Regional Innovation Monitor

Regional Innovation Report (West Midlands)
To the European Commission
Enterprise and Industry Directorate-General
Directorate D – Industrial Innovation and Mobility Industries

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PREFACE

The Regional Innovation Monitor (RIM)\(^1\) is an initiative of the European Commission's Directorate General for Enterprise and Industry, which has the objective to describe and analyse innovation policy trends across EU regions. RIM analysis is based on methodologies developed in the context of the INNO-Policy Trendchart, which covers innovation policies at national level as part of the PRO INNO Europe initiative.

The overarching objective of this project is to enhance the competitiveness of European regions through increasing the effectiveness of their innovation policies and strategies. The specific objective of the RIM is to enhance the scope and quality of policy assessment by providing policy-makers, other innovation stakeholders with the analytical framework and tools for evaluating the strengths and weaknesses of regional policies and regional innovation systems.

RIM covers EU-20 Member States: Austria, Belgium, Bulgaria, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the United Kingdom.

This means that RIM will not concentrate on Member States where the Nomenclature of territorial units for statistics NUTS 1 and 2 levels are identical with the entire country (Estonia, Latvia, and Lithuania), Malta which only has NUTS 3 regions, Slovenia which has a national innovation policy or Cyprus and Luxembourg which are countries without NUTS regions.

The main aim of 50 regional reports is to provide a description and analysis of contemporary developments of regional innovation policy, taking into account the specific context of the region as well as general trends. All regional innovation reports are produced in a standardised way using a common methodological and conceptual framework, in order to allow for horizontal analysis, with a view to preparing the Annual EU Regional Innovation Monitor reports.

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\(^1\) http://www.rim-europa.eu
Table of Contents

1. Main Trends and Challenges in the Regional Innovation System 1
   1.1 Recent trends in regional economic performance 1
   1.2 Recent trends in regional innovation performance 2
   1.3 Identified challenges 4

2. Innovation Policy Governance 6
   2.1 Degree of institutional autonomy 6
   2.2 Institutional set up, co-ordination and implementation mechanisms 7
   2.3 Availability and use of policy intelligence tools 10
   2.4 Key challenges and opportunities 12

3. Innovation Policy Instruments and Orientations 14
   3.1 The regional innovation policy mix 14
   3.2 Appraisal of regional innovation policies 20
   3.3 Good practice case 21
   3.4 Portfolio of innovation support measures 22
   3.5 Towards smart specialisation policies 24
   3.6 Possible future orientations and opportunities 26

Appendices

Appendix A Bibliography .................................................................................................................. 28
Appendix B Stakeholder consulted ................................................................................................. 30
Appendix C RIM Repository information ....................................................................................... 31
Appendix D Statistical data .............................................................................................................. 32
Figures

Figure 1-1 The headline indicators and the scale of the challenge ........................................ 2
Figure 1-2 Economic and innovation performance indicators for the West Midlands, relative to the EU ................................................................. 3
Figure 2-1 Budget of AWM from 1999/00 to 2009/10 .......................................................... 10
Figure 3-1 Analysis of RDAs’ spend by intervention category (1999/2000-2006/2007) ................................................................. 20
Figure 3-2 Overall Performance of Advantage West Midlands ........................................ 21

Tables

Table 3-1 Existing regional innovation support measures ........................................ 18
Table 3-2 Existing regional innovation support measures ........................................ 19
Executive Summary

1. Introduction: Main recent trends in the Regional Innovation System

The economic situation in the West Midlands has been declining over the last decade despite qualifying for Competitiveness and Employment funding under ERDF and receiving substantial injections of funding at the national level. According to the West Midlands Regional Observatory (WMRO), it was the only region in the UK to suffer a fall in private sector jobs in the decade leading up to 2008 (WMRO November 2010). It also suffered worse than any other region in the UK during the financial crisis of 2008/09, according to the AWM strategy team, enduring the highest rates in unemployment and the sharpest drop in output.

The structural weaknesses in the West Midlands economy come from a declining mining and manufacturing sector and an over-reliance on newer low value-added sectors. The lack of innovation in the region is clearly reflected in the main innovation indicators collected by Eurostat and the Community Innovation Survey. The West Midlands is behind the EU27 (100) average on many of the headline indicators including government R&D expenditure, business R&D expenditure, Higher Education R&D expenditure and marketing/organisational indicators.

2. Major innovation challenges and policy responses

Given the difficult economic and innovation situation in the West Midlands, there are a number of major challenges that the region needs to address if it is to weather the current financial crisis and to regenerate its economy. Three of these challenges are outlined below.

Challenge 1: Diversifying the manufacturing base to include high value-added and technology-based enterprise

The West Midlands region is characterised by traditional industries such as mining and manufacturing and newer, low-value added industrial sectors, which have been shown to be vulnerable to the current economic crisis. If the region is to modernise, it needs to find ways to diversify its economy into high value added and high-tech sectors.

This was recognised in the AWM Regional Economic Strategy (December 2007), which attributed 80% of the output gap to ‘to low productive sectors’ in the regional economy relative the rest of the UK. In addition to higher output, a diversified base would enable the economy to be better able to withstand shocks such as the recent 2008/09 recession and represent a way for the economy to kick-start innovation and R&D practice in the region.

Challenge 2: Stimulating greater innovation and R&D performance in the region

Although the West Midlands would benefit from a higher value added sector, all corners of the region must engage in innovation. This is especially true of the traditional manufacturing sector, which can turn around its levels of productivity if it develops new products and processes that increase its competitiveness and make it the global centre of manufacturing.

This is recognised by AWM, which have created a variety of programmes designed to target the ICT capabilities of the enterprises in the region and to get them to connect to the highly prestigious universities that exist there so that the West Midlands can benefit from knowledge transfer and the embedded technical expertise that the region benefits from.
Challenge 3: Helping the region transition from the old mode of governance to the new

One of the biggest short-term challenges that innovation policymaking will undergo in the region in the coming year is the complete dismantling of the current governance system of Regional Development Agencies (RDAs, of which AWM is one) and the creation of a new order of Local Enterprise Partnerships (LEPs). There is a danger that while this transition is happening there may be a gap in the governance situation while the new regime gains experience and responsibility is taken for all the previous RDAs’ support mechanisms.

This transition is happening at a particularly vulnerable time for the region, during the worst recession in 80 years of UK history. However, it also represents a substantial opportunity for the new governance system to develop a strategy that is in tune with the needs of the region and to work more closely local business and residents.

3. Innovation policy governance

Like all regions in England, regional innovation policy in the West Midlands is predominantly managed by a Regional Development Agency (RDA), called Advantage West Midlands (AWM), which was established along with the other eight RDAs in 1999.

Initially AWM enjoyed a substantial amount of autonomy to design and run innovation schemes to fit the individual needs of its region. However, as the RDAs matured there also appeared a large array of different schemes running in each region with differing degrees of success. To control the quality of the innovation initiatives, make them less confusing and mitigate a situation where businesses risked a ‘postcode lottery,’ the government streamlined these initiatives into a selection that each region could choose to implement. This greatly reduced the amount of autonomy that regions enjoyed in terms of national funding, although regions like the West Midlands that were entitled to European Regional Development Funds were still able to exercise a considerable degree of autonomy through this route.

One of AWM’s key responsibilities has been to co-ordinate the development of a Regional Economic Strategy (RES) in collaboration with partners from business, academia, local government and the voluntary sector. The RES is developed through a process of consultation, overseen by AWM’s Board, and ultimately must be approved by the minister of state. In this respect the particularities of AWM’s regional strategy must also align with the overarching policies and ideology of the government.

The West Midlands created two important advisory bodies to help with its task of strategic decision-making. One was the West Midlands Regional Observatory (WMRO), which was set up by AWM to provide it high quality research and build an evidence base to improve the quality of its policymaking and awareness of the region and has been a major source of socio-economic data for the region. The other is the West Midlands Innovation and Technology Council (ITC), a strategic advisory body set up by AWM in 2004 in response to a request from central government for all RDAs to constitute regional science and innovation councils. Its members include senior figures from the region’s leading research-active businesses, technology centres and universities. The ITC provides expert advice to AWM and provides a forum for the exchange of ideas between the academic and business communities in the West Midlands.

Although national and European concerns shape the priorities of AWM, the West Midlands Economic Strategy (AWM December 2007) sets the region’s framework for economic growth and regeneration. In this strategy innovation appears as a “golden thread”, or crosscutting theme that runs through all three wider strategic objectives categorised under ‘business,’ ‘people’ and ‘places.’ ITC has also created a regional strategy that particularly targets innovation. Both the AWM and ITC strategies have a strong cluster-based focus, reflecting a good understanding of the importance of smart specialisation, which comes from the national level.
In March 2012, following a change in national government, the RDA system will be dismantled and replaced by Local Enterprise Partnerships (LEPs). These LEPS have mostly not written their regional strategies yet as they are still under formation. However, they are under no obligation to include innovation as part of their strategy, so it is unclear to what extent they will – especially considering they will have much lower budgets than the previous RDAs. Most of the nationally funded innovation policies will now be managed by the Technology Strategy Board (TSB) and responsibility for the management of the European Regional Development Fund (ERDF) will be moved to the Department for Communities and Local Government (DCLG).

4. Conclusions: future actions and opportunities for innovation policy

The innovation support system in the West Midlands is clearly undergoing a major restructuring, which offers substantial opportunities and challenges. In particular, it is hoped that the smaller size of the LEPS will be better at reflecting the natural ‘economic footprint’ of the area they represent and that they will follow the natural lines around ‘travel to work areas’ that house the commuters of the major cities they cover and that they will not just follow the boundaries set by Local Authorities.

However, it is not entirely clear that they will develop innovation strategies at all as they are under no obligation to do so. In which case innovation measures will probably stay with TSB at the national level. This is not necessarily negative. Many of the innovation schemes began their lives at the national level, and despite the conventional wisdom that innovation measures are best dealt by local experts, there is very little substantial evidence to show that this is the case, as there are evaluations of national programmes producing impacts that easily match or better regional measures.
1. Main Trends and Challenges in the Regional Innovation System

1.1 Recent trends in regional economic performance

The history of the current economic situation in West Midlands begins in the heart of the Industrial Revolution. Much of the innovation and economic strength that went on to shape the rest of the UK began in Birmingham and the Black Country. In fact, the famous “Iron Bridge,” built at the end of the 18th century and now a UNESCO World Heritage site, was the first arch bridge in the world to be made out of cast iron and Stoke-on-Trent, around the same time, was one of the first industrial cities of the modern era to have large pottery factories employing more than 20,000 workers in one place.

These strengths translated, over the course of 200 years into a strong manufacturing sector. Although the North of England was adversely affected by the series of depressions that followed the two world wars, the Midlands and the South of England were able to find a foothold through newer manufacturing industries such as the automotive and aircraft industries. Despite this, major structural changes to the UK and the EU economies in the 1980s undermined the economic achievements made in these fields when the traditional manufacturing industries such as coal mining, iron and steel production went into decline. Since this time, the region has been underperforming on most indicators relative to the rest of England, including lower than average wages and low expenditure on R&D.

According to the West Midlands Regional Observatory (WMRO), the West Midlands was the only region in the UK to suffer a fall in private sector jobs in the decade leading up to 2008 (WMRO November 2010). This was in spite of a significant amount of funding being channelled through their Regional Development Agency (RDA), Advantage West Midlands (AWM), and despite qualifying for Competitiveness and Employment funding under ERDF. The deterioration of the economic standing of the region was exemplified by the closure of the MG Rover plant at Longbridge in April 2005, which was ‘one of the largest industrial failures seen in the UK for some 20 years’, and caused around 6,300 workers to lose their jobs, and several thousand more to be affected further down the supply chain (David Bailey et al. November 2008).

The AWM strategy team reported that the recession, which began in 2008/09, hit the West Midlands harder than any other region in the UK, having the highest rates in unemployment and the sharpest drop in output. The AWM Community Economic Resilience Index report (AWM, October 2010) goes on to find that the areas that were most badly hit were not the most deprived in the major urban areas, but were in fact on the fringes of the conurbations. These areas were based in traditional industries like mining and manufacture, but had also developed promising (low-value) newer industries, causing the report to describe them as ‘transition’ economies. These transition economies were most vulnerable because they suffered the dual problems of shocks to the local traditional and newer manufacturing sectors and because they had a high number of commuters who were vulnerable to lay-offs in the conurbations, especially in the financial and business sectors.

The problems created by lay-offs in the private sector have been compounded by public sector cutbacks. A recent WMRO report (November 2010) found that although the share of employment in the public sector is not as high as other areas such the North East, there has still been a sharp increase in dependency on public sector employment as a reaction to the worsening conditions in the regional economy over the last decade. This had made the West Midlands increasingly vulnerable to loss of public sector employment, which is forecast to be as high as 80,000 jobs lost over the next four years.
In order to understand the 'scale of the challenge' that faces the West Midlands, AWM have constructed some ‘headline indicators’ that compare the performance of the region with the UK average. One of these indicators is a ‘£10b output gap.’ In other words, output per head was 89% of the UK, implying that if the West Midlands could keep up with the economic average the region’s economy would be £10b richer.

