

Innovative Research Universities Australia

Discussion Paper

The Third Mission of Universities – Business and Community Engagement, Outreach, and Regional Development

Building a case for Third Stream funding of Australian universities

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INNOVATIVE **R**ESEARCH **U**NIVERSITIES **AUSTRALIA**

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Building a case for Third Stream funding of Australian universities August 2005

Background to this Paper

At the recent National Stakeholder Forum on the Research Quality Framework (RQF), the Expert Advisory Group Chair, Sir Gareth Roberts, suggested it would be advantageous for Australia to consider the introduction of Third Stream funding for universities. This would provide recognition of this rapidly growing area of university activity and allow it to operate in its own right alongside the teaching and learning and research functions.

Third Stream funding, as referred to by Sir Gareth Roberts, is awarded to all universities in the United Kingdom (UK) for knowledge exchange with their communities. It rewards institutions that successfully disseminate the results of their research and scholarship in partnership with communities to deal with a wide range of issues – cultural, commercial, economic, educational, environmental, ethical, health, social, scientific and technological.

At the same Stakeholder Forum, the Honourable Dr Brendan Nelson, Minister for Science, Education and Training invited the university sector to provide “the basis upon which a third stream funding model might be developed and how it could be funded”. This paper takes up the Minister’s invitation and proposes a strategy for Developing a Business and Community Engagement, Outreach and Regional Development Fund.

Higher Education at the Crossroads

The engagement of universities and their communities received attention in *Higher Education at the Crossroads – Ministerial Discussion Paper* in 2002, where a number of strategies were canvassed for funding Third Stream activities. These included:

- Payment of a ‘social premium’ to universities to deliver community service obligations within their region;
- State governments to contribute to the costs of some activities on a fee-for-service basis; and
- Funding of community bodies to purchase the higher education services they need.

Unfortunately, these issues were left unresolved. The Innovative Research Universities Australia (IRU Australia) argues that the timing is right for

reconsideration of Third Stream funding in the light of other Government initiatives such as the development of the RQF and the future Research Accessibility Framework, Building University Diversity discussions, and the introduction of a Learning and Teaching Performance Fund.

What is the University Third Mission?

For many years, the prevailing public perception was that universities have been founded around two sets of activities: teaching and research. Society however expects much more from the modern university as it comes to fully appreciate the role these play in the development of knowledge-based economies. A ‘demand-pull’ model of knowledge transfer, in which universities are increasingly interacting with the wider society, has largely replaced the outdated ‘supply-push’ model that saw universities determine research priorities, often with little or no regard for the immediate needs of society.

The Third Mission is however far from new to members of the IRU Australia. Indeed, the oldest university in this group, Macquarie, was established in 1964 with the explicit statutory objective of serving industry, commerce and other sections of the community through its scholarly endeavours. Most universities now have some sort of community engagement, outreach and regional development objectives in their Acts and strategic plans, often conducting these activities, in a limited capacity, out of general operating funds.

The recent study *Beyond Rhetoric: University-Community Engagement in Victoria* confirms that all Victorian universities “integrate community engagement with teaching and research, although in different ways.” The authors noted a wide diversity in the interpretation of community engagement ranging from the traditional nation-building role to a more regional and applied orientation. An international focus is increasingly coming into play.

Differences in terminology across the university sector make agreement on a precise definition of Third Stream activity difficult. The authoritative Science and Technology Policy Research unit (SPRU) at the University of Sussex, defines Third Stream activity as:

“the generation, use, application, and exploitation of knowledge and other university capabilities outside academic environments.”

The IRU Australia regards this as an excellent short definition of Third Stream activity, given its simplicity and all-encompassing nature.

Why Fund the Third Mission?

It is important from the outset to emphasise that Third Stream funding is not only, or even primarily about, the provision of public funding for universities to undertake commercial work. While much discussion about Third Stream activity focuses on the commercial application of knowledge and capabilities, vast amounts of university knowledge are shared freely for the public good, resulting in economic and social benefits. Unfortunately no permanent and comprehensive funding program exists in Australia to support this interaction between universities and their communities.

