SCOTTISH GOVERNMENT ENTERPRISE & SKILLS REVIEW
Response from Scottish LifeSciences Association (SLA)

1. This response augments the on-line summary submitted by the SLA to the Scottish Government's call for evidence to its Enterprise and Skills Review. It has been commented on in depth by the SLA Advisory Board of industrialists, and then circulated to all SLA members for feedback, which has been incorporated.

The Scottish LifeSciences Association

2. The SLA was founded in 2011 to give the life sciences industries in Scotland a trade body with a distinctive Scottish identity. With nearly 130 members, we are the voice of this vibrant Scottish industry sector to investors, NHSScotland, Governments, and the wider community. The range of companies in the SLA includes small software start-ups through to global pharmaceutical companies, from international contract research organisations to manufacturing companies of all kinds and sizes, while academic institutions (HE and FE) are members. We listen to, are driven by and network with our members through our Advisory Board and our 13 Special Interest Groups of people from member businesses and academic institutions. We work to grow members' businesses, and we seek to engage supportively with Government and the NHS (including through the Scottish Government's Health Innovation Partnership) to grow the life sciences sector in Scotland.

Scottish Government Economic Strategy

3. ***The SLA endorses the Government Economic Strategy's four priorities of Innovation, Internationalisation, Investment and Inclusive Growth***. Our Advisory Board believes that the first two priorities are especially important to business success, supported by investment in people and companies, while we actively promote inclusive growth.

4. Over the past 5 years, the SLA has worked on behalf of its members with Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council. We believe that Government support for the Scottish life sciences sector and other key sectors should be guided by business priorities, needs and experience. Our perception is that Government and its agencies find it quite hard to understand and meet these needs in the sector. The term "life sciences" is a wrapper for a collection of several sectors (medical technology/ research/ digital health/ medicines manufacturing etc) with the common goal of improving health and wellbeing. A challenge posed by the sector is the diversity of the companies in it, and thus the range of assistance needed, but we are keen to help the Government to improve its support for this key sector of the Scottish economy. Our views and suggestions are set out below, under the four priorities of the Economic Strategy.

INNOVATION – Support for Life Sciences business innovation

5. Innovation is the key priority for SLA members. The SMART award scheme run by SE has been popular and successful, and R&D grants are also very much valued by businesses. We propose that these arrangements should be strengthened by:-

- **raising the intervention rates for the grants available to companies;**
- **increasing the funding available to them through redirecting money currently spent on life sciences infrastructure investment** (see comments under Investment below)**;**
- **making the application processes smarter and less bureaucratic.**

6. The Proof of Concept (PoC) scheme began well and was also valued, although in our view it latterly became too focused on university research. We would like to see:-

- **a new Proof of Concept scheme with a high intervention rate;**
- **the new scheme allowing support for commercialisation work; and**
- **new PoC rules enabling it to provide grant support to 2 or more SMEs working together on the same PoC project.**

7. The Scottish Government's Health Innovation Partnership (HIP) has also been popular with the wide range of companies which have used it, complementing the research focus of many life sciences businesses by linking them with NHS experts prepared to give their views on company ideas and products. The HIP has led to successful commercialisation of research by several businesses. It also enables NHS experts to articulate their needs to companies who will then work collaboratively to meet them. **We advocate continuing Government / NHS support for the HIP**.

8. Other Government initiatives to support life sciences innovation have in our view been less successful. The SE-funded ITI, TMRI, SCRM projects and some of the SFC-funded Innovation Centres have been disappointing when measured against resultant economic growth produced. Our view on Government funding of the universities to set up Innovation Centres with a life sciences focus is that they have not generally succeeded in driving business innovation and growth across the sector, as evidenced by a study by St Andrews University:- Ross Brown (2016): Mission impossible? Entrepreneurial universities and peripheral regional innovation systems, Industry and Innovation, DOI: 10.1080/13662716.2016.1145575

However, the SMS-IC at University of Glasgow has attracted strong endorsement from the member companies collaborating with it, and our Precision Medicine Special Interest Group of businesses will watch its further work with interest to see what economic benefits are delivered by it.

INTERNATIONALISATION – working with SDI

9. This is the other key priority for SLA members – even the smallest of life sciences businesses tend to be very global in outlook. A large proportion of the development activities of many companies is conducted on a global basis, and many export almost all of their products. The US remains by far the life sciences biggest market. Some of our members are benefiting from the recent devaluation of sterling (although others with overseas investments have seen a reduction in the sterling value of these assets).

10. The performance of Scottish Development International is therefore very important, not least in the US, but our members view its performance as patchy at best. (Note: this view is not limited to Scotland – it is shared by life sciences companies in England when they comment on the performance of UK Trade International). Issues experienced by SLA members with SDI over the years include:-

- SDI management changes have hampered its responsiveness to industry views on its priorities and marketing strategy;
- Even larger SLA member companies report a lack of visibility of SDI activity, and no or little opportunity for them to contribute to SDI business plans and strategies;
- The priority given to inward investment by Ministers (for example to populate the Edinburgh BioQuarter), which has diverted SDI attention from export support;
- There is a perceived lack of in-depth SDI staff understanding of science and commercialisation, and of life sciences business needs for export support.