These headline indicators are summarised in Figure 1-1 below:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>West Midlands Value</th>
<th>Gap with England average...</th>
<th>Gap with best performing region...</th>
</tr>
</thead>
<tbody>
<tr>
<td>GVA per head</td>
<td>£15,812</td>
<td>£18,097</td>
<td>Extra £10bn GVA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>South East</td>
</tr>
<tr>
<td>GVA per employee</td>
<td>£35,701</td>
<td>£39,816</td>
<td>Extra £9bn GVA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>East of England</td>
</tr>
<tr>
<td>% of working-age population who are “workless”</td>
<td>27.1%</td>
<td>25.7%</td>
<td>Extra 44,000 in work</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>South East</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>21.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Extra 173,000 in work</td>
</tr>
<tr>
<td>ISEW</td>
<td>£10,207</td>
<td>£10,682</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>South West</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>£12,595</td>
</tr>
<tr>
<td>Carbon emissions per £10k GVA</td>
<td>5.42</td>
<td>4.87</td>
<td>Reduce emissions by 4.72 million tonnes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>South East</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.03</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Reduce emissions by 11.83 million tonnes</td>
</tr>
</tbody>
</table>

Source: AWM, Connecting to Success: West Midlands Strategy (2007). *'Change needed’ is calculated assuming no change in number of employees or regional GVA. London is in fact the best performer in terms of carbon emissions per £10k GVA, but given its unique nature as capital city of the UK, has not been chosen as a suitable comparator.

1.2 Recent trends in regional innovation performance

The structural weaknesses in the West Midlands economy comes from a declining mining and manufacturing sector and an over-reliance on newer low value-added sectors. The principal challenge in terms of modernising the economy lies in creating high value-added employment and a stock of technologically based SMEs. This would create skilled employment and the groundwork for the regeneration of the region.

The lack of innovation in the region is clearly reflected in the main innovation indicators collected by Eurostat and the Community Innovation Survey. These are summarised in Figure 1-2.
Figure 1-2 Economic and innovation performance indicators for the West Midlands, relative to the EU

Source: Eurostat and Community Innovation Survey.

Based on the indicators described in Figure 1-2 above, we can see that the West Midlands is falling behind in most areas except ‘tertiary education’, which is 10% ahead of the EU27 (100), and ‘Non-R&D innovation expenditure’ and ‘product / process innovators’, which are about equal to the EU27 average. These latter two indicators could reflect the traditional, low-value manufacturing economic base, which would lead us to expect to see innovation happen in non-R&D sectors, because there is not a strong technological or high-tech sector, and we would expect to see innovation happen to product and processes within that base.

For the same reason, the West Midlands is not heavily skewed in favour of services industries, so the low indicator for ‘marketing / organisational innovators’ is not surprising. The indicator measures the number of businesses that have undertaken ‘distinct and significant changes in pursuit of competitive advantage, under the heads of Organisation, Advanced Management Techniques, and Marketing strategy’. This is much more likely to occur in SMEs and service sectors than in large manufacturing plants.

Another important indicator is the number of patent applications made, which is often taken to be an indicator of technological innovation as it can reveal innovation intentions or even R&D productivity. It is noticeable that the level of patents per min population are low compared to the EU27 average, reflecting the lack of high-tech industry conducting R&D.

The slightly higher than average spend on tertiary education is encouraging as it remains an important challenge for policy makers to stimulate high-value jobs by developing a highly skilled labour force. The West Midlands is also home to a number of high-profile universities such as Warwick University and the University of Birmingham. This also highlights the fact that tertiary education is an important export for the region, and therefore should be supported.

It is also extremely noticeable that government expenditure on R&D is at only 10% of the EU27 average. This could reflect a lack of government-funded research centres and ties in with the low spend on Higher Education R&D expenditure.

These indicators combined reveal a difficult challenge for policy makers in the region, who need to find ways to create a base of technological SMEs, and high-value industry. AWM has identified stimulating innovation and high-value activity as one of the key challenges, because the area needs to make the painful move from declining manufacturing to something new. They suggest capitalising on climate change.
1.3 Identified challenges

Now that we have an overview of the key innovation indicators of the West Midlands and we have attempted to interpret them in the light of the structural strengths and weaknesses of the region’s macroeconomic outlook, we can tentatively draw out three principle innovation challenges that face the region. This is not to say that these are the only challenges that face the region, or even that it is necessarily clear how these challenges should be addressed.

**Challenge 1: Diversifying the manufacturing base to include high value-added and technology-based enterprise**

As we have seen in the previous section on the historical overview of the West Midlands, much of the region is characterised by traditional industries such as mining and manufacturing, and where some of these areas have diversified into newer industries (such as the ‘transition’ economies described above (AWM October 2010)) they have tended to be in low value-added sectors, which were shown to be vulnerable to the recession of 2008/09. This reinforces the picture we have developed that while there is an aspiration to achieve sustainable economic growth in the region there are inherent structural weaknesses within the economy that need to be addressed. In particular, we have shown that over the last decade, the position of the West Midlands has fallen against most headline economic and innovation indicators, including unemployment, average wages and expenditure on R&D, indicating that the macroeconomic weaknesses can only be addressed by promoting diversification and attracting business into high-value sectors.

This was recognised in the AWM Regional Economic Strategy (December 2007), which attributed 80% of the output gap to ‘to low productive sectors’ in the regional economy relative the rest of the UK. In addition to higher output, a diversified base would enable the economy to be better able to withstand shocks such as the recent 2008/09 recession and represent a way for the economy to kick-start innovation and R&D practice in the region.

**Challenge 2: Stimulating greater innovation and R&D performance in the region**

It is not just the high value-added and high-tech sectors of the West Midlands economy that would benefit from innovation, as recognised by AWM, the traditional manufacturing sector can also turn around its levels of productivity if it develops new products and processes that increase its competitiveness and make it the global the centre of manufacturing.

When AWM was created in 1999, it found that a large section of the regional economy was not yet on the Internet, causing AWM to select ICT as a major thematic priority. We have also seen from the headline innovation indicators that government expenditure on R&D in the West Midlands is under 10% of the EU27 average, whilst business expenditure on R&D is nearly 30% below the EU27 average. This gap needs to be addressed if the economic base is to be transformed into a modern, dynamic and competitive region.

In particular, areas that AWM have been focusing on is strengthening the linkages between industrial clusters and the prestigious universities that exist in the region, so that the West Midlands can benefit from knowledge transfer and the embedded technical expertise that the region benefits from. It also invests in SME and local enterprise R&D efforts and supports local networks that allow these companies work together.
Challenge 3: Helping the region transition from the old mode of governance to the new

As described in the recent WMRO report (November 2010), although public sector employment is not as high as some deprived regions such as the North East, the share is still high and has been rising over the last decade due to the worsening economic conditions in the region. This has left the West Midlands even more exposed to public sector cutbacks than is apparent from its vulnerable economic situation. Indeed, the forecast is that the region is set to lose as many as 80,000 jobs over the next four years. To put these figures into context, this is comparable to ten MG Rover plants and related supply chains going into administration over that period.

Furthermore, the negative effects of the closure at Longbridge were to some extent mitigated by the assistance and coordination of AWM, which attempted to place the majority of the workers at Longbridge into new employment as far as possible. However, as will be explored in the following section, all of the RDAs (of which AWM is the representative for the West Midlands) will shut down in early 2012, with many of their functions returning to the national level, and many being taken over by Local Enterprise Partnerships (LEPs), a new set of organisations designed explicitly to take over from the old RDAs. This may leave a gap in the governance situation while the new regime gains experience and represents a major challenge for innovation policy in the coming year.
2. Innovation Policy Governance

2.1 Degree of institutional autonomy

In the West Midlands region of the UK, Advantage West Midlands (AWM) has been the lead agency for regional policy since 1999. It was established under the Regional Development Agencies Act 1998 (The Act)², along with eight other regional development agencies (RDAs), to drive sustainable economic development and social and physical regeneration through a business-led approach.

AWM was established as a non-departmental public body accountable to parliament via the Secretary of State of the (national) Department of Business Innovation and Skills. The Agencies’ generic purposes are set out in Section 4 of the Act, and require that in its respective region each RDA:

- Furthers economic development and regeneration;
- Promotes business efficiency, investment and competitiveness;
- Promotes employment;
- Enhances the development and application of skills relevant to employment; and
- Contributes to the achievement of sustainable development in the United Kingdom where it is relevant to its area.

Section 5 of the Act gives each Agency the power to do anything it considers expedient for its purposes, subject to the need for consent by the Secretary of State for certain activities and levels of expenditure. Each agency is required to formulate a regional strategy and keep this under review (Section 7 of the Act), as well as undertaking any function delegated to it by the Secretary of State (Section 6 of the Act).

AWM’s core operating budget is determined by central government, its main sponsor being the Department for Business, Innovation and Skills (BIS). AWM receives Grant-in-Aid funding through BIS and ERDF through the Department for Communities and Local Government. In addition, AWM also receives funding from other national Government Departments and central bodies, including the Homes and Communities Agency (HCA), Small Business Service (SBS) and UK Trade & Investment (UKTI).

Each RDA has a reasonable degree of autonomy as to how its budget is expended, and is able to set a budgetary profile to reflect regional priorities. As such, AWM formulates its policies and priorities in response to both national research and innovation policy agendas (prescribed centrally) and regional needs and opportunities (defined locally). With regard to nationally defined priorities, AWM - along with the other eight English RDAs – is required to oversee delivery of a number of national innovation schemes that are implemented at regional level. In addition, since 2009/2010 any innovation support provided to business by the RDAs must be implemented via one or more of 30 nationally defined business support ‘products’ – outlined in Solutions for Business’ (HM Government and Business Link, 2009).

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² The constitution and governance arrangements for all RDAs is set out in the ‘Regional Development Agency Accountability and Financial Framework, October 2008 (Department for Business Enterprise and Regulatory reform. This document replaces the RDA Management Statement and Financial Memorandum issued, in November 2005. It is available to download at www.seeda.co.uk/about-us/how-we-work/policies
AWM is governed by a business-led Board, the (11) members of which are appointed by the national Secretary of State for Business, Innovation and Skills following calls for applications advertised in the national press. It’s appointed Board members include local business leaders, academics, councillors, and other prominent members of the regional community. Collectively the Board has a very high level of competence with respect to both the needs and challenges of the region and the science, technology and innovation policies needed to foster economic development and growth.

The UK Government has announced the abolition of the RDAs from March 2012 and responsibility for economic development and regeneration in England will be passed to successor bodies, including central Government departments and newly created Local Enterprise Partnerships (LEPs). It is therefore highly likely that from 2012 the regional innovation policy landscape in the UK will undergo significant change.

2.2 Institutional-set up, co-ordination and implementation mechanisms

2.2.1 Innovation policy design

One of AWM’s key responsibilities has been to co-ordinate the development of a Regional Economic Strategy (RES) in collaboration with partners from business, academia, local government and the voluntary sector. The RES is developed through a process of consultation, overseen by AWM’s Board, and ultimately must be approved by the minister of state. In this respect the particularities of AWM’s regional strategy (and that of all other RDAs) must align with the overarching policies and ideology of the government.

The West Midlands RES has been updated several times and the latest version ‘Connecting to Success’ was launched in December 2007. This latest strategy was developed following the largest consultation exercise of its kind ever undertaken in the West Midlands. It began with the building of a strong base of evidence to underpin the Strategy and has included two substantial phases of consultation, involving 12 major public consultation events across the region, numerous smaller meetings and almost 400 written consultation submissions.

The RES identified the key challenges for the region and noted the West Midlands underperforms relative to national and international competitors. In 2005, output per head was 89% of the UK average and when scaled across the whole of the economy, this equated to a £10bn output gap. Research carried out on behalf of AWM concluded that 80% of the output gap was due to a predominance of low productive sectors within the West Midlands economy and to generally low levels of productivity. The RES stated that addressing low productivity levels requires greater analysis of the main drivers of productivity – skills, enterprise, innovation, competition and investment. Further analysis concluded that low rates of innovation and a poor record on skills are the primary sources of the region’s productivity challenge.

While the RES constitutes the overall regional strategy developed by AWM, innovation policy design has been handled by the West Midlands Innovation and Technology Council (ITC). The ITC is a strategic advisory body set up by AWM in 2004 in response to a request from central government for all RDAs to constitute regional science and innovation councils. Its members include senior figures from the region’s leading research-active businesses, technology centres and universities. The ITC provides expert advice to AWM and provides a forum for the exchange of ideas between the academic and business communities in the West Midlands. Its aim is to improve the region’s Gross Value Added performance through innovation and technology.
2.2.2 Coordination with national innovation policy

As the lead agency for regional innovation, AWM is centrally involved in the coordination of the region’s policy priorities and activities with the interests of other key stakeholders at both the national and regional levels.

In terms of its relationship to Government, the Department for Business, Innovation and Skills (BIS) has been the "sponsor department" for all Regional Development Agencies - including Advantage West Midlands. BIS sets national-level innovation policies and has developed a number of priority areas and programmes that the RDAs are expected to align their activities to or help to deliver. Regional innovation policy is therefore strongly coordinated with national policy priorities.

