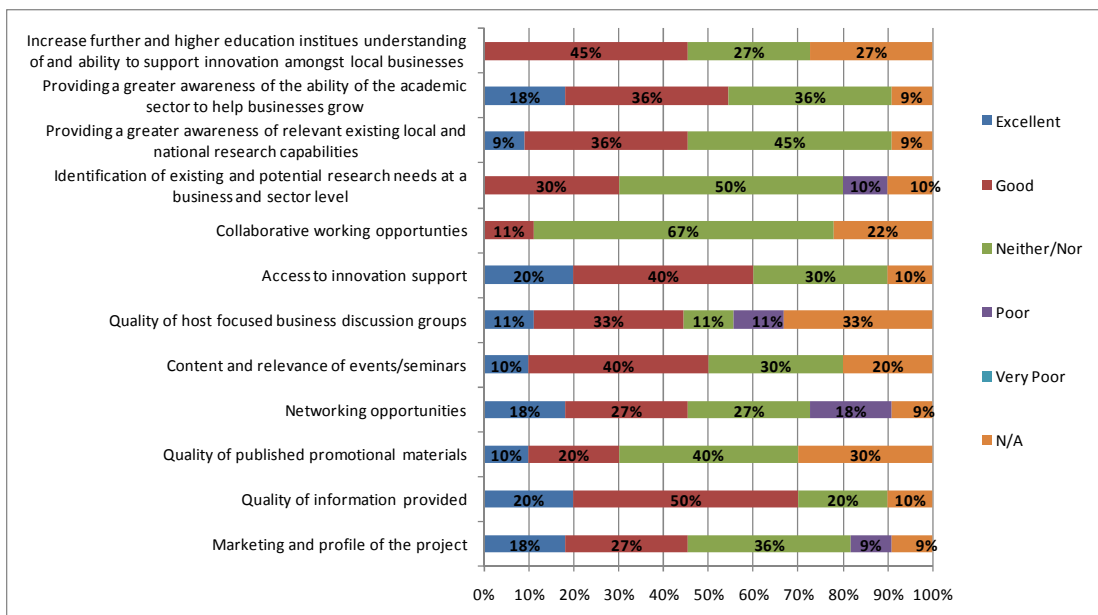
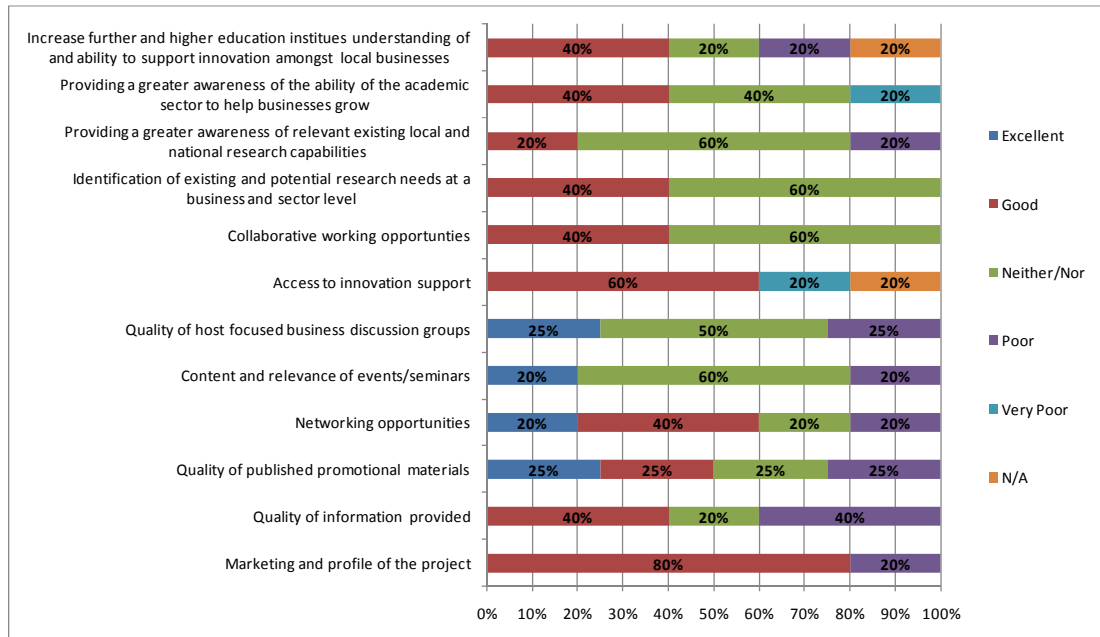