11. We recognise that it will always be difficult for public sector staff to understand the complexities of the range of life sciences company activities well enough to enable them to be of real assistance to the wide range of types of Scottish life sciences businesses seeking to internationalise. We therefore suggest that:-

- **the SDI management team should involve senior people from the sector in its planning meetings;**
- **SDI should develop a package of support to help guide companies setting up in new overseas markets, including offering interim accommodation;**
- after a probationary period to assess their effectiveness, **SDI staff should be given long term contracts** to give them time to build up in depth understanding of science and commercialisation, and of business needs for international support;
- **SDI staff should be assigned to companies** as part of this in depth training. We would be very glad to help organise this in the life sciences sector.

12. The SLA has found that direct links forged with overseas life sciences trade bodies in e.g. Boston and Kentucky are proving of real benefit to our members' activities overseas, and could be an alternative model worth exploring by SDI.

INVESTMENT – Government Investment in Life Sciences

13. Support for life sciences companies by the Scottish Investment Bank is very well regarded by SLA members, including our many investor members who work closely with it. We would support extension of SIB activity, including:-

- **introducing other types of activity, including offering loans;**
- **the introduction of "evergreening" – allowing SIB to keep the proceeds of successful investments when these are realised.**

Some members however report a lack of SIB knowledge in sourcing investment finance, with staff lacking experience in the investment market.

14. The SLA does not support SE capital investment in facilities such as incubator units for SMEs or specialist facilities such as clean rooms. In general, we take the view that the private sector is better at providing such facilities. An exception might be SE support to companies trying to break into new areas of activity / markets where a lot of the initial work is speculative or non-income generating.

15. We do however value Government investment in skills. **The role of SDS in researching company needs for skills is essential, although the delivery of projects to meet the needs identified has been much weaker**. More needs to be done in bridging the gap between the SDS plans and the teaching activities of universities, which in our view give too much priority to research. The SDS Modern Apprenticeship (MA) programme in LifeSciences has not been a success; it was indicated to SDS very early on that the level of qualification obtained through the MA should be able to be easily progressed to degree level, with continued funding support.

16. The SLA has worked with several of its university members to improve graduate employability by ensuring that the graduate curriculum is responsive to company needs. We are also working with FE colleges and schools to update curricula and provide placements to ensure that the future workforce coming out of school, college or university is as work ready as possible.

17. SE training grants to companies are valuable, but we suggest the following:-

- **training grants should be allocated to more companies;**
- **they should be based on employee numbers, and**
- **the process of obtaining them should be simplified** (one SME member recently spent 6 days completing a 40 page application for a training grant worth £3,500).

Less popular are SE's prescribed courses such as the leadership training course, which has had only a small number of SLA members participating. Having said that, the need to popularise a better way to develop more experienced leadership and management skills is regarded by members as important.

INCLUSIVE GROWTH

18. The importance of this Government priority is fully accepted by the SLA and its members. It is only through successful life sciences innovation, investment and internationalisation that stronger inclusive growth will result. We are clear that such growth needs manufacturing, sales and marketing jobs in Scotland, which will only come from proper commercialisation of research. If the focus of life sciences activity in Scotland remains too much on research, the most likely outcome is a trade sale of the company at an early stage, leading to commercialisation happening elsewhere. We see inclusive growth as a consequence of investment in life sciences.

19. Many life sciences companies endorse the Scottish Business Pledge. The SLA has a Women in Science Development and Mentoring (WISDOM) group promoting equality at all levels in science based companies, with senior life sciences managers signed up to mentor colleagues to this end.

GENERAL – PERCEIVED PERFORMANCE OF SE IN LIFE SCIENCES SUPPORT

20. Most SLA member companies have interactions with Scottish Enterprise/HIE/SDS. Feedback on interaction with HIE is generally positive; it is seen as supportive, maintaining regular, appropriate engagement with company management. Responses on SE performance tended to be rather negative, with support being seen as patchy/inconsistent at best (although there were some exceptions to this view). The quality of company interaction with SE account managers, where some are better than others, was often a key issue for businesses. This variability is a real problem for many significant employers in life sciences, and may be exacerbated by the technical diversity and specialist nature of company activity. Many members have suggested that:-

- **SE and SDI need people with industry experience, rather than with a purely public sector or generalist background;**
- **a clear set of KPIs for account managers should be developed with company input, the key elements of which should be made available to businesses;**

21. IP is a hugely important issue for many science companies, and feedback from member companies specialising in this area is that the understanding within SE of the role and value of IP to companies is often poor, although again, the quality of staff understanding of company IP needs varies.

22. In general, **we suggest that SE needs to develop a better way of interacting with all companies** (not only the "account managed" companies) without the need for visits from

account managers. The skills required of SE should include flexibility to cater for any company capable of growth. These companies are not always easy to spot, but individuals with drive, passion and some track record in delivery would always be a good indicator.

23. **We urge that there should only be one metric**, the number of companies growing in Scotland as a direct result of SE/HIE/SDS/SFC support.

24. We stand ready to help develop any or all of the suggestions in this response.

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August 2016