The Technology Strategy Board (TSB) is the UK’s national innovation agency and was established as an executive non-departmental public body (NDPB) in 2007. In 2008 the TSB published its first strategy, entitled Connect and Catalyse, which set out how it planned to promote and invest in innovation for the benefit of business and the UK between 2008 and 2011. The RDAs were required to align their regional innovation policies and activities with the TSB’s national priorities, and AWM aligned some €180 million of funding with the TSB’s national technology strategy over 2008-11. AWM became the lead RDA on two national innovation platforms (Low Carbon Vehicles and Assisted Living) and has been working on initiatives related to other platforms (Intelligent Transport Systems and Services and Low Impact Buildings).

2.2.3 Inter-regional coordination

AWM and the other English RDAs share good practice via a Regional Innovation, Science and Technology Group, whose members are the RDA innovation managers (or equivalents). This group also meets with central Government, via BIS, to discuss and share ideas on both national and regional innovation policy and programmes.

In March 2008, the government white paper, Innovation Nation set some guidelines for innovation investment in Britain. A new white paper, New Industry, New Jobs, has become the strategic focus after the recession. It acknowledges the importance of innovation for creating new jobs and called for greater collaboration between the RDAs, particularly around support for targeted sectors and technologies, to reduce duplication and deliver better value for money. The RDA Chief Executives responded collectively by establishing task groups to identify the opportunities in each sector and the potential for collaboration.

2.2.4 Intra-regional coordination

AWM and 15 other West Midlands regional agencies (including the Government Office, Local Government Association, Business Council, Higher Education Association, Learning and Skills Council, and Strategic Health Authority) signed a concordat agreement in 2006. The Concordat provided a framework for partnership working between the regional organisations and for the integration of regional strategies. It included among other things a commitment to cooperate on the delivery of agreed Strategies and Plans and mechanisms for working with National, European, Sub-Regional, and Local Decision Makers.

The degree of intra-regional coordination is exemplified by the fact that AWM’s Regional Economic Strategy was linked to over 30 other strategies and regional frameworks.
2.2.5 Delivery arrangements

As with many UK RDAs, AWM has elected to pursue its innovation policy objectives through a mixture of (i) AWM-financed programmes and (ii) AWM co-financing for other national or regional innovation-related programmes.

In most cases, AWM uses external contractors (intermediaries) in order to benefit from the classic advantages of outsourcing, such as efficiency gains through specialisation, experts knowledge of the industry or the organisation’s position within the regional innovation system. However, in some cases AWM may choose an external contractor because its reputation will add credibility to the scheme. This is particularly true when a large, well-respected company helps to found a scheme, such as the case of Rolls-Royce in the Manufacturing Technology Centre.

Examples of outsourced delivery include:

• The Innovation Voucher Scheme is run by Aston Business School at Aston University;
• Birmingham Science City is run by Birmingham University;
• The Manufacturing Technology Centre is a partnership between the Universities of Birmingham, Loughborough and Nottingham, the Welding Institute Ltd and industrial members including Rolls-Royce, Aero Engine Controls and Airbus UK, who were the founding industrial members.

2.2.6 Evolution in policy design, coordination and implementation

Following their creation in 1999, the remit of RDAs broadened rapidly and significantly, with a range of additional functions added over subsequent years. These additional functions and their associated funding streams meant that RDA budgets and responsibilities became increasingly complex, being sourced from different government departments, each with their own priorities and targets. In 2002, the Government moved to “Single Pot” funding for the RDAs where the contributions of different departments were pooled. In tandem with this change, a new framework of targets was agreed and greater flexibility and control over investment decisions were handed to the RDAs.

Between 1999 and 2012 AWM invested £3 billion to support sustainable economic development in the West Midlands region. The diagram below (taken from Advantage West Midlands – Making a Difference 1999-2012) shows how the budget of AWM grew steadily from 1999/00 – 2009/10 as its policy and delivery responsibilities have increased. With the planned closure of the RDAs in 2012, AWM’s budget has fallen sharply in 2010/11 and 2011/12 (winding down).
2.3 Availability and use of policy intelligence tools

2.3.1 Introduction

The English RDAs employ a very broad range of policy intelligence tools, which are used to design regional economic strategies and innovation policies, to monitor and evaluate performance, and to improve the effectiveness of policy instruments and measures.

2.3.2 Socio-economic Data

A major source of socio-economic data is the West Midlands Regional Observatory (WMRO), which was set up by AWM to provide it high quality research and build an evidence base to improve the quality of its policymaking and awareness of the region.

The WMRO was set up in 2002. It has a Partnership Board that consists of volunteers from the public, private and third sector that direct the work. Views are collected from around a variety of organisations in the region under four topic groups. Their views are fed through to the board. The topic groups include:

- an environment group;
- a population and society group;
- an economy and labour force group; and
- a geographical information (GI) group.

The groups are coordinated by the observatory.

The central UK Government (BIS) also publishes an annual report and data set on the economic performance of the English regions.
2.3.3 Monitoring

Monitoring of the RDAs’ performance takes place against a nationally defined set of output metrics, which are applicable to all policy areas and at all levels of intervention for all projects and programmes. From April 2005 to March 2008, performance assessment of RDAs was comprised of two elements:

- **RDA Progress Reports** which are issued upon the delivery of the Corporate Plan. Comprised of six core outputs with four mandatory components each RDA sets target ranges against these outputs in their Corporate Plans. The progress made by the RDAs in delivering against their output targets is laid before Parliament in the middle and end of the year. RDA monitoring reports allow AWM to claim that its investments have led to the creation of 10,000 new businesses and the creation or safeguarding of 140,000 jobs.

- **Independent Performance Assessment of RDAs.** Between October 2009 and April 2010 the National Audit Office undertook reviews of the Regional Development Agencies outside London. The assessments covered the Agencies’ performance in tackling the challenges of the downturn and budget cuts, learning lessons from evaluations of their previous activity and bringing about continuous improvement in their processes. The reports are available via the NAO website.

Before this, from April 2002 to the end of March 2005, the RDAs' progress towards delivering the earlier output targets had been reported biannually.

In 2008, drawing on the lessons learned from its programme of impact evaluations, Advantage West Midlands began the development and implementation of a new ‘Investment and Performance Framework’ (IPF). Its core purpose was to increase the Agency’s economic impact through the application of a logic chain approach linking inputs to measurable outputs, outcomes and impact (GVA return).

2.3.4 Evaluations

Advantage West Midlands developed and implemented a comprehensive approach to evaluating the impact of its interventions. All of its major programmes and initiatives have undergone some form of evaluation. These evaluations follow national guidelines on impact assessment, which have evolved over a number of years in response to central government concerns that evaluations of RDA activities were not sufficiently robust. RDA evaluations are required to carefully identify only the net additional benefits, minus any deadweight (benefits that might have occurred anyway) or displacement (assisted businesses make gains at the expense of their immediate competitors within the region) effects. There is no guidance on the share of expenditure that must be evaluated or the frequency.

In addition, several national innovation programmes delivered at the regional level have been selected for evaluation. In these cases regional ‘appendices’ accompany the national-level report, permitting individual regions to understand their absolute contribution and to benchmark their performance against the national average and other individual regions.

In March 2009, the Government’s evaluation of RDAs showed that Advantage West Midlands had delivered £7.45 of benefit to the region for every £1 invested. Subsequent independent evaluations demonstrated that this already impressive return increased to £8.14 for every £1 invested in later years. This rise was attributed to the Agency’s efforts to increasingly target its resources on activities that had been shown to deliver the greatest impact for the region’s economy.

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BIS commissioned the National Audit Office (NAO) to undertake two detailed assessments of Regional Development Agencies' performance. The "Independent Performance Assessment" was undertaken in 2006-7, and was then followed up by an "Independent Supplementary Review" in 2009-10. In both assessments AWM achieved the maximum possible rating for its performance. The NAO produced a best practice guide following the Independent Supplementary Review, and in it commended AWM in a number of key areas – including continuous improvement and efficiency. The NAO guide also stated that examples of good practice developed by AWM should be passed on to other public bodies tackling economic development and regeneration.

2.4 Key challenges and opportunities

The principle challenge facing the region in the coming year will be the complete closure of the RDA system, and the creation of an entirely new system based on Local Enterprise Partnerships (LEPs).

These partnerships are intended to cover a smaller geographical area than the RDAs, in order to capitalise on the benefits of further devolution. In particular, it is hoped that LEPs will better reflect the natural ‘economic footprint’ of an area. For example, it is hoped that instead of following the boundaries demarcated by Local Authorities the LEPs will include the ‘travel to work areas’ of the major cities they cover, because these areas will have a natural affinity and coinciding interests.

The blueprint for the formation of LEPs has in itself been very ‘hands-off’, with the government inviting councils and businesses to develop their own proposals on what area the LEPs should cover, creating an administrative structure including the legal status of the structure and populating it with key stakeholders in the region. One of the pressing points that a proposal was judged on was that it should contain both representatives of Local Authorities, especially the council and that it should have a strong industry presence within the board because the LEP should ultimately represent enterprise interests.

Thirty-eight LEPs have been established across England, six of which are in the old region of the West Midlands:

• The Greater Birmingham and Solihull Local Enterprise Partnership;
• Coventry and Warwickshire Local Enterprise Partnership;
• Stoke on Trent and Staffordshire Local Enterprise Partnership;
• Black Country Local Enterprise Partnership;
• Marches Local Enterprise Partnership;
• Worcestershire Local Enterprise Partnership.

Since the LEPs’ inception last year, they have made variable progress in terms of finalising their selection of board members, creating an Internet presence and publishing a long-term strategy for the coming year. According to Cause celebre or cause for concern? Local enterprise partnerships one year on (Centre for Cities October 2010), only two of the original 24 LEPS to achieve official status have published a long-term strategy, one of which is Coventry and Warwickshire. It is therefore difficult assess what kind of influence the LEPs will have on innovation strategy in the region in the future.
So far, certain functions of the old RDAs have clearly been redistributed. The innovation schemes that used to be nationally funded are going to be managed by the Technology Strategy Board (TSB), in many cases representing a return to the national level, because many of these schemes pre-existed the formation of RDAs. Responsibility for the management of the European Regional Development Fund (ERDF), on the other hand, has moved to the Department for Communities and Local Government (DCLG), which is planning to decentralise some of its powers.

The LEPs are under no obligation to incorporate innovation into their regional strategy, furthermore, they operate on a vastly reduced budget compared to the RDAs and have reduced powers in comparison. Given that very few of the RDAs have published a strategy yet, it remains very unclear to what extent the regions will choose to do so, and it is very likely that there will be a high degree of regional variation. It does appear, however, as though the LEPs will not be an agency, as such, as the RDAs were, but a partnership of regional interest groups, whose principle mandate will be to influence the implementation of public initiatives and to coordinate with Local Authorities and business.
3. Innovation Policy Instruments and Orientations

3.1 The regional innovation policy mix

3.1.1 Current AWM innovation policy mix

Although national and European concerns shape the priorities of the region, the *West Midlands Economic Strategy* (AWM December 2007) sets the region’s framework for economic growth and regeneration. In this strategy innovation appears as a “golden thread”, or crosscutting theme that runs through the three wider strategic objectives categorised under “business,” “people” and “places”. In particular, innovation appears as an important consideration several times under business and once under people:

**Business:**

- **Creating economically sustainable new businesses** - Drive up the creation, growth & survival of economically sustainable and competitive new businesses (including social enterprise), particularly high-growth companies and new enterprises from under-represented groups and communities. This will require innovative approaches recognising that the definition of business needs to be flexible enough to capture a wide range of models and recognising the role of the voluntary and community sector.

- **Investing in business processes and enterprise** - Drive up productivity by boosting levels of process and product effectiveness and innovation, quality design, ICT adoption, supply-chain and inter-firm collaboration and market-facing enterprise. These processes need streamlined business support services that are simple to access so they become hallmarks of the West Midlands economy.

- **Investing in high-value skills for the future economy** - Increase the number of people with graduate-level skills employed in the West Midlands economy by up-skilling the current workforce and recruiting and retaining more people with the skills needed to develop and deliver higher value added products and services.

- **Stimulating innovation, creativity and knowledge generation** - Take the West Midlands to the forefront of intellectual property development and drive forward the commercialisation of technical and non-technical knowledge and creativity within the region’s research institutions, the public sector and businesses.

**People:**

- **Skills for employment and enterprise** - Increase levels of employment in higher value added jobs and reduce economic inactivity – particularly in the region’s most disadvantaged areas – by ensuring that once people’s aspirations have been raised, and barriers removed, they are better able to gain the skills they need for employment and progression to the higher value added jobs of the future.

Like the other regions in England, AWM set up a business-led Science and Industry Council, called the Innovation and Technology Council (ITC), in 2004. This council brought together leaders and key representatives from the region’s science, technology and industry bases so that their expert advice and experience could be used to influence and inform AWM. ICT produce their own strategy, which fits under the strategic objectives of the West Midlands Economic Strategy described above.
Given the economic situation in the West Midlands, the *West Midlands Innovation and Technology Council Strategy* (ITC April 2007) is centrally concerned by issues relating to regeneration and stimulating enterprise through innovation. For this reason, the strategy is organised around the central question: ‘what is the Regions’ economy going to be based upon in the future?’ (ITC April 2007). This led the ITC to choose five thematic themes based on the opportunities it identified were open to the West Midlands.

