

## **SEEDA Consultation Paper on the development of Place Based Innovation Teams**

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### **Introduction**

This consultation paper sets out SEEDA's proposals for supporting innovation and growth in the South East by the establishment of sub-regional place based Innovation Teams which will provide support to those businesses with the most potential to have an impact on the region's economy.

This consultation paper explains the background and drivers for the new approach, the partnership model, the target client group, and the services to be delivered, together with the proposed timetable for a phased introduction.

For the purpose of this document we will be referring to the managing body as the partnership and the delivering body as the Innovation Team.

### **The Proposal**

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 innovation services to businesses that have potential for significant growth 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 in this paper suggests that the delivery teams are managed on a local level by partnerships that comprise of key stakeholders that include business and delivery organisations. These managing partnerships will 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 customers. The place based Innovation Teams will target the businesses in their areas with the highest growth and innovation potential, possibly supporting up to 200 clients locally at any one time. Clients will generally be drawn from four recognised market segments – high growth start-ups and scalable micros, small businesses making the step change to medium, medium size companies making the step change to large, and large knowledge generators (businesses that create knowledge that others can use and exploit). The clients will form virtual communities of the most innovative and growth oriented businesses in their area.

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. Mainstream businesses will be directed via Business Link to other more appropriate services that meet their needs. All services offered by the Innovation Teams will be compliant with the Government's Business Support Simplification Programme (BSSP).

To summarise, the client journey provided by the Innovation Teams will be consistent across the region. It is anticipated that the managing partnerships will add value by

bringing additional services and support alongside the SEEDA funded service to take account of local priorities and the make up of the managing partnerships.

## **Background**

SEEDA proposes that it removes duplication and integrates its numerous innovation and growth programmes into one integrated service that is delivered by sub-regional teams. The rationale for this fundamental change is driven by five important factors:

- **Client Feedback**

The South East Business Monitor, a quarterly survey of business owners, conducted by the region's Business Link Providers interviewed over 1,200 businesses across the region. It was suggested in the qualitative research that some owners and managers might find it difficult to maintain focus on bringing innovative ideas to fruition without some kind of external support to help them "keep on track".

The research found that over half (59%) of SMEs think it is likely that they will seek advice or support over the next 12 months in at least one innovation or growth related area. Around a third (31%) think they are likely to need advice or support on planning strategic business development, whilst 29% cite advice and support needs around planning product or service development. Approximately a quarter (26%) of SMEs report that they might need advice or support to improve the way they capture innovative ideas and to seek finance to develop new products or services (24%).

The results from the South East Business Monitor and other quantitative and qualitative research commissioned by SEEDA and other organisations have found that businesses want a simplified, streamlined and integrated business support offer. The services most frequently valued were identified as:

- Intensive coaching
- Confidence building
- Specialist and practical innovation help, such as getting an idea patented
- Leadership and management development
- Access to funding
- Access to markets
- Relationships and connections

- **The Regional Economic Strategy (RES) for the South East**

In order to meet the challenge of increasing global competitiveness the development and internationalisation of innovative companies is a key priority (as set out in the RES). The measures of success are:

- To increase the percentage of total South East business turnover attributable to new products from 12% in 2004 to 20% by 2016
- To increase the percentage of total South East turnover attributable to significantly improved products and services from 18% in 2004 to 25% by 2016
- Increase the percentage of businesses located in the South East operating internationally from an estimated 8% in 2003 to 12% by 2016

- **Sub National Review**

The new approach recognises the Sub National Review principle that there should be a devolved approach, giving local authorities and regions the powers to respond to local challenges and improve economic outcomes but also takes into account the

need to deliver consistent business innovation and growth services across the region that fits within the Government's Business Support Simplification Programme (BSSP).

- **Business Support Simplification Programme**

The Business Support Simplification Programme (BSSP) is rationalising the business support landscape so that there will be fewer but more effective business support offers and products, simplified branding arrangements and a primary access channel provided by Business Link. The new model proposed will need to be consistent with this - integrating a number of the "new" BSSP offers, targeted at those companies with the greatest potential for innovation and growth.

