What role does LDA play in innovation process?
From the perspective of London, we have been operating in three main areas. The first area was creating the culture of innovation and helping businesses to understand its importance. Second strand of the strategy involved knowledge transfers, helping SMEs (small and medium enterprises) to work with the knowledge base, working with universities and other higher education and research institutions, etc. Finally, the third strategic aim was to help SMEs innovate by providing the right tools and techniques to actually go and do it. The LDA’s Innovation Strategy went from 2003 onwards.

How did you promote an innovation culture?
Back in 2003 we made a series of interventions to deliver on this objective including the creation of an innovation website portal. Unfortunately it doesn’t exist now but it existed for about 4–5 years starting from 2004. If I was in business and wanted to understand what innovation was and what it could do for my business, the innovation portal provided the information where I could go to get help and advice in one accessible website location.

We also staged an annual innovation conference where we brought the strategic players, stakeholders and actors who engaged with businesses and delivered our programmes, as well as SMEs themselves. The latter could learn from people of very high profile, and also from people who were practitioners themselves. There were events workshops and parallel sessions too. Thirdly we used to publish a quarterly newsletter, a magazine that reinforced the message why innovation was good for business, what benefits it could bring, and had case studies and editorials.

Branding and marketing was quite important, and it was quite successfully engaging people in what innovation could do for them. In London in 2003 when I started at LDA the innovation landscape was fragmented: people knew about universities but they didn’t know how to engage with them, few SMEs knew where to go for help and advice, everything was very messy. So, we started working on initiatives to develop the business culture, trying to create a business support landscape where people could navigate as well as understand benefits of innovation.

Was LDA engaged in creating this infrastructure or you just let people know about the existing facilities?
The LDA is a strategic partner, and though we have contract managers we didn’t engage traditionally with end beneficiaries, (SMEs). We normally had a third party in the middle delivering services. Private companies would bid for work to deliver. Sometimes we worked alongside them or we formed partnerships with private companies or public bodies.

The LDA is one of nine regional development agencies funded by the government. Their role is to bring about economic development by providing infrastructure, capital, skills, enterprise and environment. All these contribute to the economic agenda but the RDA network will actually cease in March 2012 with the budget cuts introduced by the government.

Where do the other eight RDAs operate?
One was in West Midlands, another in East Midlands, there is a North-East Development Agency, North-West, East of England, South-East and South-West. They are now being replaced by another body called Local Enterprise Partnership (LEP), but they are not going to have the same powers or budgets, so it’s going to be a different way of promoting economic development. In the policy of business support and innovation a lot of things are going to be led in the future by national government and the LEPs, but there is a lot of work to be shut down and transfer to the new environment.

What was your average annual budget?
The LDA’s budget reached about 400 million pounds at one point. Innovation budgets from 2003 to 2008 were some 15 million pounds a year. In 2008 the LDA changed the way of budgeting our programmes and it became a single pot of money worth about 45 million pounds for business support, and then we had another 45 million pounds for inward investment and promotional activities. So, in total terms it was about 90 million pounds per year for the years 2008 to 2010.

How was the efficiency of the Agency’s work measured?
A number of reports may be found on the LDA website www.lda.gov.uk . It is an interesting question how to measure the efficiency because in the early reports it was more about impact of setting up interventions and delivering projects, but not so much about the evaluation. Now evaluation is important and the Agency summarises each project by measuring outcomes like jobs created, businesses created, GVA (growth value added) of investments and return on investments, etc. If we designed a project and someone was delivering it on our behalf, we would contractually say you have to deliver so many businesses and so many jobs in the lifetime of that project, and they were measured by our contract managers.

Do you have figures of how many jobs and businesses you have created?
Tens of thousands of jobs were created and businesses started. We had, for example, one project helping the manufacturing sector in London and we have been spending three million pounds a year on one point, and that year...
we have created perhaps nearly a thousand jobs. For the manufacturing sector in London which was quite small, rather a niche sector, it was an impressive return. London has a very high turnover rate, about 75 per cent of startup businesses normally fail here after three years. To start a business is quite easy, the trick is to grow it.

Unfortunately we have had a change of national government recently. Regional Development Agencies were a policy of the labour government. Now it’s a different government and they want to do things differently, may be this is the reason why RDAs are to be stopped. There are a lot of quasi public sector organisations that the labour government developed and the new government wants to cut as they are too costly for the public purse.

How many people have been employed in the LDA?
At its peak in 2008 the LDA had 600 people. Now it only has 350, and after March 31, 2011 it will have 145 with the majority of these people engaged in just managing the closing down of projects across the Agency.