The strategy chose a small number of key areas where ITC believe action is likely to have the biggest impact. The strategy explicitly rejects the proposition that the West Midlands has enough resources to be able to apply an ‘innovation for all’ agenda, as this would spread the activity too thinly to be effective. The first two thematic areas were chosen because they were identified to be ‘global challenges,’ which were likely to have global reach and therefore a large market. These were:

- **Healthcare Technology** – This area was chosen because ITC recognised that the West Midlands had a strong medical technology industry as well as a strong clinical research base, allied to major hospitals and old and new medical schools, including AWM’s Medical Technologies Cluster, Medilink West Midlands and the Central Technology Belt.

- **Energy** – ICT notes that the West Midlands has a long history starting in the Industrial Revolution of expertise in the Energy sector, as well as a strong manufacturing base and that it therefore has the essential ingredients for making this sector world-class. In addition, the region has an entrenched capacity in engineering based industries, which provide the expertise to find industry solutions for energy and universities in the region are strong in several areas of new and renewable energy including fuel cells and biomass.

The next two thematic areas were chosen because they were identified as areas that the West Midlands had key competencies in:

- **Advanced Materials** – The West Midlands is already a world-leader in Advanced Materials. In particular, it has several universities and research organisations with world-class knowledge that are already substantially called upon for consultancy services. There is also considerable activity going on through AWM’s Manufacturing Cluster and the Central Technology Belt. This theme is particularly salient for the West Midlands because it is not restricted to one manufacturing sector, but impacts on the capabilities of a range of manufacturing sectors.

- **Transportation Technology** – ICT identified transport as one of the West Midland’s major traditional industries, which has become the ‘centre of gravity’ for transport in the UK and competitive at a global scale. In particular, AWM has Cluster groups in the automotive, rail and aerospace sector, a number of large first tier suppliers, and several OEMs in the automotive sector. It also has a very strong range of technology and service organizations, as well as research expertise in universities.

Finally, one thematic area was chosen because it was likely to see the fastest amount of technological change and innovation in the region:

- **Digital Media** – ICT identified that the West Midlands already had significant strengths in this area, particularly in specialist television, film and music, and a group of companies clustered in Warwickshire, which are major suppliers of software to the global games industry.
Underneath these objectives sits a complex range of policies intended to stimulate innovation, some of which will be funded by BIS, and will therefore in the most part be designed at the national level, and some of which will be funded by European Structural Funds and will therefore give AWM much more room to design the policies the way it believes will be best for its region. These policies are too numerous to describe comprehensively, however, we can give a flavour of the range of policies that currently exist in the West Midlands.

Knowledge Transfer Partnerships (KTP) and Grants for Research and Development (GRD) are both examples of the half-a-dozen nationally designed innovation policies implemented regionally. GRD is designed to help SMEs innovate by giving them a grant for a proof of market project, a proof of concept project or the development of a prototype. It has been evaluated in 2009 and was found to be very successful across England. KTPs are another UK-wide programme designed to help businesses increase productivity and competitiveness. KTPs were established in 1975 as the Teaching Company Scheme (TCS), based on the idea ‘learning by doing’. The KTP involves a three-way partnership between a company, a university and a high-calibre graduate. The company benefits from the graduate’s time and expertise, and the graduate gains work experience that can help them in their next degree or to find a job afterwards. In 2009 the University of Wolverhampton headed a £24m campaign to increase the number of KTPs in operation in the West Midlands from an average of 70 to 108.

Although Birmingham Science City (BSC) is another example of a scheme that was started nationally, with six Science Cities being created across the country in 2004, it is more of a movement or catalyst that galvanises industry and research institutions to do excellent work together, than it is a blueprint of a national scheme. BSC builds research strengths in the region by building partnerships between industry and HEIs. BSC supports four broad thematic areas, which reflect the thematic areas we have seen in the innovation strategies outlined above: digital and ICT, innovative healthcare, low carbon and security.

The Premium Automotive Research & Development (PARD) programme is an example of a massive investment carried out in 2003 by AWM in collaboration with local enterprise for the purpose of improving the design and manufacturing competencies of the automotive industry. £38m was provided by AWM and matched funding was provided by several hundred companies, including the largest partner Jaguar Land Rover.

An example of two schemes that began at regional level, but were taken up at the national level by BIS to augment the number of innovation schemes regions can choose from were the Manufacturing Technology Centre (MTC) and the Innovation Voucher Scheme. The MTC is an excellent example of a partnership between two RDAs, AWM and East Midlands Development Agency (EMDA), who jointly invested £40.5m into creating a world-class manufacturing research centre. The MTC initially involved four founding research partners, and three industry partners: Rolls Royce, Airbus UK and Aero Engine Controls. The centre only opened in 2011, but it intends to concentrate on assembly, fabrication and joining technologies, as well as providing a space for university testing and development work to occur.
The Innovation Voucher scheme (formerly known as INDEX) will be discussed in further depth in the following section. However, it was originally a pilot scheme for a policy that had only previously existed in Europe. The scheme was instantly extremely successful, being oversubscribed as soon as it was available, and the numbers of applicants increasing in the second round. The scheme was selected as the best scheme to come out of the West Midlands by Rebecca Garrod-Waters, former Director of Innovation at Advantage West Midlands and by Dr Phil Extance, also a former Director of Innovation. Both Directors praised the scheme for its ability to allow SMEs to cash the Voucher into one of the 13 universities in the West Midlands, significantly cutting through red tape compared to other funding streams, and enable them to access expertise that the SMEs needed to grow their businesses. The scheme was found to successfully create relationships between SMEs and HEIs and had measurable benefits to the SMEs involved.

Interviewees nominated the following as the three most important measures at the end of 2010:

1. Innovation Voucher Scheme
2. Birmingham Science City
3. Manufacturing Technology Centre

3.1.2 Shifts in Policy

The policy framework described above is structured around the existence of RDAs, which as we have seen in the previous section will be dismantled in 2012 and replaced by LEPs.

It is likely that most of the innovation policies will now return to the national level, where they were before the RDAs were launched in 1999. The Technology Strategy Board will take charge of the policies that are currently funded by BIS, although it is possible that the implementation of these policies will still be handled by the LEPs, depending on whether the LEPs incorporate this into their individuals strategies or not. Responsibility for the management of the European Regional Development Fund (ERDF), on the other hand, has moved to the Department for Communities and Local Government (DCLG).
### Table 3-1 Existing regional innovation support measures

<table>
<thead>
<tr>
<th>Title</th>
<th>Governance &amp; horizontal research and innovation policies</th>
<th>Research and Technologies</th>
<th>Human Resources</th>
<th>Creation and growth of innovative enterprises</th>
<th>Markets and innovation culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation Technology Council</td>
<td>* Support policy-decision-making through expert advice</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Midlands Regional Observatory</td>
<td>* Support policy-decision-making through provision of evidence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Birmingham Science City</td>
<td>* 2.1.1. Universities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Midlands Innovation vouchers</td>
<td>* 2.1.1. Universities</td>
<td>* 2.3.1. Direct support of business R&amp;D (grants and loans)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designing Demand programme</td>
<td>* 1.1.3. Policy Advisory services (e.g. technology foresight)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Midlands Grant for research and development</td>
<td>* 2.3.1. Direct support of business R&amp;D (grants and loans)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Innovation networks</td>
<td>* 2.3.1. Direct support of business R&amp;D (grants and loans)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge transfer partnerships</td>
<td>* 2.3.1. Direct support of business R&amp;D (grants and loans)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant for business investment</td>
<td>* 2.3.1. Direct support of business R&amp;D (grants and loans)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Premium Automotive Research &amp; Development (PARD)</td>
<td>* 2.1.1. Universities</td>
<td>* 2.3.1. Direct support of business R&amp;D (grants and loans)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing Technology Centre</td>
<td>* 2.1.1. Universities</td>
<td>* 2.3.1. Direct support of business R&amp;D (grants and loans)</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Source: Own assessment.
<table>
<thead>
<tr>
<th>Title</th>
<th>Duration</th>
<th>Policy priorities</th>
<th>Budget</th>
<th>Organisation responsible</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Innovation Technology Council</strong></td>
<td>1999 - 2012</td>
<td>• Support policy-decision-making through expert advice</td>
<td></td>
<td>Advantage West Midlands</td>
<td><a href="http://www.advantagewm.co.uk/">http://www.advantagewm.co.uk/</a></td>
</tr>
<tr>
<td><strong>West Midlands Regional Observatory</strong></td>
<td>2004 - 2012</td>
<td>• Support policy-decision-making through provision of evidence</td>
<td></td>
<td>Advantage West Midlands</td>
<td><a href="http://www.wmro.org">http://www.wmro.org</a></td>
</tr>
<tr>
<td><strong>Birmingham Science City</strong></td>
<td>2004 - present day</td>
<td>• 2.2.3. R&amp;D cooperation • 2.1.1. Universities • 2.2.2. Knowledge Transfer</td>
<td></td>
<td>Advantage West Midlands</td>
<td><a href="http://www.birminghamsciencecity.co.uk/">http://www.birminghamsciencecity.co.uk/</a></td>
</tr>
<tr>
<td><strong>West Midlands Innovation vouchers</strong></td>
<td>No fixed end date</td>
<td>• 2.2.3. R&amp;D cooperation • 2.3.1. Direct support of business R&amp;D (grants and loans) • 2.1.1. Universities • 2.2.2. Knowledge Transfer</td>
<td></td>
<td>Advantage West Midlands</td>
<td><a href="http://www.rim-europa.eu/index.cfm?q=p.support&amp;n=14011&amp;r=UKG">http://www.rim-europa.eu/index.cfm?q=p.support&amp;n=14011&amp;r=UKG</a></td>
</tr>
<tr>
<td><strong>Designing Demand programme</strong></td>
<td>2008 - 2011</td>
<td>• 1.1.3. Policy Advisory services (e.g. technology foresight)</td>
<td></td>
<td>Advantage West Midlands</td>
<td><a href="http://www.rim-europa.eu/index.cfm?q=p.support&amp;n=14072&amp;r=UKG">http://www.rim-europa.eu/index.cfm?q=p.support&amp;n=14072&amp;r=UKG</a></td>
</tr>
<tr>
<td><strong>Knowledge transfer partnerships</strong></td>
<td>2008 - 2012</td>
<td>• 2.2.3. R&amp;D cooperation • 2.3.1. Direct support of business R&amp;D (grants and loans) • 2.2.2. Knowledge Transfer</td>
<td>£24m</td>
<td>Advantage West Midlands</td>
<td><a href="http://www.rim-europa.eu/index.cfm?q=p.support&amp;n=14014&amp;r=UKG">http://www.rim-europa.eu/index.cfm?q=p.support&amp;n=14014&amp;r=UKG</a></td>
</tr>
<tr>
<td><strong>The Premium Automotive Research &amp; Development (PARD)</strong></td>
<td>2003 - Present day</td>
<td>• 2.2.3. R&amp;D cooperation • 2.1.1. Universities • 2.2.2. Knowledge Transfer</td>
<td>£72m</td>
<td>Advantage West Midlands</td>
<td><a href="http://www.advantagewm.co.uk/case-studies/2009/pard10year.aspx">http://www.advantagewm.co.uk/case-studies/2009/pard10year.aspx</a></td>
</tr>
<tr>
<td><strong>Manufacturing Technology Centre</strong></td>
<td>2011 - present day</td>
<td>• 2.2.3. R&amp;D cooperation • 2.1.1. Universities • 2.2.2. Knowledge Transfer</td>
<td>£40m so far, £130m pledged</td>
<td>Advantage West Midlands</td>
<td><a href="http://www.the-mtc.org">http://www.the-mtc.org</a></td>
</tr>
</tbody>
</table>

Source: Own assessment.
3.2 Appraisal of regional innovation policies

AWM appears to have a clear and effective policy mix, that has identified important challenges for the region and developed a coherent policy-mix to address these issues. This is evidenced by the conclusions of several evaluations that have been conducted on its overall performance, and its repeated success in the Midlands Excellence Awards. Furthermore, its headline achievements have been very great despite the structural weaknesses of the region and the increasingly difficult economic climate since the onset of the current financial crisis.

In particular, AWM has achieved:

- £3 billion of UK and EU funding invested to help develop the West Midlands economy, delivering a return of £8 for every £1 invested;
- 150,000 businesses assisted to improve their performance;
- 10,000 businesses created;
- 140,000 jobs created or safeguarded;
- £2 billion of private sector investment levered; and
- 1,200 hectares of brownfield land reclaimed or redeveloped.

(AWM website 2011)

One evaluation that highlights AMW’s achievements is the Impact of RDA spending published by the Department for Business, Enterprise & Regulatory Reform (BERR March 2009), which found that AWM was relatively efficient in terms of the amount its spent compared to the other nine English RDAs. The results are summarised in the table below:

Figure 3-1 Analysis of RDAs’ spend by intervention category (1999/2000-2006/2007)

<table>
<thead>
<tr>
<th></th>
<th>Business</th>
<th>Place</th>
<th>People</th>
<th>SRB</th>
<th>Other / hybrid</th>
<th>National programmes</th>
<th>Total (incl. admin spend)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AWM</td>
<td>305.7</td>
<td>321.1</td>
<td>61.0</td>
<td>218.0</td>
<td>322.7</td>
<td>147.1</td>
<td>1,503.6</td>
</tr>
<tr>
<td>Total RDAs</td>
<td>1,883.1</td>
<td>3,599.2</td>
<td>889.2</td>
<td>1,928.4</td>
<td>747.4</td>
<td>1,361.8</td>
<td>11,234.4</td>
</tr>
<tr>
<td>% of Total</td>
<td>16.2</td>
<td>8.9</td>
<td>6.8</td>
<td>11.3</td>
<td>43.17</td>
<td>10.8</td>
<td>13.4</td>
</tr>
</tbody>
</table>

Source: BERR 2009.