Third Stream funding has the potential to provide the bridge between universities and groups within the community that have neither the ability nor the resources to access the knowledge they need. Indeed, many might not even realise that such knowledge exists. Examples of non-commercial third stream activities include:

- Provision of workable solutions and knowledge to help the public deal with a range of social, economic, environmental, legal and other complex issues;
- Providing special assistance to regional and rural communities, Indigenous people, low socio-economic groups and other disadvantaged Australians that are seeking solutions to everyday problems;
- Assisting large organisations (profit or non-profit) to better appreciate and enhance their roles in social and regional development;
- Enabling members of special interest communities such as the visual and performing arts, who often have limited access to financial resources, to undertake their roles on a more commercial and professional basis;
- Enabling members of the public to better access cutting-edge medical and health information; and
- Promotion of the very concept of partnerships between communities and universities to balance the one-way 'provision' and 'assistance' role – so that the idea of shared community goals and strategies emerges.

Universities can contribute a great deal more to the development of Australia in these ways. Third

Stream activity is undoubtedly a driver of economic prosperity and could well come to be recognised as a vital missing link in Australia's quest to become a leading knowledge-based economy. Third Stream activity has the potential to improve the lives and therefore the productivity of many Australians across most areas of government responsibility including:

- Health and ageing – note the recent Eureka Prize to researchers at the University of Newcastle who created a website dedicated to improving the accuracy of news stories about new medical treatments in the media.
- Environment and Heritage – an example is the work of Professor Dick Drew from Griffith University whose fruit fly sterilisation program benefits millions of people in South-East Asia every year.
- Indigenous Affairs – for example the work of Professor Keven Whedall in implementing his Making up for Lost Time in Literacy Program on a not-for-profit basis in the Indigenous communities of Cape York.

Similar examples exist across most government portfolios including regional services, arts, communications and information technology, tourism, agriculture, families and community services.

Other public sector (non-DEST) income to the IRU Australia universities alone exceeds \$30 million with some of this facilitating Third Stream type activity but this is allocated on a project basis. Overseas trends indicate that governments of leading knowledge-based economies are already developing permanent funding bases for Third Stream activity in addition to specific project grants. This is achieved, at least in the United Kingdom, by adopting a whole of government approach that includes both national and regional agencies.

Commercialisation

The Third Mission of universities is much broader than commercialisation. Of the range of knowledge, technology, skills and services that universities make available to external users of all kinds, only a small proportion earn income for universities. The university sector appreciates the importance of making use of commercialisation companies in order to increase their commercial output and is providing business training and commercial skills to research centre managers and research team leaders. The Commonwealth and State governments provide a number of funding programs and services to further assist in

this process. However, the main purpose of Third Stream funding is to recognise the value and cost of what universities can and do offer that is not likely to have commercial potential and which currently does not attract public funding.

Achieving Greater University Diversity

The IRU Australia has consistently argued for policy drivers and funding mechanisms that recognise and reward the full range of activities undertaken by universities. Current policy and funding arrangements inhibit successful repositioning and encourage universities to gravitate toward a particular model in which, over time, they become more comprehensive in their offerings.

Introduction of the Learning and Teaching Performance Fund and a Research Quality Framework will assist in promoting diversity across the Australian university system. At this month's workshop on the National Protocols for Higher Education Accreditation and Approval, there was consensus that community engagement should be included in the preamble to Protocol One, which would define what being a university might entail, but that it would not be a set condition for becoming a university.

The combination of these policy initiatives will almost certainly lead to greater university diversity. Formal recognition of the community engagement function in the National Protocols will also assist however substantial new funding is required to motivate real change. A Business and Community Engagement, Outreach and Regional Development Fund would therefore be a welcome addition, creating more strategic opportunities and directions for universities.

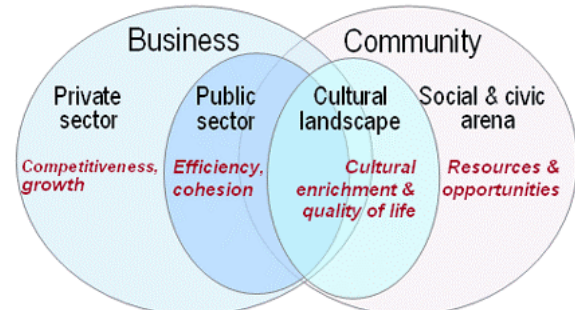
Third Stream Funding in the UK

The Higher Education Funding Council for England (HEFCE) has made significant progress down this road and provides Australia with some useful policy pointers through its *Business and Community Theme*. Third stream activity in the UK has received support amounting to more than £702 million from 1999 to 2005 through the Higher Education Reach Out to Business and the Community scheme, the Higher Education Innovation Fund, and the Higher Education Active Community Fund. This clearly distinguishes funding for third stream activities from funding directed to research flowing from the research assessment exercise. The conceptual model underpinning the UK Business and Community Theme is shown in the following diagram.

