

Cyngor Cyllido Addysg  
Uwch Cymru  
Higher Education Funding  
Council for Wales

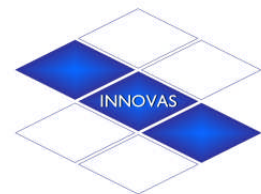
hefcw

## **Executive Summary**

**Evaluation of**

**HEFCW's Third Mission Fund**

**2004/05 to 2006/07**



*Creating a Competitive Edge for*

*People, Places & Organisations*



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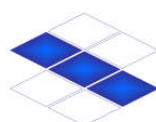
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# I. Introduction and Scope

## Introduction

In September 2008 Innovas Consulting together with academics from the University of Salford were commissioned to carry out an evaluation of the Higher Education Funding Council for Wales' (HEFCW) Third Mission Fund first cycle 2004/05 to 2006/07. HEFCW established its Third Mission (3M) Fund in June 2004 as a dedicated stream of core funding to support institutions' activities in this area. The Council defines 3M activities as those that "stimulate and direct the application and exploitation of knowledge to the benefit of the social, cultural and economic development of our society".

As specified by HEFCW the objective of this review is:

**An analysis of the impact of HEFCW's 3M Fund on institutions and their key stakeholders and the extent to which HEIs in Wales are contributing to economic and social well-being locally, nationally and trans-nationally.**

In undertaking this evaluation we were asked to focus in particular on the impact of HEFCW's first three year 3M Fund cycle, which covered the academic years 2004/05 to 2006/07. We were also requested to consider HEFCW's methodology for the allocation of its 3M Fund and make recommendations for future developments in this area.

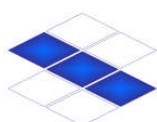
Importantly, the 3M funding provided by HEFCW operates alongside a parallel, and complementary, income source provided and managed by the Welsh Assembly Government (WAG). In the first cycle this was provided by the Knowledge Exploitation Fund (KEF), which in the current cycle (2007/08 to 2009/10) has been replaced by the WAG's Academia for Business (A4B) Programme. This "dual-support" system means that the sector's performance as reported in this study cannot be attributed solely to the support HEIs in Wales receive from HEFCW's 3M Fund.

It is apparent both from our review of available data and wider consultations with relevant stakeholders that HEIs make a significant positive contribution to economic and social well being in Wales and that they are also contributing to the development of a "knowledge economy" in Wales and the UK in general.

## Scope

This evaluation was asked to address seven key issues as follows:

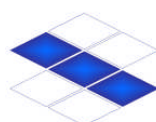
- 1. 'The extent to which HEIs in Wales are impacting on economic and social well-being locally, nationally and trans-nationally.'**
- 2. 'How far this impact is being facilitated by HEFCW's Third Mission Fund?'**



- 3. The level of HEFCW's Third Mission Fund in comparison with corresponding funding streams in other UK Higher education funding bodies**
- 4. The success of Welsh HEIs in securing non-HEFCW sources of funding for third mission activities locally, nationally and internationally**
- 5. The role of HEIs in contributing to the successful delivery of Welsh Assembly Government and Central Government policy imperatives**
- 6. The extent to which the contribution of HEIs in Wales to economic and social well-being is currently recognised by stakeholders and the public at large**
- 7. Potential barriers to enhancing still further the contribution of the HE sector to economic and social well-being in Wales and beyond.'**

The Key Points arising from the study are set out in this Executive Summary.

Our detailed findings and conclusions can be found in the main report at [www.hefcw.ac.uk](http://www.hefcw.ac.uk)



## 2. Key Points

**A number of Key Points were identified in the main report. Readers wishing to have more detail relating to any key points are referred to the relevant sections in that report.**

### **Key Point 1 – Section 2.2**

A dual 3M funding approach is deployed in Wales, with core funds provided by HEFCW and project related funds provided by KEF (and more recently A4B). This ‘dual-support’ system means that the sector’s performance as reported in this study cannot be attributed solely to the support HEIs in Wales receive from HEFCW’s 3M Fund.

### **Key Point 2 – Section 2.2**

The ‘dual-support’ system has evolved considerably through time. Importantly, however, concerns exist regarding the continuation of A4B funding after the completion of the current six year period.

### **Key Point 3 – Section 3.2**

HEIs in Wales were able to articulate a clear strategic focus for their 3M activities for the first cycle, placing particular importance on Wales and its regions.

### **Key Point 4 – Section 3.2**

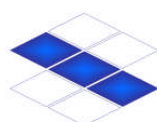
Welsh HEIs used a number of quantitative and qualitative KPIs in their 3M strategies, reflecting the diversity of the sector. However, in most instances HEIs did not provide baseline figures or aspirations for growth during the first cycle.

For the future it is recommended that the strategies should focus on a limited number of KPIs which are fundamental to the delivery of the strategies. These KPIs should be measurable, with baselines and have targets for growth.