This finding was corroborated by the 2009 study Smarter government: Putting the frontline first, produced by the Treasury (HM Government 2009), which found that the RDAs were among the most efficient of governments departments in terms of running costs and that AWM had kept its administrative costs at or below 7% of its total budget, making it one of the most efficient RDAs.

The Impact of RDA spending evaluation also found that AWM added important ‘strategic value’ during the collapse of MG Rover, arguing that it ‘acted as a leader and catalyst for the response, articulating and communicating regional development needs.’

Another important evaluation was the Independent Performance Assessment: Advantage West Midlands by the National Audit Office (March 2007) and its update Independent Supplementary Review (NAO May 2010). Both of these concluded that AWM was a top-performing RDA, giving it almost full marks. The results are summarised in the table below:
Figure 3-2 Overall Performance of Advantage West Midlands

<table>
<thead>
<tr>
<th>Theme</th>
<th>Assessment</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambition</td>
<td>Performing Strongly</td>
<td>4 / 4</td>
</tr>
<tr>
<td>Prioritisation</td>
<td>Performing Strongly</td>
<td>4 / 4</td>
</tr>
<tr>
<td>Capacity</td>
<td>Performing Well</td>
<td>3 / 4</td>
</tr>
<tr>
<td>Performance Management</td>
<td>Performing Well</td>
<td>3 / 4</td>
</tr>
<tr>
<td>Achievement (double weight)</td>
<td>Performing Well</td>
<td>3 / 4</td>
</tr>
<tr>
<td>Overall</td>
<td>Performing Strongly</td>
<td>4 / 4</td>
</tr>
</tbody>
</table>

Source: National Audit Office (March 2007).

The Independent Performance Assessment: Advantage West Midlands concludes that AWM has developed a strong response to the challenges of the region, in terms of the priorities it has set and the strategic plans it has put in place to meet them. In particular, it found that the work of the West Midlands Observatory has helped to create a robust evidence base for AWM’s policy-making and is viewed by the report as a ‘great success.’ This has fed into AWM’s assessment of the challenges that face the region, which is seen as ‘clear’ and demonstrating ‘a good degree of self awareness.’

In addition to this, AWM is seen as employing an ‘inclusive’ approach to its policy-making, which we have particularly seen its cluster-based policies, which have involved enterprise at each stage of their development and implementation. AWM is also praised for its collaboration with other public organisations and with the key actors in the region.

These important steps have created a framework that enabled AWM develop a culture of innovation. For example, as we described in the first section, one the principle challenges facing the region was that many of the enterprises in the region were not making use of basic innovative tools such as the Internet. This has meant that an important strategic area addressed by AWM has been its work within the ICT cluster, particularly addressing the need to tackle the ‘digital divide,’ between those who have high-speed access to broadband and those who do not.

The report also found that the Business Clusters chosen by AWM had general popular support, and favourable impacts in terms of creating important networks between the actors involved. It concluded that AWM successfully engaged over 3,000 businesses using a range of activities including: ‘Raising performance of sector supply chains, improving competitiveness and productivity, regional centres of excellence, best practice and process development, supporting and exploiting innovation and promoting collaborative alliances.’

3.3 Good practice case

The West Midlands Innovation Voucher Scheme (formerly know as INDEX) is an excellent example of good practice policy designed to stimulate innovation. The main objective of the measure is to increase the interaction between the 13 universities in the West Midlands and SMEs in the region in order to boost their innovation capability. The scheme offers SMEs the chance to apply for a voucher worth £3000 that can be used to purchase an academic's expertise, which must help deliver a knowledge solution to an innovation project brought by the SME.

The Innovation Voucher Scheme is an innovative policy tool because although it does exist in other countries in the EU, it was brought to the UK, and piloted by, the West Midlands. Even in the first round of the pilot it appeared as though the scheme was going to be a immensely successful, and was immediately described by pro-inno as having an ‘enormous potential impact’ given the ‘impressive' number of applications it received and the expectation that it would receive even more in the next round (Pro Inno February 2008).
In March 2008, the government released a White Paper called *Innovation Nation* (DIUS) announcing its intention to make the scheme national. The paper explained how the strategic orientation of the scheme fit into the wider objectives of nation's innovation policy, especially the 2004 Science and Innovation Investment Framework and the 2008 Enterprise Strategy.

Since this time, the scheme has been praised across the UK for its success at bringing local businesses closer to the knowledge embedded at universities, with minimal red tape, creating benefits for SMEs at the micro-level. An evaluation of the Innovation Vouchers scheme (Ecorys 2010) found that:

- All stages of the evaluation process found that the Voucher scheme represented a successful approach for developing working relationships between SMEs and academics.
- At least 75% of the Vouchers were taken up by SMEs with no previous engagement with universities.
- A significant proportion of the beneficiary SMEs has progressed to other forms of innovation support schemes.
- The majority of projects funded were implemented.
- The majority of SMEs were of the view that they would not have been able to implement their projects without the Vouchers, or the projects would have been less effectively or at a later date.

There is also favourable evidence to show that the scheme has been successful in the West Midlands in the form of case studies of exemplary projects (West Midlands Innovation Vouchers Website, various dates). These case studies show that SMEs have been successfully able to take project ideas based in their experience of a number of targeted fields (chosen by the West Midlands to be strategic to the needs of the region) to Higher Education Institutions, where they have been able to benefit from the academic expertise that their business was lacking. This has enabled them to develop genuinely commercially viable solutions to their projects, and have resulted in lasting collaboration between the SMEs and the universities.

### 3.4 Portfolio of innovation support measures

#### 3.4.1 Current policy innovation support measures

While the regions are still being run by RDAs (before their closure in March 2012), funding for regional innovation policy comes from two principal sources:

- The UK Government, through the Department for Business Innovation and Skills (BIS)
- And the European Commission through the European Social Fund (ESF) and European Regional Development Funds (ERDF).

Where national funding is concerned, the government has moved over time to a system where RDAs can choose from a range policies designed and chosen at the national level, leaving the RDAs very little room to set their own agenda.
This trend of ‘top-down’ influence has only increased over the lifetime of the RDAs. When they were first established in 1999, they had a relatively free remit to experiment with regional policy design, including policies designed to stimulate regional innovation. However, toward the end of the 2000s, the government began to be concerned that there was an increasing number of complex and confusing business support interventions, and that where there was variability in the quality of the design of these support measures, there was a danger of creating a ‘postcode lottery.’ The way that government rationalised these schemes is by BIS working with the RDAs to find out which policies worked best and simplifying the spectrum of business support measures into a selection of business support ‘products’ (as they are called), that the RDAs would be able to choose from. This gave the RDAs the benefit of the experience previous RDAs had with the business support measures, while at the same time restricting their ability to experiment with new designs. Although not all innovation policy measures were in the form of business support measures, the RDAs were increasingly expected to align their priorities with another change from central government: a newly created national innovation agency, the Technology Strategy Board.

Aside from funding given directly to the regions through the RDAs, core innovation policies in the UK that underpin knowledge creation and facilitate private sector R&D are dealt with at the national level. These policies include capital investments in research infrastructure and project funding to research institutions and universities, PhD funding, education and skills, intellectual property protection, R&D tax credits, and support to universities to develop their knowledge transfer activities.

It is possible to see in this composition of policies and funding streams at the national level a ‘common thread’: what stands out is the emphasis on science within the research and innovation spectrum, with innovation predominantly squeezed into regional policy and business support measures. This reflects a long-standing ideological perspective that science is a public good, whereas innovation is a matter for businesses and markets.

As a result of this perspective a natural division of labour appears, with much of the national policies directed at ‘core’ research and development funding, while regional innovation policies and interventions are focused on business support activities and activities that increase collaboration between enterprise and research institutions.

This regional innovation focus is almost exclusively targets the presumed market failures that smaller businesses are believed to experience such as information asymmetries about where to invest, the affordability of investment and the limitations in absorptive capacity. Much of the rationale behind these policies focuses on the social utility and legitimacy of supporting SMEs. It has now become generally accepted that one of the strengths of delivering business support measures and advice at the regional level is that smaller firms tend to be more receptive to advisors available locally. For this reason, support tends to be delivered by specialist contractors with a good knowledge of the regional market and a strong local presence in the region.

Another important stream of funding is the European Social Fund (ESF) and European Regional Development Funds (ERDF). By their nature these funds tend to be less prescriptive about how the RDAs can use them and thus regions like the West Midlands that are able to win large funding streams are able to achieve a certain degree of autonomy from national priorities. Due to its poor current economic conditions, the West Midlands qualified for Regional Competitiveness and Employment Objective funding, which entitled it to €400m over the period 2007-13. This money gave the West Midlands access to capital and programme spend, some of which is ring fenced for policies designed to stimulate innovation. Regions like the West Midlands with access to larger capital budgets are also able to invest in research equipment and facilities that would normally be controlled at the national level.
3.4.2 Shift in policy

As discussed above, the RDAs are scheduled to be closed in March 2012, and along with the demise of the RDAs will go the West Midlands Economic Strategy and much of the regional innovation policy structure as we know it. The innovation policies currently in place will return to the national level, where they started, and be taken over by the Technology Strategy Board (TSB). They may be implemented by the LEPs, depending on whether or not they choose to give innovation a central place in their regional strategies, given their much-reduced budgets. Management of the European Structural Funds, on the other hands, will move to the Department for Communities and Local Government (DCLG).

Despite these radical changes, we may be able to see some of the broad patterns described in this section emerge after the changes have been made. ‘Core’ funding for research and develop will still allocated at the national level. The TSB will take control of the business support measures, completing the pattern for increasing centralisation, although there is some possibility that these will still be delivered at the national level, capitalising on local expertise in the implementation of them. Finally, ERDF will be managed by the DLGC, which will be a more centralised approach to European funding than previously taken.

3.5 Towards smart specialisation policies

In the West Midlands the debate around smart specialisation is well developed, with the West Midlands Economic Strategy structured around 11 key clusters, and the Innovation and Technology Council Strategy selecting five that could particularly benefit from growth through innovation.

The West Midlands uses the concept of clustering to mean something wider than a sector, because it recognises that the term sector tends to imply enterprises engaged in a single economic activity, whereas the term ‘cluster’ emphasises the benefits that can be reaped from supporting the entire supply-chain across boundaries like industrial classifications. The benefits that can accrue to firms that do engage with other firms and institutions in their cluster include:

- **Better business productivity** – This can be achieved because enterprises may operate more efficiently by taking advantage of economies of scale and shared resources
- **Innovation and knowledge transfer** – Companies and research institutions may be able to exchange expertise, market data and pursue innovation opportunities cooperatively if they establish common links together
- **Market awareness** – Enterprises may be better able to react to changes in market conditions and serve existing markets better if they cooperate with each other to increase their flexibility and establish stronger links with their local client base.

Another important reason why Advantage West Midlands utilises smart specialisation as an important device for structuring its policy initiatives is to avoid ‘spreading its resources too thin’, which can be the result of an ‘innovation for all’ policy-mix.

According to David Bailey and Stewart MacNeill (November 2008), the debate that brought smart specialisation to the centre of regional policy-making first came from the Department of Trade and Industry in the form of recommendations in a White paper called *Our Competitive Future: UK Competitiveness Indicators 1999* (DTI October 1999). By the time the RDAs had been set up and were due to write their first Regional Economic Strategy, the message had already come from the national level that they should incorporate a strong clustering approach.
AWM launched its most recent cluster programme for 2008-11 (AWM March 2008), to fit in neatly with its latest Regional Economic Strategy (AWM December 2007), which had an emphasis on “developing markets and sectors with the most wealth and employment potential.” The 11 areas that AWM picked were: aerospace, automotive, building technologies, business and professional services, environmental technologies, food and drink, interiors and lifestyle, Information Communication Technology (ICT), manufacturing, medical technologies, rail, screen image and sound and tourism and leisure.

As we discussed in Section 3.1, the ITC developed an innovation strategy (ITC April 2007) with five key thematic areas: healthcare technology, energy, advanced materials, transportation technology and digital media that complement the Regional Economic Strategy. The different between the focus in the AWM and ITC strategies is that AWM pick clusters that are strategically important to the region and need supporting through a variety of measures such as through targeting skills, supporting infrastructural investments or supporting business needs. The ITC strategy, on the other hands, works by complementing and supporting the AWM strategy, and by picking a smaller number of areas that ITC feel would particularly benefit from growth through innovation. It is worth noting here, that ITC appear to interpret innovation to mean innovation through technological change, hence why it does not focus on ‘softer sectors’ such as tourism or interiors and lifestyle.