At just two per cent of total government funding for higher education in the UK, Third Stream funding

is modest, yet it sits independently alongside teaching and research. Having a separately identifiable fund for such activities increases visibility, accountability and transparency, rather than obscuring these activities in teaching and research outlays.

Scope and typical **outcomes** of Business & Community engagement



Note: This diagram does not represent scale of activity

Source: Higher Education Funding Council for England, <http://www.hefce.ac.uk/reachout/>

The HEFCE states that the strategic aim of the Business and Community Theme is to “enhance the contribution of higher education to the economy and society. The HEFCE aims to support all institutions in making a significant and measurable contribution, through knowledge transfer and related activities, to economic development and the strength of communities.”

Importantly for this discussion, the HEFCE notes that “together with other national and regional agencies, we are developing a permanent funding base in support of this aim.”

Towards Permanent Third Stream Funding

Some Third Stream activity is indirectly funded in Australia through Backing Australia's Ability, the Collaboration and Structural Reform Fund and the Regional Protection Fund but none of these takes account of the full possible range of categories of Third Stream activity and its aims and objectives.

Initially in the UK, Third Stream resources were allocated to universities via a number of project-based schemes, thus preventing the long-term strategic development of Third Stream activity by universities.

More recent policy developments in the UK suggest that core Third Stream funding is best supported by a formula that reflects past performance in the activities that the funding is attempting to encourage. Studies show that the measurement of Third Stream outcomes and the distribution of associated funds present a range of challenges that need to be addressed:

- Differences between universities and disciplines;
- Negative perception of universities receiving public funding to undertake commercial activities;
- Potential bureaucratisation of the informal, and often altruistic, Third Stream activity undertaken by individual academics;
- Overuse of commercialisation indicators;
- Measurement fatigue; and
- Cost of implementation against return.

Clearly a preferred model for Third Stream funding would allow for institutional and disciplinary flexibility but would entail the collection of common data to allow for institutional comparisons. It would ensure that easy-to-measure features of entrepreneurship or technology transfer do not dominate, at the expense of the many other forms of interaction between universities and society. It would not drill down to the level of individual academics but rather assess strategy and performance at the institutional level. The cost of implementation would be reduced as much as possible through the use of existing data collections.

Third Stream performance indicators are now widely available having been developed by the OECD, the European Commission, the US, Canada and the UK. The SPRU unit, in its report (2002) to the Russell Group, reviewed over 60 potential indicators and selected 34 metrics based on the SMART approach - **S**imple, **M**easurable, **A**ctionable, **R**elevant, and **T**imely. The 34 indicators are grouped by SPRU into 12 categories:

- Technology commercialisation;
- Entrepreneurial activities;
- Advisory work;
- Commercialisation and use of university facilities;
- Contract research with non-academic clients;
- Non-academic collaboration in academic research;
- Flow of academic staff, scientists and technicians;
- Student placements;
- Active alignment of teaching to economic and social needs;
- Learning activities;
- Social networking; and
- Non-academic dissemination.

This all-embracing list of indicators ensures that all definitions of Third Stream activity are taken into account but no one indicator category dominates

the index and skews funding outcomes to the advantage of any group of universities.

The Steps Forward

The IRU Australia universities propose a staged process to develop the case for proper recognition of and funding for Third Stream activity. Proposed steps, which might take place in parallel, are:

1. Organisation of a sector-wide forum by the Australian Vice-Chancellors' Committee, including current and potential community and business partners, to assist in the development of a compelling Third Stream funding case for the Minister to present to Cabinet colleagues.
2. Creation of a working group to work on the proposal and to identify an initial set of Third Stream indicators drawing as much as possible on existing data collections and linking with similar work underway within the Carnegie Foundation (US) and the HEFCE (UK).
3. Selection of Third Stream 'champions' from all walks of life who will assist universities in this quest for proper recognition of Third Stream activity and the creation of an additional source of funding, to be known as the Business and Community Engagement, Outreach and Regional Development Fund.
4. Development of a uniquely Australian Third Stream funding model that allows for the most efficient and effective transfer and application of university knowledge.

Above all we urge the university sector to be proactive and take the lead in developing the case for Third Stream recognition and funding. To fail to do so would be to lose a significant opportunity to contribute to the social and economic development of Australia.

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