How does the legislation regulate the innovation process? Are you aware of the latest moves in this field?
In the late 1990s and early 2000s the government was very keen on knowledge economy. A government department that looked after innovation and business has changed its name several times, now it is called BIS (Business, Innovation and Skills) Department, back then it was known as DTI (Department for Trade and Industry). The DTI published a number of “white papers”, they called them “policy documents”, about the importance of innovation and why the UK government needed to invest heavily in innovation and knowledge transfer to increase our competitiveness. The UK has always been renowned for its academic excellence and invention, the strategic goal was the commercialisation of these ideas and inventions. In 2003 there came a DTI innovation report which was setting this out, and later on there was a Lambert review about innovation and knowledge transfer, importance of academics working with business and business working with academics. Other innovation strategies and policies followed. After the DTI changed its name to BERR (The Department for Business, Enterprise and Regulatory Reform) they published some further policy documents on innovation. Then the name was changed again to DIUS (The Department for Innovation, Universities and Skills), and they put out a policy paper on national innovation strategy called “Innovation Nation”. Recently the latest version of this government department now known as BIS (The Department for Business, Innovation and Skills) set up a new Technology Strategy Board called TSB. It’s an arm-length non-government department which has essentially taken the national lead for innovation.

So, there was quite a lot of policy documents which came from the UK government. They have identified certain nationally important sectors such as advanced manufacturing, design and high-skilled areas related to manufacturing, nanotechnology and biotechnology, electric vehicles, environmental technologies, health and healthcare, new materials. The RDAs and the RDA network have been seen as very important for turning this policy into reality. It was recently announced that the government will spend 200 million pounds over the next three to four years to develop a network of technology and innovation centres (TICs), and each one will focus on a particular sector. They were looking to start with creating a UK-wide centre of excellence in advanced manufacturing, and in next few months they will announce a competition for the next two or three, one probably being for environmental technology, another one might be in healthcare.

These new centres of excellence are supposed to be supervised from the very top. Is it considered more efficient?
That’s a good question. Before 2000 the emphasis was on national approach to innovation and business support for the enterprises, and it demanded running the process from the top. Then it became clear that in order to do something bigger they had to move closer and that was why they created and developed Regional Development Agencies and promoted regional policies. However that cost a lot of money. I think crisis and huge budget deficit made them feel the best way they can maximise the little
money they have is now to turn back to a national co-ordination approach with local delivery mechanisms. Time will tell whether it is a good idea or not, but that is the way things currently are.

Suppose there was a new business created, do you or did you sponsor any research and development? I’ll answer this question in two parts. Now we don’t support SMEs directly. But we did fund companies through grant funding to carry out research and development at various stages. Our support helped SMEs develop their ideas, conceptualise them and test them. We didn’t fund basic research at universities because that was not our remit, but we would spend money to help companies to do R&D and we also invested money to create venture capital funds.

How many grants did you give out? It would have been hundreds of grants ranging from 5 to 10 thousand pounds on proof of concept right the way through to grants of 100 to 200 thousand pounds for more development type of activity. Our venture capital funds invested up to half a million pounds in technology based business start-ups. So there was quite a spectrum of funds ranging from small grants, loans and equity to help businesses grow.

How much was an interest rate? There is an EU law establishing the minimum end, I think it was 8 per cent, and we always tried to keep the percentage lowest whatever the legislation was, since the loans were mostly to disadvantaged companies owned from ethnic minorities, women or disabled because that was one of the agendas for LDA to target inequality.

Who would own the property rights for those new technologies and inventions? In the case of a grant for R&D the LDA does not take any intellectual property or equity rights. In the loans we did not take anything either. In venture capital it was a revolving fund. We had a separate company to run our venture capital funds and that company would take a stake in the business, so if it wanted to liquidate or to buy out or hopefully to make money and release products, the idea was it cashes in its shares and then the money goes back into the company to make more investments in SMEs.

In your opinion, how important is the government role compared to that of market forces in the innovation process? I think it’s a very interesting question especially now that money is very tight and the government decided that it wants to see the private sector more influential and taking more of a lead role in helping other companies to innovate and grow – partly because the government does not have money to do that itself. If I look back over the last ten years the government has acted as a catalyst and created the environment for innovation to flourish. Obviously money has helped this process along. The government’s role now is even more critical to ensure that conditions are still there for businesses to grow. What is very important is that in any intervention which the government does it has to step in where there is a market failure, where there is a need for public money. If there is a market, a real market, the private sector should be there and the government shouldn’t be.