Figure 3.12: Satisfaction with aspects of both programmes

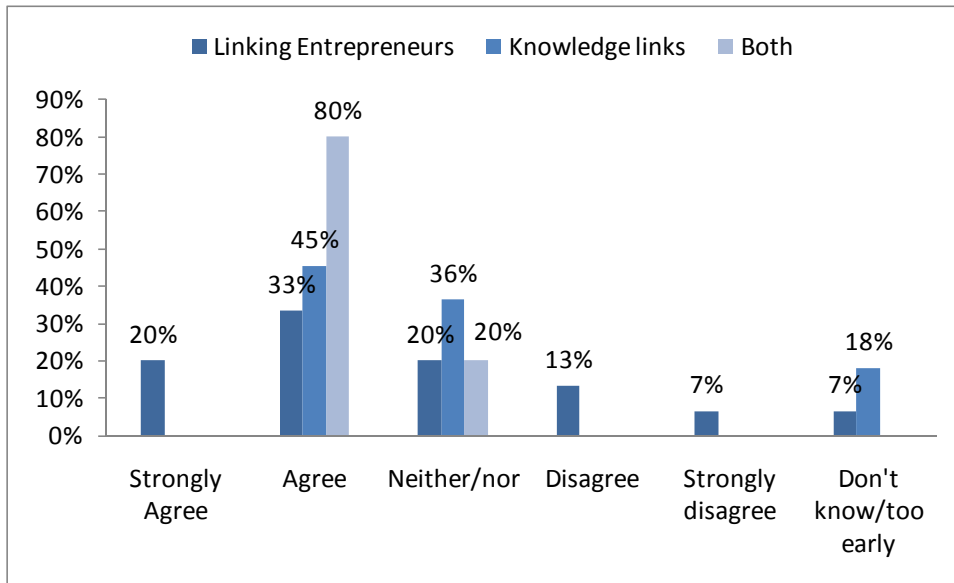


Over half of the respondents were happy with the quality of information provided, networking opportunities, and the access to innovation support.

Respondents were less satisfied with the quality of published promotional materials, collaborative working opportunities, providing a greater awareness of relevant existing local and national research capabilities and providing a greater awareness of the ability of the academic sector to help businesses grow.

Figure 3.13 and 3.14 over, look at the responses to the projects meeting the needs and expectations of respondents.

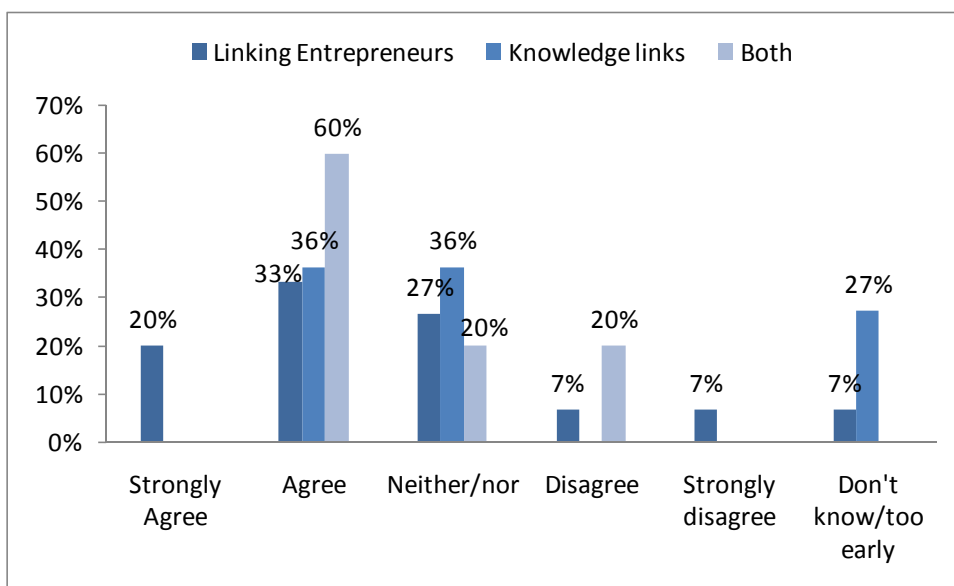
Figure 3.13: Project has met/is meeting your expectations



N=32

Fifty three per cent of respondents strongly agree/agree that the Linking Entrepreneurs project is meeting expectations. Those who took part in the Knowledge links programme agreed that the programme was meeting their needs and those taking part in both projects were satisfied that the project was meeting expectations with 80% saying they agreed. A few respondents felt that it was too early to say if it was meeting expectations.