- **Innovation Nation**

The White Paper on innovation published in March 2008 sets out the Government's strategy and priorities for the promotion of innovation:

*"Innovation, and how a place can benefit from it, differs from place to place. As the production of new knowledge becomes globalised, different places in the UK will innovate in different ways. The drivers of innovation come together in places and can be urban, rural, regional, national and international in nature, often crossing administrative boundaries. Government, Devolved Administrations, RDAs, universities, local authorities and other public bodies influence the "innovation ecosystems" in which they operate.*

*The challenge for policy-makers is to create a framework, at a national and sub-national level, where activities to support innovation are focused on co-operation between the different actors involved, are responsive to different places and spatial levels and work across administrative boundaries."*

The new place based Innovation Team model is a response to this challenge.

### **The Place Based Innovation Teams**

SEEDA proposes to offer core funding for the Innovation Teams to provide intensive business expertise services to support high growth businesses. It is expected that the place based Innovation Teams will:

- Support up to 200 high growth businesses in their locality
- Lead and act as champions for innovation and growth in their areas
- Bring together all the relevant services in a collaborative structure
- Work as a network with other place based Innovation Teams across the region to share expertise, contacts and best practice to provide a consistent client journey

The Innovation Teams will be managed by a local partnership that consists of significant local players such as:

- Local Authorities, including sub-regional partnerships of local authorities
- Business Link
- Local and sub-regional investment agencies
- Universities and FE colleges
- Economic Partnerships
- Research establishments
- Deliverers of services – those organisations who can deliver support for innovation and growth

- Complementary services - added value to the businesses but not funded by this service
- Local business leaders

There is no required structure for the managing partnership as this will depend on the needs of each sub-region. The managing partnerships should not be seen as duplicating existing partnership arrangements or adding additional levels of complexity but should integrate innovation support which develop around a 'community' with a strong sense of place. Potential options for a structure could include using an existing partnership, setting up a joint venture, possibly a community interest company, or a lead partner model. In all cases, it is expected that all parties in the managing partnership will be committed formally to its success, will contribute to delivery of its services, and will have a central role in decision making.

The benefits to the partners of coming together and establishing the managing partnership include:

- The opportunity to consolidate services, reduce duplication and to have a greater impact on the economy of their area
- Increased resources to support growth and innovation
- Ownership and direction of support to a key sector of the business community in their area
- Enhanced collaboration between all the bodies concerned with support for business
- Improved standing with the business community through better and simplified services
- Close engagement with the most significant businesses in the area
- Bringing local and sub-regional services into compliance with BSSP requirements

### **Areas of Focus**

High growth businesses, wherever they are based, must be able to have access to the specialist innovation support provided by the Innovation Teams. Therefore the Innovation Teams will provide network coverage so that any business which meets the qualifying criteria is within reasonable reach of at least one place based team.

Whilst the Innovation Teams will provide regional coverage, it is proposed that they focus their efforts on particular areas of the region, where there is an existing or developing community of innovation. In these areas, the drivers of innovation come together. The White Paper on innovation highlights the importance of developing innovation partnerships around communities of interest with a strong sense of place large enough to have critical mass. It is proposed therefore that the Innovation Teams are established in places where these characteristics can be demonstrated combined with a track record of effective partnership working.

Based on the above criteria and the need for regional coverage, the areas below may reflect this approach:

- Urban South Hampshire & Isle of Wight
- Thames Valley and Basingstoke
- Kent / Thames Gateway
- Gatwick and West Sussex
- Surrey
- East Sussex and Brighton & Hove

- Oxfordshire
- Milton Keynes and Aylesbury Vale / Buckinghamshire

### **Target Client Group**

The service will be tightly targeted and will be available for less than 10% of the business base. The target client group will be those individuals and businesses with the greatest potential to generate innovation and growth and thus to meet the RES targets. The place based Innovation Teams will be expected to identify and work with up to 200 businesses fitting this profile in each locality. The Innovation Teams will therefore need to be rigorous in identifying the growth and innovation potential – focusing resources on those businesses that can contribute the most. Whilst they will work across sectors we would anticipate some sub-regions to offer specialist expertise, in partnership with the region's Sector Consortia where this reflects the local business base.