There are various ways that AWM and ICT have facilitated a process of ‘entrepreneurial discovery.’ Some of these experiences have come through innovation initiatives like Birmingham Science City (BSC), which has set up a number of working groups on thematic areas chosen by ITC, as well as on themes important to other parts of the Regional Economic Strategy such as low carbon, to bring together experts in these areas in order to inform and help direct projects and activity that is occurring within the region in these areas. Other large-scale initiatives that support cluster development include the Premium Automotive Research & Development programme (PARD), which has been set up to support the automotive industry and has numerous projects connecting sectors and industry to research institutions and the Manufacturing Technology Centre (MTC), which has only recently been opened in mid-2011, and focuses on manufacturing.

There is also significant activity at the level of individual clusters. Each cluster has its own Cluster Opportunity Group (COG) and ‘2008-11 Cluster Plan’ (AWM March 2008). The COGs are composed of industry representatives that provide strategic direction to shape initiatives in their area and strengthening relations between the key sectors. The priorities of the ‘Cluster plans’ are directed by AWM. The most recent set of cluster plans are focused on targeting specific markets and how to develop opportunities in them. Wider issues relevant to their clusters are generally targeted through larger initiatives and delivery channels such as Business Link, leaving the COGs free to concentrate on more specific market initiatives, particularly collaborative innovation and market exploitation. According to the AWM, at any one time around 3,000 businesses have been actively collaborating in the initiatives overseen by these cluster groups. In addition, there are some 150 businesses that participate directly in the COGs and helped to write the 2008-11 Cluster Plans.

Both the larger initiatives like BSC, MTC and PARD, and the cluster level activity in the form of COGs incorporate the views of industry representatives and business needs at each step. As we have seen the importance of industry involvement starts with the ITC, which is itself a business-led council.

However, business and innovation initiatives that target clusters cannot work in isolation, even if they are well designed. They need to be part of a wider strategy that supports clusters using a range of different measures. AWM recognise this and recently produced an analysis of how the human resources and skills base can be strengthened to meet the needs of the clusters in their region (AWM June 2010). They are therefore aware of the need to support all sectors in the supply chain, including the provision of labour with the right skills.
The Cluster Programme 2002/3 to 2007/8 was evaluated by Ekos in 2009 (AWM October 2009), which found that the programme had been “an ambitious one with many achievements and some significant lessons learned,” but that overall it had been a success. Some of the headline findings of the report were that:

- Over the six years under evaluation, AWM invested £100m in 11 clusters, and saw a return to investment of 7.6:1, accounting for a total (actual and projected) net Gross Value Added (GVA) of some £760m
- Over 15,600 gross (and 5,600 net) jobs were created or safeguarded and 11,100 business assisted
- One of the most significant achievements was the development of networks within the cluster, with half the businesses saying they experienced an improvement as a result of the programme.
- Half of the businesses that obtained support to develop new products, processes and services did so, equating to over 1,000 businesses.

The recommendation included:
- Retaining the COG leadership
- Focusing efforts on high impact interventions, in order to capitalise on the opportunities that have been created in the current phase of work.

3.6 Possible future orientations and opportunities

The West Midlands has a number of important structural weaknesses that make it even more vulnerable to the current economic crisis than the other regions in the UK. In particular, its manufacturing base needs to be modernised, and the region needs to be able to attract and develop high-tech enterprise and increase innovation.

At the same time, the current system of RDAs is due to be shut down in March 2012 and replaced with LEPs. This represents a substantial opportunity for the region as well as a substantial challenge. It is hoped that the smaller size of the new LEPs will come with advantages like bringing regional policy-making closer to local enterprises and the electorate. It also hoped that the geographical coverage of the LEPs will be more in touch with the natural ‘economic footprint’ of the region by encompassing ‘travel to work areas’ that house commuters around major cities, rather than following the boundaries dictated by Local Authorities.

Given these opportunities and challenges, it is interesting to ask the question, one year on from the birth of the first 24 LEPs, ‘how well have they fared? Cause celebre or cause for concern? Local enterprise partnerships one year on’ (Centre for Cities October 2010) is concerned that some of the geographical areas that define the LEPs are too small or too large. For example, it notes that the South East covers 16 different ‘travel to work areas,’ which it considers to be too big, and yet the Birmingham city region area, is divided into six, which it considers to be too many, and adds that this ‘suggests that local politics have prevented the city from establishing a LEP at the optimum scale to influence its growth prospects.’
In conclusion, the report has a number of other concerns about LEPs. In particular it finds that:

- The evidence that LEPs have made varied progress in setting up boards and producing strategies suggests that the impact of the LEPs will be equally inconsistent.
- There is reason to be concerned that LEPs that have made very little progress over the last year and are not in a position to become effective bodies.
- The establishment of DCLG/BIS localities structure to “inform, influence and develop policy” suggests Government intends to become more involved in supporting the LEPs. It should therefore get to grips with underperforming LEPs before it is too late.
- The Government may need to insist that LEPs that are either too big or too small are reconfigured before further funding is allocated. The criteria for awarding Growing Places Fund money to LEPs have yet to be announced. The Growing Places Fund represents an important opportunity to incentivise the LEPs to produce coherent, deliverable strategies in exchange for funding.

The real question is what does this mean for innovation policy? As we have seen, the LEPs are under no obligation to incorporate innovation into their regional strategy and furthermore, they operate on a vastly reduced budget and have reduced powers compared to the old RDAs. So far, it is clear that certain functions have been redistributed. The innovation schemes that used to be nationally funded are going to be managed by the Technology Strategy Board (TSB) and responsibility for the management of the European Regional Development Fund (ERDF) will go to the Department for Communities and Local Government (DCLG). However, it is not yet clear who is going to implement these two strands of funding, they could migrate back to the regions and remain with the national organisations in name only.

With this in mind, there is no definitive reason to believe that the nationally run innovation policies will suffer as a result of being managed by TSB. In many cases the policies will be returning to the national level, because they pre-existed the formation of RDAs. Indeed, there is very little substantive evidence to suggest that regionally-defined priorities have had any material impact on aggregate innovation performance, with evaluations of national programmes producing impacts that easily match or better regional measures.
Appendix A Bibliography

West Midlands Regional Observatory, West Midlands Skills Assessment 2010 Briefing paper two: Achieving transformational change – implications for the economy, jobs and skills, Final report, November 2010 Available at: http://www.wmro.org/displayResource.aspx/10219/West_Midlands_Skills_Assessment_2010_briefing_paper_two_achieving_transformational_change_implications.html?strHiLite=briefing+paper+two


West Midlands Innovation Vouchers Website, Best Practice Case Studies, Various dates. Available at: http://www.innovationvouchers-wm.com/


Innovation & Technology Council, Catalytic Actions Discussion Paper: Final report. Available at: http://www.google.co.uk/url?sa=t&rct=j&q=innovation%20%26%20technology%20council%20catalytic%20actions%20discussion%20paper&source=web&cd=1&ved=0C BsQFjAAkurl=http%3A%2F%2Fwww.regeneris.co.uk%2Fdownload%2FA373%2520Report%2520%2520Final%2520ITC%2520Catalytic%2520Actions%2520Discussion%2520Paper%25201st%2520Sept%252008.pdf&ei=tBu0TsfANYTS8QPGoLSTBO&usg=AFQjCNEm8UMPNBMaeQoBT_qkfeDqMSgWSQ&cad=rja


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Centre for Cities, Tom Bolton & Ken Coupar, Cause celebre or cause for concern? Local enterprise partnerships one year on, October 2011. Available at: www.centreforcities.org/assets/files/11-10-27_Cause_celebre.pdf
Appendix B Stakeholder consulted

1. David Brown, Chief Executive of IChemE 31 10 2011
2. Dr. Philip Extance, Pro-Vice-Chancellor for Business Partnerships and Knowledge Transfer at Uni of Aston and former Director of Innovation at AWM, 07 11 2011
3. Rebecca Garrod-Waters, Independent consultant at GW Consulting, former Director of Innovation at AWM, 07 11 2011
4. John Latham, Deputy Vice-Chancellor for Business Development at Uni of Coventry and leader of the Coventry and Warwickshire LEP's Innovation Council 09 11 2011
Appendix C RIM Repository information
Baseline regional profile

- UNITED KINGDOM
- WEST MIDLANDS
- Region West Midlands
- NUTS Code UKG

Regional Profile

Introduction

The West Midlands region is located at the hub of major road and rail networks. It is comprised of the large conurbation referred to as Birmingham, which includes the metropolitan districts of Wolverhampton, Dudley, Solihull, Sandwell and Walsall. This area is surrounded by the more rural counties of Warwickshire, Staffordshire, Herefordshire, and Shropshire, plus the metropolitan district of Coventry.

Repository

Support measures

- West Midlands Innovation vouchers
- Designing Demand programme
- West Midlands Grant for research and development (Solutions for Business)
- Innovation networks
- Knowledge transfer partnerships
- Grant for business investment (Solutions for Business)

Policy documents

- AWM Corporate Plan 2009-2011
- West Midlands Economic Strategy
- West Midlands Innovation and Technology Council Strategy 2005: a framework for action

Organisations

- Advantage West Midlands (Regional Development Agency)
- Innovation and Technology Council (Advantage West Midlands)
- Universities West Midlands

Economy

The West Midlands is a fairly large UK region, with a population of 5.3m people and a regional economy of €136b (GDP) between 2000 and 2008 - which represent 8.9% and 7.7% of the UK population and GDP respectively. Half a century ago the region was one of the most prosperous in the country, experiencing rapid growth in population, output and employment. However, economic restructuring, market liberalisation and increasing globalisation have all impacted significantly upon the region's economy. Today, the West Midlands underperforms relative to national and international competitors. For example, in 2007, the West Midlands had a Gross Value Added (GVA) figure of €101,806b (7.8% of UK total). This equates to a GVA per head of €18,974 which is lower than the UK national average (83.3 on an index where UK =100).

Research undertaken by the Regional Development Agency concluded that 80% of the output gap is attributable to the structure and productivity of the region's economy, while the remaining 20% can be accounted for by economic exclusion. In the 2000-2008 the unemployment rate was 6.1%, slightly higher than the national average. The region also employs lower than the UK average in science and technology jobs.

The West Midlands was the birthplace of the industrial revolution and has a long history in manufacturing. It still has the highest proportion of manufacturing companies of any UK Region, employing 15% of all people employed. The annual GVA in manufacturing for the region is around €18b, which represents 18.5% of the regional total and 10% of the UK total. The region is home to well-known manufacturing companies such as Jaguar, Land Rover, Aston Martin, Lucas, Cadbury, Tarmac, GKN and JCB and is home to a wide range of businesses in the automotive and aerospace supply-chain.

Services also play a large role in the regional economy employing almost half of the working population and providing over half the region's GVA (€50.3 b). The largest service sector by GVA is 'property & business services' followed by 'health & social work', 'education' and 'financial services'.

While a significant proportion is economic activity is centred on the Birmingham conurbation, the region has a number of other fairly large economic centres such as the city of Coventry and the North Staffordshire district.

Research, Development & Innovation
The West Midlands has a fairly strong and extensive research base in its universities, private institutions, commercial R&D and engineering facilities. However this research base is smaller than in some other regions. The region has a relatively low investment in R&D compared to the UK average: it had a Business Expenditure on Research and Development (BERD) between 2000 and 2008 of 0.9% and a Gross Expenditure on Research and Development (GERD) of 1.2% both lower than the UK average of 1.1% BERD and 1.8% GERD.

Most business in the region is not R&D driven; investment in R&D is low and has been falling in the recent past. Evidence suggests that the West Midlands also has one of the lowest proportion of ‘innovation active’ firms of any region in England, although it performs much better on measured innovation outputs such as introduction of new products and processes where it is ranked third and first respectively across the nine English regions.

The region is home to 13 universities including two research intensive institutions with strengths in science and technology fields: the Universities of Warwick and Birmingham, which were ranked 9 and 10 respectively in the UK in the 2009 Times Higher Education/QS university ranking system (and 58 & 66 respectively in the worldwide rankings). These two universities are the focus of significant regional funds for the development of research infrastructure under the 'Birmingham Science City' initiative. The region is also home to two public-sector research establishments and a number of former (now privatised) public research bodies in fields such as forensic science, materials and automotive technologies. The region is also home to ten science/innovation parks.

The regional development has identified the region’s priority business sectors as aerospace, automotive, building technologies, business & professional services, environmental technologies, food & drink, high value added consumer products, ICT, manufacturing, medical technologies, rail, screen image & sound, tourism & leisure. The region’s Innovation and Technology Council (ITC) has identified four key technology themes for the region: advanced materials, digital media, energy, medical technology & healthcare and transport technologies.

**Governance**

Since 1998, the principal body designing, funding and implementing regional innovation policy has been the West Midlands Development Agency (Advantage West Midlands, AWM). However, the present government, elected in 2010, has begun the process to abolish the agency, a process due to be completed in spring 2012. Winding down its operations during 2011, AWM was originally established as a non-departmental public body (NDPB) accountable to Parliament via the Secretary of State of the (national) Department of Business Innovation and Skills. AWM, along with the other Regional Development Agencies in England, are to be replaced with Local enterprise partnerships (LEPs) comprising local authorities and businesses. LEPs' central role will be to determine local economic priorities and drive economic growth and job creation. LEPs will also deliver national government objectives for economic growth and decentralisation. The rationale behind the creation of LEPs is to improve determination of drivers and barriers in the local economy. So far, the UK government has announced 30 LEPs ready to establish local enterprise partnership boards. In parallel, AWM and its sister RDAs are developing plans for transferring individual programmes, assets and liabilities to succeeding organisations. It appears some innovation support for businesses will be centralised.