Figure 3.14: Project has met/is meeting your needs



Again satisfaction with the projects meeting needs was relatively high, with 53% of respondents strongly agreeing/agreeing that Linking Entrepreneurs was meeting their needs. Those who took part in the Knowledge Links project had split opinions with 36% saying that it had met their needs, and 36% not really having an opinion. Those who took part in both projects again were satisfied with 60% agreeing that it met their needs. Several of the participants on the Knowledge Links project found that it was too early to know if it was meeting their needs as yet.

Respondents were asked to note improvements that could be made to the projects to support the South of Scotland area. The most common answers from respondents were to continue with the work being carried out, ensuring that good networking opportunities arise where businesses can form long term relationships and also help to open up doors for those who either can't or don't know how to do it themselves. It was also noted that these relationships cannot be rushed and that time must be spent forming the correct ones.

3.2.2 Outcomes and Impacts

Respondents were asked to comment on some of the benefits that the projects had led to or would lead to.

Figure 3.15: Benefits that have happened

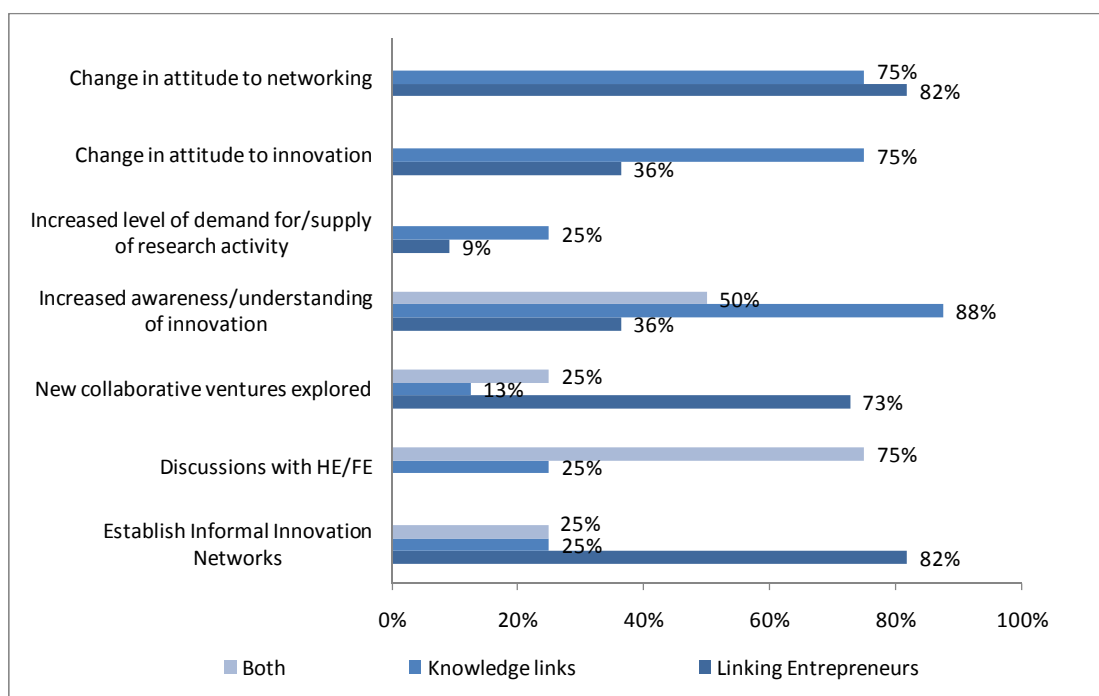
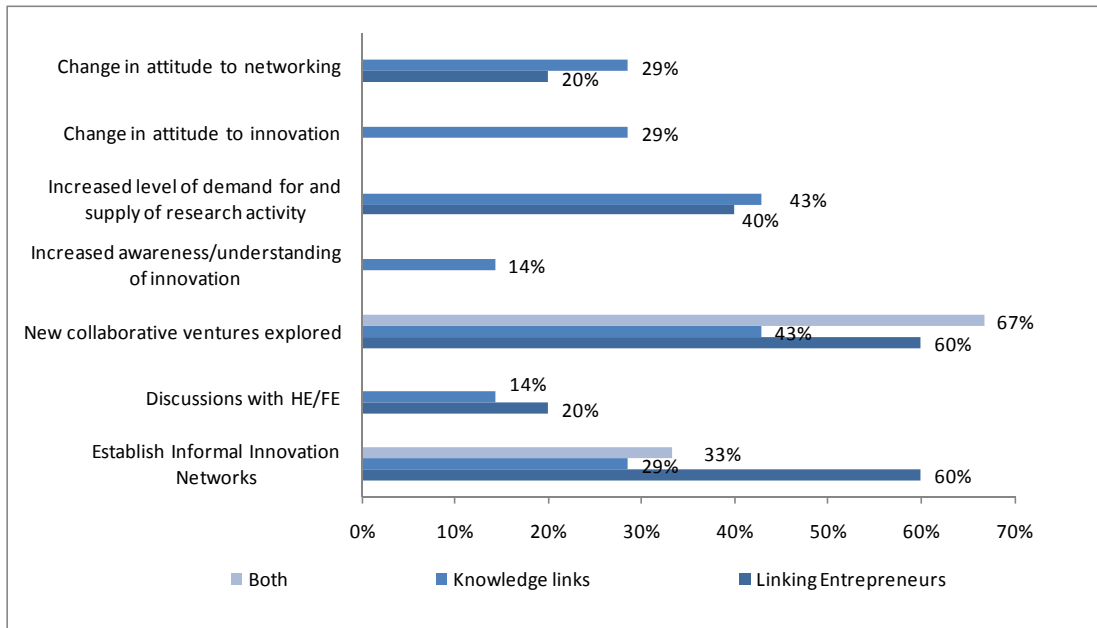