### **Key Point 5 - Section 3.3**

Overall, there was a dramatic growth (of around 50%) in 3M income generated by HEIs in Wales. This was linked primarily to growth in income from collaborative research, regeneration, and CPD. At the same time however, there was a decline in income from IP and income from facilities and equipment related services.

Income from consultancy, facilities & facilities-related services and exploitation of IP has either stood still or declined and this raises some concerns as these are usually considered important indicators of the level of support for innovation within business and industry.



#### **Key Point 6 - Section 3.4**

During the first cycle HEIs in Wales reported considerable growth in a number of indicators used to capture performance. Moreover, Wales compares favourably to England and Scotland regarding performance change.

#### **Key Point 7 - Section 3.5**

HEIs are able to deliver a large number of diverse outcomes as part of their 3M activities. More importantly, however, these outcomes make a significant positive contribution to the economic and social well being of Wales.

The freedom that HEFCW gives Welsh HEIs in developing strategies which reflect their mission, key areas of strength and chosen geographical focus is definitely an advantage.

#### **Key Point 8 - Section 3.5**

The impact of 3M activities in Wales is, at least, comparable with that in England and Scotland. Disparities between the three countries of the UK may be explained by the diversity in the socio-economic context.

#### **Key Point 9 - Section 3.7**

These findings, alongside the identification of some strong patterns of 3M development (linking strategy with outcomes) offer a considerable challenge for policy-makers. This could be articulated as follows: whether and how can change be encouraged in 3M strategies that underpinned a period of strong growth and positive contribution in Wales – especially regarding the advancement of a knowledge economy?

#### **Key Point 10 - Section 4**

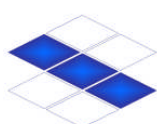
There is evidence of considerable learning at the institutional level arising from the first cycle of 3M funding. The emergence of formal collaborative arrangements in the delivery of 3M activities in Wales constitutes a significant break with existing practice elsewhere in the UK. This was used by HEIs in order to strengthen the focus and commercial awareness of 3M activities, as well as enhance 3M collaboration.

It is recommended that at the end of the current cycle HEIs should be expected to prepare baseline data on which to build their future strategies against which their success can be measured in the third cycle. However, it is equally important that the flexibility given to the HEIs in the first two cycles should not be totally sacrificed in a desire for greater accountability.

#### **Key Point 11 - Section 5.2**

Interview data supported the view – apparent in 3M strategies – that 3M is integrated in the institutional strategy of HEIs and recognised among academic leaders at the highest level.

However, the degree to which it is embedded and accepted as a core responsibility in the wider institution is still questionable.



### **Key Point 12 - Section 5.2**

WILOs and other 3M practitioners operate in an environment where the strategic importance of 3M does not appear to have been effectively translated into general attitudinal and cultural change across the academic community. So long as 3M continues to be viewed as the 'poor relation' to research and teaching/learning its sustainable advancement is problematic.

### **Key Point 13 - Section 5.3**

Both senior academic leaders and WILOs agree that there is a reliance on a limited number of key individuals for the attainment of success in 3M.

This, by itself, is indicative of a limited capacity and potentially capability pointing to the weak embeddedness of 3M in those HEIs.

### **Key Point 14 - Section 5.3**

Funded projects are generally most successful when there is both a strong market demand and they are closely aligned with the strategic direction of the HEI.

An incessant pursuit of funding, which may be viewed as a means of enhancing the legitimacy of 3M activities, is identified by WILOs as a cause of failure, as often projects may be funding rather than market or strategy driven.

Therefore, future 3M strategies need to include evidence which demonstrates both market opportunity and need for the proposed activities.

### **Key Point 15 - Section 5.4**

The embeddedness of 3M activities within HEIs is limited. This is particularly the case among academics, who sometimes remain exclusively attached to teaching and research. The existence of such views also questions the legitimacy of those academics that engage in 3M activities.

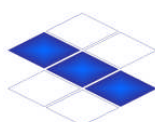
Additionally, for HEIs to gain credibility and trust in the market place 3M activities should harness the best capability and not be regarded as a way of balancing workloads.

HEIs need to have an institution-wide infrastructure which supports 3M activities and not rely on a limited number of key individuals with private sector experience.

In addressing this issue, emphasis should also be placed on career paths around 3M in comparison to conventional activities, such as teaching and research.

### **Key Point 16 - Section 5.5**

HEIs are very positive about HEFCW's 3M fund, and particularly about the relatively straight forward funding allocation process and method and the fact that it is allocated for a three year period.



However, there is a need to ensure that HEFCW develops appropriate indicators to capture the wider success in the application of 3M funding in terms of social and cultural indicators as well as the economic ones captured by the HE-BCI Survey.

Additionally, measures of quality not just quantity need to be considered. However, we recognise that this is a major issue across the whole sector within the UK.