What helps and what hinders development of the innovation system in the UK? I think what helps is clearly the right type of government policies and drivers and support. What also helps are really good examples of companies that have innovated as case studies, and then getting that message to individual SMEs. A problem that we have found with conferences was that after SMEs hear a lot of stories from high-profiled entrepreneur and then go back home to their businesses they often don’t know what to do with this information. So, what we were trying to do with all these conferences was to move away from just bringing people and telling them it’s great to innovate, but showing them examples how to use tools and techniques, giving them confidence to go back to their businesses and do it themselves. Right balance is quite important, creating environment is important. Also the language of innovation has been baffling to some SMEs, you got to demystify it, to use simple words, saying if you want to grow your business into this new market, to sell more products or processes or services, this is how you can do it, this is innovation.
When you provide advice to these companies how much do they pay for it?
In the early 2000s when there was lot of money advice was free. Over the last few years we instigated models where one has to pay a contribution, a small one just enough to motivate them. But I think now with public sector financial support dropping, new models of support are being developed where SMEs will need to contribute more.

Are there any governmentally funded agencies where these companies can go to buy advice?
It still exists now though it will change in November 2011, something called “Business Link”, a national business advice service. At the moment you can ring up and get advice on the phone, or you can ring up and go and see someone face to face in an office, or you can get access in internet. In November this year as part of a new government strategy they will scale back this service, so it will become more web-based service with a national contact centre: if you are looking for something on the web and feel unsure about something you can ring someone up and they will advise you with the web in front of you. Yet there will be no one to one face to face advice because it is too expensive.

So, in the new world you will have the Business Link service and a focused suite of business support products including TICs. It is a very different picture going forward from what has been in the past. However, if you want a grant for research and development it will still exist, and will be available through the Technology Strategy Board.

How many centres of excellence are to be created?
They are talking between eight and ten in total, each one of them being a different sector, but they haven’t decided yet what the remaining sectors would be, they will decide in the next few months.

And how much money will be allocated for that?
Over a three to four year period there will be 200 million pounds.

Can you dwell upon most advanced innovation parks in the UK?
Those parks are part of RDAs legacy, a lot of RDAs invested in science and technology parks, obviously Oxford, Cambridge, West Midlands, North England. In London we never created a proper science park. There actually was one in Northern London but it was not successful, it was a space in the middle of nowhere, next to M25 motorway with no universities nearby, no infrastructure. What the LDA did instead was identify certain issues and barriers in certain sectors, for example, for the biotechnology sector in London. One of the big issues was space because when you start a business in three years there is no place to grow in London, you have to move to Oxford, or Cambridge, or Manchester, or up North, because they have more space and they may handle big companies. So what the LDA did was invest with universities to create a web-club space to grow on, so that we could try and retain in London some of the new companies that have developed here. The approach was quite successful.

What is your forecast for the development of the innovation system in the UK?
As I said the current policy is very limited which is a great shame, if you look at what has been proposed, it is very limited and it will give a very limited impact. However, at the same time there is opportunity. We have to think differently because the government no more has big pots of money to do different things. What government can do is influence and insure that there is deregulation, not overregulation for business growth, creating an environment. And the things really need to be done are about partnership and leveraging: finding people who do have money and prepared to invest, and leveraging different partners and different stakeholders to come together, be more collaborative, create and foster conditions to help companies innovate more. I think it might be a more commercial focus on doing more with less. Otherwise if you cannot think creatively you will not be able to do anything.

A tendency of big companies to transfer their manufacturing enterprises to developing countries, how would it influence the innovation process in the UK?
Yes we have Pfizer, a big company in South East and they are going to stop their research and development facility, 2500 people will lose jobs in the local area. The suggestion is that whereas big pharmaceutical companies are retracting and find a source of cheaper labour smaller biotechnology firms should be able to come to their places because the workforce is highly skilled and there are opportunities for growth. The government could perhaps increase tax credits to help these small biotechnology firms to invest more in R&D, bringing alongside projects and programmes to help keep skills of these people or to upskill people. Yesterday we have seen government announcement about apprenticeships to go to industries and learn trades.

How does the tax credit system you have mentioned work?
Whether there is a big company or small company, the tax credit applies. For instance, Nissan, a car company invested heavily in R&D at their facility in the UK and the government gave them a tax break for that. It is a real tax break and companies big and small who want invest in R&D may then effectively claim some money back from the taxman. I think the government also is looking at bringing in some legislation on patents to make it easier as well for entrepreneurs to patent across Europe and the UK and offering some assistance in that as well.

How much time it takes to patent?
May take months depending on that you are doing. It varies, it can be much longer — twelve months plus.

What research or technological developments can assure technological breakthrough in the years to come?
I would name service industry: lot of innovation is being done in service and finance sector. In London a lot of work goes on electric vehicles and environmental technologies, around renewables and retrofitting — that is looking at the old buildings that are not very efficient and determining how we can use new technologies to improve the environmental performance without building new ones. In London especially East London especially with the Olympics a lot of work is being done around regeneration including implementing new environmental technologies and waste recycling.