Figure 3.16: Benefits that will happen



The projects had a large influence on changing attitudes towards networking and increasing the awareness /understanding of innovation. A large percentage also noted that it allowed them to establish informal innovation networks, and many had explored new collaborative ventures.

Respondents thought that in time, the projects would allow them to explore new collaborative ventures, establish informal innovation networks and would increase the level of demand for and supply of research activity.

Some other benefits noted by respondents were that the projects allowed them to network/meet with like minded people and it helped to open new doors for those who can't or don't know how to.

Businesses were then asked to note if the projects had led to any tangible business benefits. Businesses noted that they had:

- developed new products (6);
- accessed local suppliers (5);
- accessed other public sector support (5);
- won new customers/business (3);
- increased sales (3);
- expanded into new markets (2);

- improved skill levels within their organisation (2);
- created new jobs (1);
- retained jobs (1);
- increased productivity (1); and
- increased profit (1).

One organisation increased their staffing levels by one full time member and started a joint venture with a local company. Sales in one organisation increased by 5%, and their profit also increased by 5% and another business increased their sales by £2000.00.

When asked what would have happened if support from the Knowledge Links or Linking Entrepreneurs Project had not been made available, over 65% of respondents stated that this would not have happened at all or would have happened later. Very few organisations felt that the impacts would have happened anyway.

Table 3.5: What would happen if support was not available?

	Linking Entrepreneurs	Knowledge Links	Both	Total	%
Benefits/impacts would not have happened at all	4	1	1	6	30%
Benefits/impacts would have happened later	2	4	1	7	35%
Benefits/impacts would have been smaller	3	0	0	3	15%
Benefits/impacts would have happened anyway	1	3	0	4	20%
Total	10	8	2	20	100%

Of those that commented that the benefits/impacts would not have happened at all, comments included that it would have been harder to form relationships with other organisations, and explore joint ventures, that mindsets are slow in the current climate and that it is hard to find the time to do this without help.