Doing this, while trying to maintain a 'light administrative touch', will be challenging.

#### **Key Point 17 - Section 6.2**

There is only partial recognition of the impact of 3M activities by external stakeholders. This is linked with problems of communication, and the difficulty in establishing roles and expectations between HEIs and other stakeholders.

#### **Key Point 18 - Section 6.3**

Private and third sector organisations argue that communication with HEIs is problematic. Whilst acknowledging that this may be partly due to the fact that they are sometimes ill-prepared to engage, there is also an issue in managing expectations, defining roles and a code of conduct.

#### **Key Point 19 - Section 6.4**

Local authorities support the engagement of HEIs in economic development and regeneration challenges, whilst maintaining leadership of this agenda in order to align with the wider economic agenda and priorities of the sub-region. However, HEIs do not always align their actions with the local economic imperatives as perceived by the local authority.

#### **Key Point 20 - Section 7.3**

Core 3M funding levels in Wales compare unfavourably with those in all other constituent countries of the UK. However, A4B funding – though involving considerable costs of administration and having a finite time-span – reverses this situation.

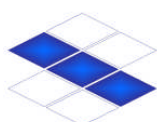
This illustrates the critical reliance on the dual funding approach taken in Wales. It is therefore recommended that a strategic review of 3M funding levels is needed in order to avoid placing Welsh HEIs at a significant competitive disadvantage within the wider UK context.

#### **Key Point 21 - Section 7.4**

Foundation funding or minimum allocations, provided at appropriate levels, may be of particular importance in the case of smaller HEIs. Interestingly, their contribution is considerable in the case of Wales (as shown in section 3).

#### **Key Point 22 - Section 7.4**

Foundation funding or minimum allocations and funding for capacity building alone do not address directly the problem of 3M embeddedness in HEIs.

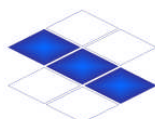


**Key Point 23 - Section 7.4**

The impact of OSI/BIS on 3M funding in the case of Wales is limited, unlike the case of HEIs in England. Thus, changes in methodology will modestly alter current levels of funding.

**Key Point 24 - Section 7.4**

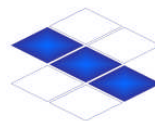
Existing methodologies place particular emphasis on economic rather than social and cultural impact. This inevitably will influence the choice of 3M activities away from those that do not draw funding. This is particularly important as such activities, by their nature, often cannot tap easily into other income sources.



### 3. Recommendations

We have made a number of recommendations. These have been grouped within themes and given in the table below. Cross references to the relevant sections in the main report and the Key Points above are also given.

Focus	No	Action	Cross-Reference	
			Section	Key Point
Money - Formula	1	Revisit the balance between core Third Mission funding (such as the one provided by HEFCW) and competitive funding	4, 7	20
	2	Make Funding formulae at least partially dependent on institutional strategies containing measurable KPIs	3, 4	3, 5, 9, 10
	3	Core 3M funding to be reviewed in the light of unfavourable comparison with other countries in the UK	7	20
	4	Maintain foundation funding or minimum allocations	7	21
Measurements	5	Develop a menu of core KPIs from which each HEI can select a number that more closely reflect their relative strengths. These could be complemented by KPIs that are self-determined.	3	3 & 4
	6	Make KPIs well-defined, and linked with baseline (start point) data, with clearly articulated and measurable aspirations. These must be derived from and integrated in each HEIs Third Mission strategy.	3, 4	3, 4 10
	7	Consideration should be given to the development of core KPIs in the advancement of a knowledge economy as well as in capturing the social impact of 3M activities. Within this context, evaluating quality and not only quantity would also advance 3M in Wales.	3, 6, 7	5, 9, 16, 24



Focus	No	Action	Cross-Reference	
			Section	Key Point
	8	Develop KPIs to measure embeddedness	5	11
<b>Embeddedness of Third Mission</b>	9	Attach increased importance to 'inreach' – i.e. the degree of academic engagement with Third Mission activities. Within this context, role models and well defined career paths for academics are of paramount importance.	5	11, 13, 15
	10	Take measures to enhance the legitimacy of the 'WILO' role within HEIs and beyond. This may be linked with increased involvement, and exploitation of synergies, with teaching and research. External legitimacy can also be achieved with the development of feedback of experience and learning to policy-making bodies.	5	11, 12, 13
	11	Encourage HEIs to focus on the creation of a portfolio of sustainable products built on core skills and market demand, rather than the delivery of short-term projects. Changes in the prevailing funding regime may contribute in this direction.	5	14
<b>Communications and Partnership</b>	12	Focus on improving external communications with stakeholders. This must concentrate on facilitating mutual understanding between HEIs and enterprises, third sector organisations and public sector bodies.	6	18, 19
	13	Work with stakeholders in order to enhance the ability of SMEs to interact with HEIs.	6	17, 18, 19