Part of the challenge of the new teams will be to identify ways in which companies can move from one stage of growth to the next. Appendix A highlights the four suggested target customer groups.

In addition the Innovation Teams will need to offer robust sub-regional research on inward investment opportunities for high growth companies and the capacity to assist new inward investment for innovative enterprises as well as providing access to business networks for relocating companies.

### **Access**

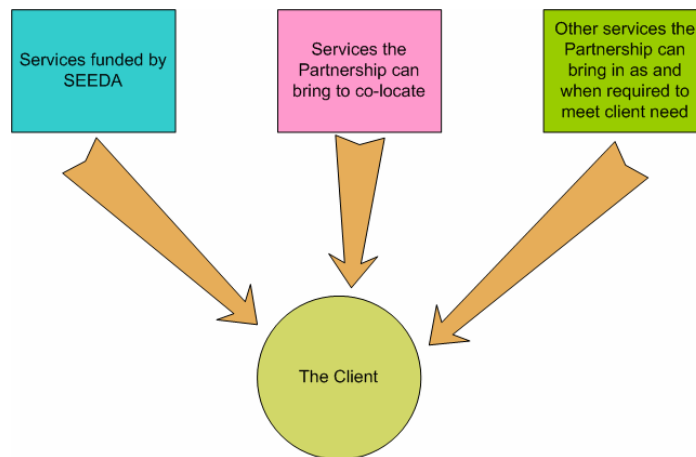
The main route to the Innovation Teams will be via Business Link as the acknowledged primary access channel for business support. Businesses will of course come via other routes and the Innovation Teams will also identify target clients through their own networks.

### **The services to be delivered**

The Innovation Teams will be expected to deliver the SEEDA funded core services as well as bringing in additional support from the public and private sector, working with Business Link Information, Diagnostic and Brokerage (IDB) as appropriate. Some services may be co-located and others brought in according to local circumstances.

All services will be compliant with the Business Support Simplification Programme (BSSP) portfolio, and will also conform to the BSSP framework for branding. There will be no regional or local branding for the *services* that the Innovation Teams deliver.

Further information on the developing portfolio of services can be found at:  
<http://www.berr.gov.uk/bbf/simplifying-business-support/page44805.html>



Indicative needs of the target clients are listed in Appendix A. In response to these needs clients will receive a tailored package of support and a range of services, which will draw on a number of BSSP products and will include:

- Mentoring
- High growth coaching
- Innovation experts/advisers
- Access to innovation and growth finance
- Specialist and technical expertise such as design expertise
- Advice on processes and operations
- Supply chain development
- Access to markets-strategies for developing international markets
- Business innovation networks and collaborations
- Management and leadership development

The Innovation Teams will provide local account management and will liaise with the Business Link account management function. This will ensure that clients continue to progress and receive the appropriate support at the right time. It will also ensure that clients move on from the support provided by the Innovation Team at the appropriate point.

In addition, the Innovation Teams will be able to draw on appropriate national and regional services such as:

- SEEDA's Investor Development Managers
- UK Trade and Investment
- The Manufacturing Advisory Service
- Train to Gain, including specialist provision
- Finance South East
- Inward investment agencies
- Sector Consortia, providing specific sector research on international markets

***This is not intended to be an exhaustive list at this stage and we welcome your thoughts on what services you think should be included.***

### **Funding**

The indicative level of grant funding per sub-region is between £750K and £1m per annum depending on the business base in that area. The contract will be for three years.

The grant will be expected to be used primarily to fund project delivery, with minimal costs associated with general management, co-ordination and administration. In addition, SEEDA would expect partners to bring in a minimum of 20% leverage funding through other services of added value to the target clients.

### **Proposed Process and Timescale for Implementation**

Proposals from partnerships will be invited using a two stage process:

#### **1. Initial proposals from partnerships for assessment**

It is anticipated that the key partners in the designated area will collaborate to produce a single strong proposal. In the event that there is more than one proposal, SEEDA may encourage parties to come together, and if this is not possible, assess the proposals on a competitive basis. Proposals based on strong partnerships and high leverage of other services will score more highly.

#### **2. Development of full business plans**

A single preferred partnership covering each place will be invited to develop a full business plan.