Benefits and impacts would have happened between six months and a year later for most organisations and one organisation could not quantify how long it would have taken for the benefits to happen, but did say that it would have taken them a lot longer to make the contacts that they did without the support.

When describing their current markets, 66% of respondents identified that the markets for their products or services were growing, with only one organisation having a declining market, (Table 3.6).

Table 3.6 Product(s)/ service(s) market status

	No	%
Growing	21	66%
Static	9	28%
Declining	1	3%
Declining Strongly	0	0%
Don't know	1	3%
Total	32	100%

3.2.3 Future Prospects

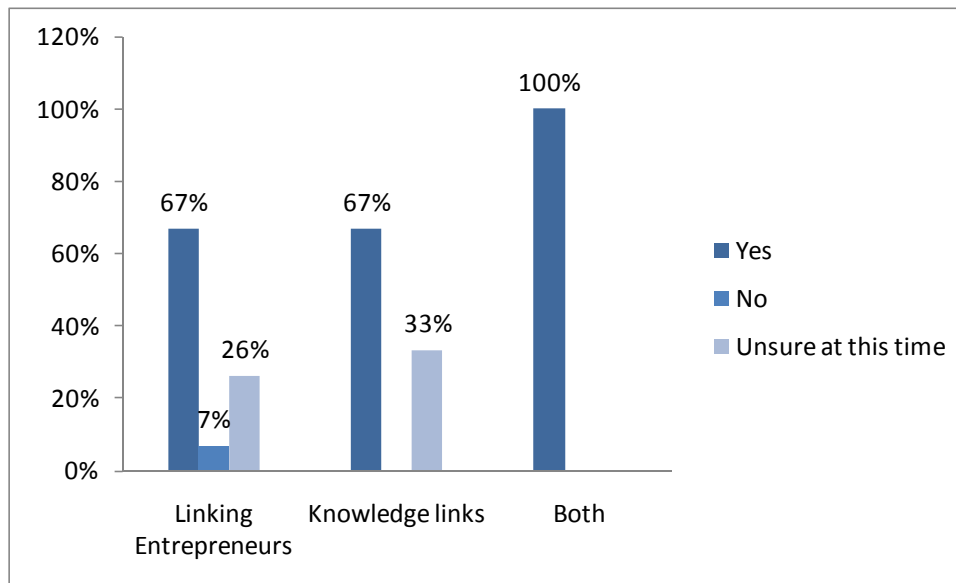
Respondents were asked to think about the future of their business and how relevant the initiatives would be. 84% of respondents found the initiatives to be extremely relevant or relevant.

Table 3.7: Relevancy of project

	Linking		Knowledge		Total	%
	Entrepreneurs	Links	Both			
Extremely relevant	6	2	0	8	26%	
Relevant	7	6	5	18	58%	
Not Relevant	1	4	0	5	16%	
Total	14	12	5	31	100%	

Businesses were then asked if they would have future engagement with knowledge base and other businesses. **Figure 3.17** details the findings.

Figure 3.17: Future Engagement



N=32

The majority of the businesses over the two projects responded that they are likely to have further engagement with academic base and other businesses. They would hope to do this in the following ways:

- further networking and or events;
- support to rural businesses, training advice, consultancy;
- grant applications; and
- business development/ joint ventures with other organisations.

Finally the businesses were asked to leave any other comments about the programmes, the most commonly cited comments were:

- the staff and delivery methods are good;
- good opportunities to meet like minded businesses and share skills and knowledge;
- would be good to do more of the same; and
- clearer dialogue on what is on offer would be good.

4. Consultation

The main focus of the Strategic Review was the consultation process with key stakeholders, staff, delivery partners and beneficiaries.

4.1 Stakeholders and staff

This section summarises the key responses from stakeholders and delivery staff that may inform future development of the programme.

Objectives of the initiative

The objectives of the initiative were well understood. There was felt to be a lack of ambition from many companies, evidenced by low demand for innovation support, and also a recognised disconnect between businesses and universities. The makeup of the businesses in the region was recognised as an issue, with a greater proportion of very small businesses, and a higher percentage from non research intensive sectors. Several respondents also cited a lack of openness and a reluctance to collaborate between businesses.

The initiative was felt to be focusing on the right things and that if the connectivity with the Scottish innovation system could be improved this would benefit all those working in this area.