**Policy**

Regional innovation policy in the UK essentially began when the Regional Development Agencies (RDAs) were established in 1998 by the Labour government. Innovation increasingly became an important feature of their activities and a wide range of different policies where developed and implemented across the UK. The majority of innovation policy and funding was still dominated by national policy.

Although specific policy responses varied across the regions, they tended to include: support for knowledge transfer and collaboration activities between the research base and industry; support for clusters and/or science /innovation parks; and, in regions with access to large capital funds (such as ERDF), significant investment in academic and industry focused R&D infrastructure and centres of excellence. Regions were also tasked with delivering a number of national programmes at the regional level.

In 2006/07 the range of programmes and services for business support (including innovation) was considered to be too complex and a process of simplification was undertaken. As a result much of the business focused innovation support is currently defined by national policy and delivered locally. Regional agencies can select which services they wish to offer from a portfolio including innovation vouchers, innovation networking and innovation advice services. In 2007 the RDAs were required to align some of their innovation funding with the priorities defined by the newly created national Technology Strategy Board.

In the West Midlands a significant portion of policy and funding has been channeled through the Birmingham Science City initiative (which covers the entire region). This initiative coordinates the key innovation players across the region and funds activities in technology demonstration and investment in research infrastructure.

Regional innovation policy is currently undergoing considerable change as a result of the change of government in the UK and its policy responses to the economic downturn. Significant budget cuts are planned and regional governance structures are being re-designed. The full impact on regional innovation policy is as yet unknown. It is thought the new government structures will emerge in spring 2012, with some types of innovation support for businesses becoming centralised.
Support Measure

Title of measure

West Midlands Innovation vouchers

Full title

null

Duration

From: null
To: No fixed end date

Policy objectives

- 2.2.3. R&D cooperation
- 2.3.1. Direct support of business R&D (grants and loans)
- 2.1.1. Universities
- 2.2.2. Knowledge Transfer

Presentation of the measure

The main objective of the innovation vouchers measure is to increase the interaction between knowledge providers and SMEs in the West Midlands region to boost their innovation capability. A voucher can be used to purchase an academic’s expertise to help deliver a knowledge solution to an innovation project. This expertise will come from approved suppliers in the knowledge base institutions within the region, including universities, further education colleges and research and technology organisations.

Keywords

- Science-industry cooperation
- Small and medium-sized enterprises
- Innovation vouchers

Budget, source and type of funding

Form of funding provided

- Grants

Policy learning

Extent to which the measure can be considered as a success and worthy of policy learning

There is evidence of an impact of the measure based on verifiable indicators or an evaluation (e.g. sales generated from new products, jobs created, etc.)

Evaluation report(s)

- Evaluation_of_SFC_Innovation_Voucher_Scheme_first_phase_final_report.pdf

Evidence of outcomes based on evaluation and other evidence

To date there have been no English evaluations published on the Innovation Voucher scheme. However, a recent evaluation of the Scottish Innovation voucher scheme by the Scottish Funding Council concluded that:

- From the SME perspective, the scheme is supporting new, formal R&D and consultancy relationships.
- The projects established would either have not otherwise happened or would have happened at a much slower pace or smaller scale.
- The projects are at least meeting the expectations of companies.
- SMEs prefer funding to be channelled through their academic partner, thereby avoiding additional administration.
Academics and commercialisation staff were also supportive of the scheme.
- It was bringing some new academics to work with SMEs and establishing new R&D and consultancy relationships with companies.
- Academics also reported good additional benefits from their involvement in a project to their teaching and research activities.
- For SMEs, too, there is evidence of both financial and non-quantifiable benefits from the supported projects.

**Do's and Don'ts**

Although only applying to the Scottish version of the Innovation Voucher scheme, the BiGGAR Economics Ltd and Scottish Funding Council report recommended that the innovation scheme should be continued in Scotland, and that:

- "Consideration should also be given to expanding the scale of the Scheme. The experience of the comparator schemes and the consensus of opinion from the commercialisation offices consulted was that there could be a demand for a 10-fold increase in the scale of the Scheme. It is important that any expansion should not be associated with an increase in the administrative burden to participants.
- The design and administration of the Scheme should remain unchanged although it is recognised that an increase in the number of vouchers available would also require an increase in the budget for the management of the Scheme.
- Consideration should be given to providing some additional guidance to assist applicants with completing the forms (perhaps in the form of an example application and final report) and a note that gave clarity on the overall objectives of the Scheme and the type of organisations that are eligible for support”.

This measure is recommended as an example of regional good practice to policy-makers from other regions:

Yes

Organisation(s) responsible
- Advantage West Midlands (Regional Development Agency)

**Support measure**

- UNITED KINGDOM
- WEST MIDLANDS
- Region WEST MIDLANDS
- NUTS Code UKG

**Support Measure**

**Title of measure**
Designing Demand programme

**Full title**
null

**Duration**

From: 2008
To: 2011

**Policy objectives**
- 1.1.3. Policy Advisory services (e.g. technology foresight)

**Presentation of the measure**

Designing Demand is a design support programme for businesses. It aims to help them become more competitive, increase their profits and boost their performance through the strategic, effective use of design. This measure has been developed by the Design Council and is being delivered in partnership with the English Regional Development Agencies and others. The programme has been developed specifically to help businesses, whether they are high growth start-ups, established businesses or enterprises focused on commercialising new technologies. Other parts of the programme are devoted to helping designers understand businesses’ needs and issues, and to helping business advisors spot design opportunities. This programme is a result of a review of creativity in business commissioned by the former Chancellor of the Exchequer and the Design Council. The Cox Review, published in 2005, identified the need
for urgent action if UK businesses are to compete with rivals in fast-emerging global economies. The review recommended support for the Design Council’s programme and called for it to be made available across the UK to help SMEs use design as a business tool. The programme consists of different services designed for businesses at different stages of development and with different needs:

- Designing Demand workshops: practical workshops showing SMEs what design investment could do for them
- Design support for high-growth start-ups and established businesses to help get a design project moving
- Design support for technology ventures
- Design support for mature businesses with appetite for strategic change.

Funded design projects to date have drawn on a wide range of disciplines including product, service, packaging, web and communications design and branding. Research conducted by the Design Council has indicated that businesses that use design as a key strategic driver are consistently more successful. For example:

- A business that increases its investment in design is more than twice as likely to see its turnover grow as a business that does not do so
- Shares in design-led businesses outperformed key stock indices by 200 per cent for a decade
- Rapidly growing businesses are six times more likely than static ones to see design as integral to their business.

Keywords

- Skills for innovation
- Small and medium-sized enterprises

Budget, source and type of funding
Form of funding provided
- Other

Policy learning

Extent to which the measure can be considered as a success and worthy of policy learning

The measure has achieved its intended targets in terms of results (e.g. number of enterprises investing in innovative projects, people trained)

Evidence of outcomes based on evaluation and other evidence

No published evidence in the form of evaluations or studies appears available. The national website for Designing Demand has however published a number case studies demonstrating the value of the measure.

Do's and Don'ts

This information is not available.

This measure is recommended as an example of regional good practice to policy-makers from other regions:

Yes

Organisation(s) responsible

- Advantage West Midlands (Regional Development Agency)

Support measure

- UNITED KINGDOM
- WEST MIDLANDS
- Region WEST MIDLANDS
- NUTS Code UKG

Support Measure

Title of measure
West Midlands Grant for research and development (Solutions for Business)

Full title
null

**Duration**

From: 2005  
To: 2012

**Policy objectives**

- 2.3.1. Direct support of business R&D (grants and loans)

**Presentation of the measure**

This particular support is part of the wider Solutions for Business scheme, which is designed to drive qualifing businesses forward, help them to grow and succeed by providing assistance in a number of areas. These include starting up, understanding finance, developing people, environment and efficiency, exploiting ideas, international sales and marketing and growing businesses. The overall aim is to help SMEs research and develop technologically innovative products and processes. Responsibility for delivering the scheme was originally on national level, but transferred to the individual English regions in 2005 to improve the effectiveness by bringing key decisions closer to customers. The longer-term objectives are:

- To overcome the reluctance of SMEs to undertake risky research and development by sharing the costs and the risks associated with these kinds of projects, and to foster a recognition of the importance of maintaining an ongoing programme of research and development
- To encourage others to invest in potentially risky technological R&D through the knowledge that RDAs have undertaken a thorough appraisal of the financial and technical aspects of a project and is prepared to invest public money
- To support firms to prove the technical and commercial feasibility of their idea and to develop prototypes.

**Keywords**

- Small and medium-sized enterprises

**Budget, source and type of funding**

Form of funding provided

- Grants

**Policy learning**

**Extent to which the measure can be considered as a success and worthy of policy learning**

There is evidence of an impact of the measure based on verifiable indicators or an evaluation (e.g. sales generated from new products, jobs created, etc.)

**Evaluation report(s)**

- [file52026.pdf](#)

**Evidence of outcomes based on evaluation and other evidence**

The following examples are taken from a 2009 national study evaluating the scheme on an aggregate level (Evaluation of Grant for Research and Development and Smart, PACEC):

- Applicant engagement in the application process and streamlining of the application stage might help increase success of the scheme
- Applicants with more experience in equity finance tended to be more likely to be successful
- Participation in the scheme made SMEs more innovative and skilful, and expenditure on R&D increased
- Although access to finance was still an issue for SMEs, it was less so after participating in the initiative
- A little under half of participating businesses said that their participation had a positive effect on enabling them to exploit academic / leading edge research
- The £239 million (€285m) in grants during the evaluation period had led to the creation of between 6,000 and 9,000 net additional jobs (without and with multiplier effects respectively)
- Projects supported by the scheme involved significant technological innovation
- Distinct market failures and in particular the funding gap were addressed by the scheme.

**Do's and Don'ts**

Although the evaluation made by PAPEC in 2009 of the particular Solutions for Business products Grant for research and development and Smart did not include any recommendations or advice for policy makers as such, it did conclude
that the schemes had been relatively effective in relation to their long-term objectives.

The study also suggested that supported projects had a wide range of other positive intermediate business effects on award winners, such as an improved attitudes to R&D, increased R&D and innovation expenditure and investment in significant technology, improved skills as the technical and commercial feasibility of ideas become clearer, and a better understanding of innovation and the ability to manage risk.

This measure is recommended as an example of regional good practice to policy-makers from other regions:

Yes
Organisation(s) responsible

- Advantage West Midlands (Regional Development Agency)

Support measure

- UNITED KINGDOM
- WEST MIDLANDS
- Region WEST MIDLANDS
- NUTS Code UKG

Support Measure

Title of measure
Innovation networks

Full title
null

Duration
From: 2008
To: 2012

Policy objectives

- 2.3.1. Direct support of business R&D (grants and loans)

Presentation of the measure

Innovation networks, funded by Advantage West Midlands and the ERDF, offers two types of grant to the region's SMEs: Revenue grants that are worth £10,000 (€11,950) and available to assist with product development Capital grants that are worth £10,000 and available for expenditure on equipment, machinery or tooling.

The project must develop an innovative new product, process or service and provide benefits to the West Midlands economy.

Keywords

- Small and medium-sized enterprises

Budget, source and type of funding
Form of funding provided

- Grants

Policy learning

Extent to which the measure can be considered as a success and worthy of policy learning

There has been a positive response by beneficiaries to the measure (e.g. over-subscribed in terms of requested versus available budget) but it is too early to judge results or impact.

Evidence of outcomes based on evaluation and other evidence
Do's and Don'ts

This information is not available.

This measure is recommended as an example of regional good practice to policy-makers from other regions:

Yes

Organisation(s) responsible

- Advantage West Midlands (Regional Development Agency)

Support measure

- UNITED KINGDOM
- WEST MIDLANDS
- Region WEST MIDLANDS
- NUTS Code UKG

Support Measure

Title of measure
Knowledge transfer partnerships

Full title
null

Duration
From: 2008
To: 2012

Policy objectives
- 2.2.3. R&D cooperation
- 2.3.1. Direct support of business R&D (grants and loans)
- 2.2.2. Knowledge Transfer

Presentation of the measure

This programme helps companies looking to develop innovative products, services and processes. It allows for businesses to gain access to well qualified people and experts within further and higher education institutions who can also help to take their business forward. The programme's overall aim is to make a step change in an identified high priority area for the business. Projects may last between six months and three years. Once the scope of a project, with the relevant university, college or research organisation has been agreed and approved, a student or graduate (associate) can then be appointed to facilitate the transfer of knowledge between the knowledge organisation and the business. Businesses of all sizes in most industries, as well as commercial and public sectors, can take part.

Keywords

- Small and medium-sized enterprises
- Knowledge transfer

Budget, source and type of funding

Form of funding provided
- Grants
- Other

Policy learning
Extent to which the measure can be considered as a success and worthy of policy learning

There is evidence of an impact of the measure based on verifiable indicators or an evaluation (e.g. sales generated from new products, jobs created, etc.)