SEEDA is proposing that the new model be implemented in two phases. The key dates are:

Consultation with key stakeholders	April/May
Finalise the model following feedback	Early June
Invite submission of proposals for first phase of the Innovation Teams	mid June 2008
Assessment of initial proposals	September 2008
Preferred partnerships invited to submit a full business plan	By November 2008
First phase delivery commences	April 2009
Submission of proposals for second phase of the Innovation Teams	January 2009
Second phase delivery commences	September 2009

## Appendix A – Target Customer Segments

Characteristics	Indicative Needs
<b>High growth start-ups and scalable micros</b>	
<ul style="list-style-type: none"> <li>- £0-£1m turnover</li> <li>- Probably established for less than 2 years</li> <li>- Run by the owner(s) who have limited previous experience of starting a growth business - often very naive.</li> <li>- Investing everything they have in the business – no spare cash</li> <li>- Currently focused on a single product or market</li> <li>- Ideas are scalable nationally or internationally</li> <li>- Open to external help</li> </ul>	<ul style="list-style-type: none"> <li>- A route map for creating a scaleable, sustainable business from a new idea</li> <li>- A mentor to accompany them along the route</li> <li>- Practical and specialist help with specific issues such as IP, marketing, fund raising etc</li> <li>- Access to markets and major customers</li> <li>- Confidence building. Moral support when the going gets tough</li> <li>- In some cases, they may need help bring in an executive team</li> </ul>
<b>Step-change: Small to medium</b>	
<ul style="list-style-type: none"> <li>- £1m+ turnover</li> <li>- Probably established for at least two years</li> <li>- Original owner probably still in charge – very hands on, swamped, and pressed for time</li> <li>- Good ideas with potential to grow to at least £10m turnover but without intervention they will at best plateau</li> <li>- Outgrown its original management model and needs to make a step-change in share structures, governance, organisation, and business processes to realise its potential</li> </ul>	<p>Coaching to help them take a step back, assess their issues, look at the global opportunities, and reshape the business so it's capable of exploiting them. Their issues might include:</p> <ul style="list-style-type: none"> <li>- Leadership</li> <li>- Bringing in professional managers</li> <li>- Company and share structures</li> <li>- Raising external funding</li> <li>- Business models</li> <li>- Internal processes</li> <li>- Collaboration partners</li> <li>- Access to major markets and specific global customers</li> </ul>
<b>Step-change: Medium to large</b>	
<ul style="list-style-type: none"> <li>- £10m+ turnover.</li> <li>- Significant employer</li> <li>- Probably established for at least 10 years</li> <li>- Run by an experienced management team – strong commercialisation capabilities</li> <li>- Mature core products, likely to be trading overseas; good market reputation – trusted</li> <li>- A wider impact through supply chains</li> <li>- Potential to be a £50m+ company, but starting to feel threatened by global competition – feel the business has reached a critical threshold – new products, markets business models, collaborations are needed</li> <li>- If they don't improve their innovation performance they could be taken over, move overseas or go under. With the right support they could be the stars of the future</li> </ul>	<p>An external perspective on the opportunities and threats and how to tackle them</p> <p>Relationships and connections:</p> <ul style="list-style-type: none"> <li>- Access to major global customers.</li> <li>- Introductions to collaboration partners</li> <li>- Links to the knowledge base</li> <li>- Access to SMEs with new ideas</li> </ul> <p>Access to growth funding</p>
<b>Large knowledge generators</b>	
<ul style="list-style-type: none"> <li>- £100m + turnover. Important to the region</li> <li>- Operate in highly competitive global markets</li> </ul>	<p>Relationships and connections:</p> <ul style="list-style-type: none"> <li>- SME collaboration partners</li> <li>- Links to the knowledge base</li> <li>- Access to SMEs with new ideas</li> </ul>

<ul style="list-style-type: none"><li>- Highly innovative. Interested in Open Innovation but are finding it difficult to identify and work with the right SMEs</li><li>- Collaborative</li><li>- High potential to impact positively on other businesses in the region</li><li>- Take Corporate Responsibility seriously</li></ul>	International links and collaboration
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