Perceptions of the project

It was acknowledged that this was still a very early stage for the initiative, and that this type of activity takes time to show impact. In the short term the general feedback from companies had been positive. In addition, external partners, who may have viewed the project with suspicion at first, were felt to have been engaged in the process.

In general it was believed to fit well with other innovation support mechanisms, and was strongly seen as stimulating demand at an early stage. Other innovation and business development could then supply further support. An unexpected benefit was the generation of new leads for further engagement of that support. Some clarity over who is being targeted would be helpful.

Areas for improvement

Whereas a broad approach to stimulating demand was understood to be necessary at the beginning, companies collaborate for a reason, and respondents suggested a more focused approach, especially for Linking Entrepreneurs, might now be appropriate for a narrower, deeper interaction. In addition, the facilitation is needed on a more ongoing basis to help drive the initial connection towards a final outcome, as many SMEs will not take this forward. Just bringing companies together in the anticipation that innovation may result is perhaps not sufficiently focused.

Collaboration is difficult to measure and one challenge for the project is that there are few tangible outcomes at present. The initiative has targets, but there is a lack of clarity as to how the activities will lead to those anticipated outcomes.

Using good examples, sharing success and learning from what has worked was seen to be a good way of stimulating further activity and raising the profile of the initiative, and indeed the South of Scotland. The proposed conference for the initiative may help broaden the awareness.

There is a real opportunity to work closer with the sector teams, who are also trying to get companies to work collaboratively and therefore be smarter with limited resources (e.g. food forums).

The research element of the initiative could be used to explore areas of joint interest, for example barriers to collaboration, leadership issues, and more widely shared.

Further challenges

One challenge highlighted was that, especially for Knowledge Links, the initiative is reliant on academic partners for delivery. There was often a mismatch in timescales for delivery between the business and the university. As well as delaying the outputs, this frustrated the company and could act as a barrier for further engagement.

This initiative alone cannot change the innovation system issues in the South of Scotland; partners are also essential in delivering improvements. As such building the capacity of the HEI sector in the south of Scotland was seen to be an important part of helping the innovation system, but was under-resourced in the current contract.

External Stakeholders

It is worth noting that external stakeholders were less well informed about the initiative, had had less engagement, and were therefore able to offer less feedback regarding the project.

In general the rationale was understood to be that innovation in the South of Scotland lagged behind the rest of Scotland and the UK and this project was one way to help improve this imbalance and it was felt to be still valid as the project was still in its early stages.

There were mixed views with regards to perceptions of the project to date. Feedback included:

- the number of projects launched at the same time caused confusion;
- that these projects should be kept as simple as possible; and
- that whilst Knowledge Links element was tackling a difficult area there was a danger that the Fusion element was duplicating effort and it was hard to understand exactly what they were trying to do.

The respondents have had little direct involvement so far. It was too early to comment on how effective the project has been in progressing towards its objectives.

Generally the external respondents felt it fitted well with other innovation delivery interventions but that it should work closely with the KT Hub.

4.2 Academic Partners

From an initial sample of seven a total of five interviews were carried out with academic partners. One interviewee felt it was too early to comment on the initiative and declined to carry out a consultation.

The academic partners were asked a total of 11 questions. Many found a number of questions difficult to answer or had no viewpoint because the project was still in its early stages.

Academic partner's roles were mainly in business and skills development and a number were also involved in the Knowledge transfer hub and saw the two as potentially working together.

When asked about the ultimate objectives of the initiative the main response was to provide and establish a link between education establishments and businesses. Also, improving skills level and overall business development were mentioned as other objectives.

A lack of innovation and company's failure to develop new products were cited as the rationale for the project and it was felt this was still valid by those who could respond to this question.

Perceptions on the project to date were varied. Three interviewees felt it was either too early to comment or had not received enough feedback to make any kind of comment. Another two felt it had done well in a very hard to engage area while another thought it had started well but this had tailed off recently.

All agreed it was too early to comment on how effective the project had been in progressing towards the initiative objectives.

The strengths of the project focused on the partnerships and working together in an environment that helps to foster relationships. One of the main weaknesses mentioned was the number of initiatives and interventions available as this could cause confusion amongst businesses. This was also an issue when finding out how the initiative fitted with other interventions. With so many projects available from different sources there was confusion and duplication for both the businesses and the partners.