Evaluation report(s)

- file11982.pdf

Evidence of outcomes based on evaluation and other evidence

Recent Knowledge Transfer Partnership information shows that the business benefits that can be expected are, on average:

- An increase in annual profit of over £290,000 (€340,500)
- Eight genuine new jobs created
- Investment in plant and machinery of over £220,000 (€258,310)
- Commercial benefits from application of Intellectual Property ~24%.

Knowledge Transfer Partnerships provide academic institutions with the potential to:

- Apply knowledge and expertise to important business problems
- Develop business-relevant teaching and research materials
- Identify new research themes and undergraduate and postgraduate projects
- Publish high quality research papers
- Gain a relevant and improved understanding of business requirements and operations
- Potentially impact the Research Assessment Exercise (RAE)
- Lead rewarding collaborations with innovative businesses
- Assist strategic change in businesses
- Supervise and act as mentors for postgraduates working on company-based projects.

Do's and Don'ts

This information is not available.

This measure is recommended as an example of regional good practice to policy-makers from other regions:

Yes

Organisation(s) responsible

- Advantage West Midlands (Regional Development Agency)

Support measure

- UNITED KINGDOM
- WEST MIDLANDS
- Region WEST MIDLANDS
- NUTS Code UKG

Support Measure

Title of measure
Grant for business investment (Solutions for Business)

Full title
null

Duration

From: 2008
To: 2012

Policy objectives
2.3.1. Direct support of business R&D (grants and loans)

Presentation of the measure

The aim of this particular grant is to encourage capital investment in projects that lead to long-term improvements in productivity, skills and employment. This type of support is part of the more extensive Solutions for Business scheme, which is designed to drive qualifying businesses forward, help them to grow and succeed by providing assistance in a number of areas. These include starting up, understanding finance, developing people, environment and efficiency, exploiting ideas, international sales and marketing and growing businesses. The overall aim is to help SMEs research and develop technologically innovative products and processes. Responsibility for delivering the scheme was originally on national level, but transferred to the individual English regions in 2005 to improve the effectiveness by bringing key decisions closer to customers. The longer-term objectives are:

- To overcome the reluctance of SMEs to undertake risky research and development by sharing the costs and the risks associated with these kinds of projects, and to foster a recognition of the importance of maintaining an ongoing programme of research and development
- To encourage others to invest in potentially risky technological R&D through the knowledge that RDAs have undertaken a thorough appraisal of the financial and technical aspects of a project and is prepared to invest public money
- To support firms to prove the technical and commercial feasibility of their idea and to develop prototypes.

Keywords

- Small and medium-sized enterprises
- Start-ups/spin-offs

Budget, source and type of funding

Form of funding provided

- Grants

Policy learning

Extent to which the measure can be considered as a success and worthy of policy learning

There is evidence of an impact of the measure based on verifiable indicators or an evaluation (e.g. sales generated from new products, jobs created, etc.)

Evaluation report(s)

- file52026.pdf

Evidence of outcomes based on evaluation and other evidence

The following examples are taken from a 2009 national study evaluating the scheme on an aggregate level (Evaluation of Grant for Research and Development and Smart, PACEC):

- Applicant engagement in the application process and streamlining of the application stage might help increase success of the scheme
- Applicants with more experience in equity finance tended to be more likely to be successful
- Participation in the scheme made SMEs more innovative and skillful, and expenditure on R&D increased
- Although access to finance was still an issue for SMEs, it was less so after participating in the initiative
- A little under half of participating businesses said that their participation had a positive effect on enabling them to exploit academic / leading edge research
- The £239 million (€285m) in grants during the evaluation period had led to the creation of between 6,000 and 9,000 net additional jobs (without and with multiplier effects respectively)
- Projects supported by the scheme involved significant technological innovation
- Distinct market failures and in particular the funding gap were addressed by the scheme.

Do's and Don'ts

This particular measure is part of a wider business support package - Solutions for Businesses - that was originally instigated by the UK government and later transferred to the English regions to manage. When originally implemented, the national government looked at areas where it believed there is a strong case for providing support using the following criteria:

- Rationale - whether there is a market failure in provision or wider social or environmental justification for intervening
- Likely effectiveness - whether an intervention addresses objectives
- Business need - whether there is a genuine demand from business for the type of support offered
- Relevant products were then developed, reviewed and amended, according to whether products were new or
existing, around a number of common business themes that were consulted on before the Solutions for Business package was finalised. Most of the more longer-established products in the Solutions for Business family have been evaluated. For example, the PACEC study in 2009 concluded that the measure overall had been relatively effective in their mid- and long-term goals.

This measure is recommended as an example of regional good practice to policy-makers from other regions:

Yes

Organisation(s) responsible

- Advantage West Midlands (Regional Development Agency)

Policy document

- UNITED KINGDOM
- WEST MIDLANDS
- Region WEST MIDLANDS
- NUTS Code UKG

Policy Document

AWM Corporate Plan 2009-2011

null

Organisation responsible

Advantage West Midlands (Regional Development Agency)

Content

The Advantage West Midlands' Corporate Plan reflects on the ongoing re-prioritisation of regional innovation activity. Projects implemented by AWM are prioritised on the basis of the following criteria:

- Delivering the economic strategy: contribution to improving the sustainable economic growth of the region, through delivery of the West Midlands economic strategy and recent national policy announcements
- Maximising economic impact: the ability to deliver maximum impact in the short and medium term, drawing on available evidence from impact evaluation and the work to develop our investment and performance framework
- Responding to the recession: contribution to supporting the regional economy through the recession and preparing for the upturn
- Regional funding advice: relationship to the 20 impact investment locations, identified as the region's highest priority locations for intervention in the West Midlands' regional funding advice submission.

The English Regional Development Agencies are to be abolished in 2012. Consequently, this policy document will not be updated. Regional innovation strategies for 2012 onward have not yet been finalised.

Year of publication

2009

Link to website

Link: http://www.advantagewm.co.uk/documents/download.aspx?id=tcm: ...
Policy Document

West Midlands Economic Strategy

Organisation responsible

Advantage West Midlands (Regional Development Agency)

Content

This strategy is structured around these three main components of the economy - Business, Place and People, plus the need to provide a powerful voice for the region.

In common with other regions, the West Midlands faces a number of global challenges. These are:

- Climate change
- Continued globalisation
- Demographic change
- The march of technology.

The West Midlands also faces a set of challenges that are more specific to the region. These relate to:

- Skills
- Enterprise
- Innovation
- Economic inclusion
- Transport.

These challenges are a core focus of this strategy. Its development has also been underpinned by three underlying principles, which the agency has sought to embed across the strategy:

- Pursuing equality, reaping the benefits of diversity
- Valuing the natural environment
- Supporting urban and rural renaissance.

The English Regional Development Agencies are to be abolished in 2012. Consequently, this policy document will not be updated or renewed. Regional innovation strategies for 2012 onward have not yet been finalised.

Year of publication

2007

Link to website

Link: http://www.advantagewm.co.uk/documents/download.aspx?id=tcm: ...
Innovation and Technology Council (Advantage West Midlands)

Content

This strategy sets out the basic framework that the council has established to turn their vision of a future West Midlands that is truly innovative and world-class across a range of areas into reality. It considers the current situation (2007), and how to monitor progress in improving the overall position of the region.

It describes the basis upon which the council debates and analyses potential thematic areas for action. It details the philosophy behind the type and range of catalytic actions that the council proposes in order to promote activity in these areas (and how success will be monitored, failure used as the basis for future learning, and linkages across themes and areas promoted and implemented). It describes each thematic area so far identified. The major sources of leverage and partnership identified are then described, and strategies for engagement outlined - regional, national and international.

The English Regional Development Agencies are to be abolished in 2012. Consequently, this policy document will not be updated or renewed. Regional innovation strategies for 2012 onward have not yet been finalised.

Year of publication

2007

Link to website

Link: http://www.advantagewm.co.uk/site-tools/download.aspx?id=tcm ...

Organisation

- UNITED KINGDOM
- WEST MIDLANDS
- Region WEST MIDLANDS
- NUTS Code UKG

Organisation

Advantage West Midlands (Regional Development Agency)

Link: http://www.advantagewm.co.uk

3 Priestley Wharf Holt Street Birmingham Science Park Aston Birmingham, B7 4BN

Mission

The role of the Regional Development Agency Advantage West Midlands (AWM) is to support regional economic development which is business-driven, influenced by the businesses with the potential to grow the economy, the places in which they operate and people who comprise the workforce. As a result of a change in government, Advantage West Midlands is to be abolished in March 2012 along with the other English Regional Development Agencies. AWM will provide partial support to businesses until its closure.

The RDA works alongside a wide range of public, private and voluntary sectors to build upon the regional strengths and develop solutions which address its unique challenges. Advantage West Midlands seeks solutions that are economically, socially and environmentally sustainable.

Activities

All the work that Advantage West Midlands does aligns with Connecting to Success the West Midlands Economic Strategy and contributes to improving the region as "a global centre where people and businesses choose to connect".

The RDAs policies are developed on behalf of the region with a range of partners from across the public, private, voluntary and community sectors.

The RDA has grouped its policies under the three main components of the economy: Business, Place and People. Vis-a-vis the business component, the RDA wishes to develop the region's business base by attracting international investment, developing key industries, encouraging enterprise and innovation, raising skills levels and co-ordinating the provision of finance and business support to companies.
Organisation

Innovation and Technology Council (Advantage West Midlands)
Link: [http://www.advantagewm.co.uk/what-we-do/helping-business/innovation/innovation-technology-council.aspx](http://www.advantagewm.co.uk/what-we-do/helping-business/innovation/innovation-technology-council.aspx)

Mission
The West Midlands Innovation and Technology Council was set up in 2004. It brings together leaders from the region's science technology and industry bases to champion innovation. The council is the primary source of advice on innovation to Advantage West Midlands (the Regional Development Agency).

The West Midlands Innovation and Technology Council is a strategic body, which is focused on the future of the region. Its vision is to make a major impact on the region's prosperity tomorrow by actively promoting innovation in carefully selected areas where the region has strength today. This will create new high value jobs in the technology sector and stimulate major economic growth over the next 10 years.

Activities
The Council's fundamental strategy of selecting a small number of key areas for action is based upon a realistic assessment of what is achievable and what is likely to be effective. The overarching aim of this focus is to avoid dissipating resources and create real and major impact.

The thematic foci (2005) is:
- Healthcare technology
- Digital media
- Advanced materials
- Transportation technology
- Energy
- New technology areas.

Organisation

Universities West Midlands
Link: [http://www.universitieswm.co.uk](http://www.universitieswm.co.uk)
Faraday Wharf Holt Street Birmingham Science Park Aston Birmingham,
B7 4BB

Mission
The strategic goals of the associations is to:
- Provide advocacy and promotion to those who influence the environment in which universities operate both within and outside the region
- Gain recognition through evidence based communication for the collective impact of the region's universities on the economic and social performance of the region
- Provide a forum and a strategic framework within which senior university representatives on regional, national and international bodies can share insights, progress opportunities and commission research and data analysis
- Facilitate and maintain collective and regular engagement on policy matters with regional and national stakeholders
- Identify, evaluate and signpost opportunities which bring benefit to the association through collaborative regional action
- Position the universities as a key stakeholder in the regional European strategy business planning process.

Activities
The strategic direction of the association is set by the Universities West Midlands Strategic Board, which consists of the 13 regional Vice Chancellors and Principals. This group meets bi-monthly as a board followed by an in depth meeting
with invited guests representing national and regional strategic bodies.

In two key areas Universities West Midlands has standing committees to progress the strategy, namely Employer and Business Engagement and Healthcare.
Appendix D Statistical data

<table>
<thead>
<tr>
<th>Indicator</th>
<th>West Midlands (ENGLAND) (UKG)</th>
<th>West Midlands (ENGLAND) (UKG)</th>
<th>West Midlands (ENGLAND) (UKG)</th>
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<tbody>
<tr>
<td></td>
<td>2000 or around</td>
<td>Previous year</td>
<td>Most recent</td>
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<tr>
<td>GDP per capita (PPP)</td>
<td>20500</td>
<td>24600</td>
<td>24200</td>
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<tr>
<td></td>
<td>2000</td>
<td>2007</td>
<td>2008</td>
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<tr>
<td>Change in GDP per capita</td>
<td>4.11</td>
<td>2.50</td>
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<td></td>
<td>2000-03</td>
<td>2006-07</td>
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<tr>
<td>Unemployment rate</td>
<td>3.925</td>
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<td></td>
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<td>Change in unemployment rate</td>
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<td></td>
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<td>Tertiary education</td>
<td>0.28</td>
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<tr>
<td></td>
<td>2000</td>
<td>2009</td>
<td>2010</td>
<td></td>
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<tr>
<td>Government R&amp;D expenditure</td>
<td>0.25</td>
<td>0.02</td>
<td>0.02</td>
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<tr>
<td>Non-R&amp;D innovation exp.</td>
<td>--</td>
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<td>--</td>
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<td></td>
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<td>--</td>
<td>2006</td>
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<td>Patents per mln population</td>
<td>76.9</td>
<td>59.3</td>
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<td></td>
<td>2000</td>
<td>2005</td>
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<td>Business R&amp;D expenditure</td>
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<td>Higher education R&amp;D expenditure</td>
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<td></td>
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Source: Eurostat and Community Innovation Survey.