For most it was too early to suggest improvements. Those that were offered included raising the projects awareness for both business and staff in the education establishments. There was also a suggestion that the project needed to be pitched correctly and that the project should know its audience.

The wider impacts of the SoSISI on the innovative capacity of the region concentrated on the links between business and education and how education can provide a service to the business community which was mutually beneficial.

5. Good practice from elsewhere

Whereas this study is not incorporating an exhaustive review on current thinking and practice in supporting innovation systems, it is worth highlighting some good practice from other regional innovation system studies that may be informative for the ongoing delivery of the SSISI.

Andersson and Karlsson's review of Regional Innovation systems in Small and Medium sized Regions² highlights a number of conclusions, including:

- clusters are very important for meaningful regional innovation policies;
- developing strong links to research universities, even outside the region is essential;
- for the HEI in the region, it is important that their education profile reflects the needs of the region;
- attracting the right talent can often be a challenge for these regions;
- collective learning is at the heart of regional innovation systems, so new environments arenas and meeting places need to be supported; and
- support for new entrepreneurial firms is important.

As can be seen, the SoSISI tackles many of these elements. However the importance of clusters and talent are areas that may be of interest.

Another recent study has been undertaken by Skåne in southern Sweden. Although the region has strong research universities in Lund and Malmo, other parts of the region are more rural and geographically dispersed.

The output from the year long study is an Action plan which has been approved by the Regional Council, the Universities and the Innovation Agencies, and has been allocated funding to ensure implementation.

The Action Plan proposes to address a number of key elements including:

² *Regional Innovation systems in Small and Medium Sized Regions: A Critical Review*, Andersson, M. & Karlsson, C. in *The Emerging Digital Economy: Entrepreneurship, Clusters and Policy*, Johansson, B, Karlsson, C. & Stough, R.R. (eds), 2004, Springer-Verlag, Berlin

- develop systemic governance representative of all the actors in the region to drive forward the agenda;
- create a collective voice for the region, and build a strong regional identity;
- develop a broader approach to innovation, beyond technology innovation, and support the skills and management competences needed for this;
- strengthen the innovation support structures, including establishing a strong measurement framework to show progress towards the key objectives across all innovation support;
- create and support innovative environments where cross disciplinary innovation can flourish; and
- internationalise the innovation system.

Whereas these actions are obviously specific to the Skåne region, there are some learning points that can be captured. For example, the strong emphasis on bringing all stakeholders together for implementation, the systematic approach to research informing the plan, the process of analysing needs, and the establishment of a measurement and evaluation framework to ensure that success is effectively measured. In addition the emphasis on broader innovation approaches and the importance of leadership, skills and internationalisation are worth noting.

6. Conclusions and Recommendations

This section summarises the conclusions of the review, and puts forward some recommendations for the future.

6.1 Conclusions

This initiative is only at the early stages of delivery, but already some conclusions can be drawn from the review.

The strategic rationale is viewed to still be valid, with the project addressing the market failures identified in the initial research.

Both projects have progressed well against some targets, but have been slow in delivering the more outcome focused targets. As acknowledged earlier in the report, some of these targets involve deeper levels of collaboration, which takes time to build. As such, it would not be expected for the total project targets to be delivered evenly across the three years. Whereas it is understood that these elements will take time to deliver, both delivery partners have already refocused towards the achievements of these targets.

Beneficiaries have responded positively to the initiative, although it is too early to record economic impact.

Evidence of progress has, however, been gathered. The projects had a large influence on changing attitudes towards networking and increasing the awareness /understanding of innovation. A large percentage noted that it allowed them to establish informal innovation networks, and many had explored new collaborative ventures.

Benefits had often not yet accrued, but beneficiaries highlighted that in the future, the projects would allow them to further explore new collaborative ventures and establish informal innovation networks.

Some benefits had already been seen by companies, including new products, increased sales, new markets and suppliers. However, due to lag in support being received and realising ultimate benefits, it is not possible at present to carry out an Economic Impact Assessment but from the details that we have, there is some evidence that the project is working towards benefits for the companies.

If support was not available then benefits for most companies would happen later or not happen at all. The vast majority of beneficiaries were keen to have further engagement with the initiative.

Stakeholders are generally supportive, understand the objectives of the initiative, think it is focusing on the right elements and fits well with other innovation support. They have highlighted a number of improvements that could help the impact of the initiative.

Academic partners and external stakeholders, although generally supportive of the initiative, are less aware of its objectives, have had less engagement and were therefore less able to contribute to the review.

6.2 Recommendations

As this is a Strategic Review of the initiative, rather than a full evaluation, our main focus is to offer guidance to allow learning to be applied to improve the final performance of the project.

This is not a “go/no go” decision point for the initiative, and indeed the continuation of the initiative is supported by the generally positive feedback from the beneficiaries, even though final impact results are not yet able to be captured.

The recommendations below are not fundamental changes, but are put forward as proposals to enhance the subsequent delivery stages of the project.

- **Achieving Targets**

Although many of the activity targets (business assists etc.) are well on track, the more outcome focused targets (new products, processes) are further behind, and may prove challenging to achieve. There have been some changes in personnel within the projects since the start of the initiative for both elements, and this has recently seen some process improvements already implemented and a more focused drive to achieve the targets.

Although the achievement of these targets is important, especially to justify the investment made from SE, there is a risk that the overly intensive focus on achieving these targets could miss the essence of the project – namely to build a willingness to engage and to improve the attitude to collaboration for businesses in the region. It is worth noting that for businesses, the purpose of the initiative, especially for LE, is understood to be more about bringing together like minded companies,

and less about innovation and developing new products. This perhaps suggests a mismatch between SE's objectives for the project, and how it is being presented to companies.

Balancing the need to stimulate demand alongside the support for taking forward a project for a new product will be essential in delivering the targets as well as embedding the behaviour change needed.

- **Measurement Framework**
One of the challenges with delivering the targets outlined above is that there is currently no logic model³ for the project that shows how the activity is leading to the final outcomes anticipated. Trust takes time to build, and moving a group of companies from just being a collection, to cooperation and deeper collaboration can be difficult to measure. Building a measurement framework, showing the stages of progressions, will help give confidence to funders that the achievement of targets is possible. It will also help deliverers focus on the areas of most potential.
- **Focused engagement**
At the start of the process a wide engagement was necessary, to launch the initiative, and look for opportunities in a broad area. At this stage of the project a more focused approach may be suitable, targeting groups of companies, and identifying reasons for collaboration.
- **Smarter working**
The initiative is not working in isolation. Although seen as complementary to other innovation and business growth support, there will be overlap between projects all looking to identify innovative businesses. This is an opportunity to work smarter, and align resource and activity. An obvious alignment is between the initiative and the sector teams.
There is also confusion with beneficiaries and partners with the "plethora of support initiatives". Further work is needed to clarify the communication of support available along the innovation journey, and how different providers each play a role.
- **Further research**
The research element could be used to inform future delivery. For example understanding barriers to collaboration, leadership issues and helping develop joint areas of work.
In addition, capturing benefits through case studies of companies

³ A logic model is a systematic and visual way of presenting and sharing understanding of the relationships among the resources operating a programme, the planned activities, and the anticipated changes or result.

engaged with the project can be a useful way of showing the return on investment of collaboration for the beneficiaries.

- **Partners for delivery**
The initiative can only deliver part of the improvement needed in the innovation system. The engagement and participation of partners is essential. This is true for HEI partners in the region and also in the central belt, as well as other external stakeholders. Engagement with external stakeholders needs to be re-enforced, to refresh their understanding of the initiative and to encourage their support. Although this happened at the launch of the project, this needs to be revisited. Reinforcing the importance of this approach through other communication channels (e.g. through PRM relationships with university centres, and council relationships) will help to embed this message. Timescales for delivery is an issue for HEI partners, and results in unmet needs and expectations for businesses. Helping partners to understand this could deliver better outcomes for companies.
- **Awareness raising**
Celebrating the success of the project, and raising the profile with stakeholders and potential beneficiaries, is an important element of stimulating further demand. A conference has been proposed, and if correctly focused, could be a very powerful and positive element of the next stage of delivery.
In addition the companies were often seeking information packs and other publicity material, explaining the initiative, what it was expecting to deliver, and how the companies could benefit. The proposed development of the website could be a useful communication tool in this regard.