

Varieties of Knowledge Exchange: Local Context, Universities, and Economic Growth

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Research England national knowledge exchange metrics programme



This *Expert Insights paper* was commissioned by UCI, as Research England’s national knowledge exchange (KE) metrics advisers, to provide expert insights to inform the Research England-UCI work programme to develop better data and metrics for KE.

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About the UCI Expert Insights Series on University Knowledge Exchange and Regional Economic Growth

There is significant policy interest in the UK in strengthening local economies to fulfil their economic potential and address long-standing spatial disparities. Universities have a significant role to play in helping to deliver policy ambitions in this area, including through their knowledge exchange (KE) activities.

Funders of KE, including Research England, face increasing pressure to develop approaches to enable universities, through KE, to strengthen contributions to regional economic growth. However, progress is hampered by the lack of fit-for-purpose data and metrics capturing universities' potential to contribute to regional growth outcomes. For Research England – which allocates KE funding to universities through both formula-driven allocations and competitions – this constrains their ability to:

- Allocate funding to enable universities to contribute to regional growth through KE
- Track and evaluate the performance of such funding programmes
- Support learning and improvement by universities around how to deliver effective and impactful regional economic growth initiatives

To address this issue, Research England and the Policy Evidence Unit for University Commercialisation and Innovation (UCI) at the University of Cambridge, are working closely to identify and progress opportunities for better data and metrics in this area.

To guide this work, leading academics with expertise on regional economic growth, universities, and KE, were commissioned to produce a series of *Expert Insights Papers* examining where progress could be made. The papers synthesise the latest insights from research and practice, and offer thoughts on where better data and metrics could be developed to meet funder needs

The topics were shaped by a policy evidence roundtable in September 2024, which brought together national funders, policymakers, and academic and sector experts from across the UK to identify key gaps. Key topics include:

- Approaches, opportunities and challenges to fostering regional economic growth (including theoretical and empirical insights, and latest international practices).
- Opportunities and challenges for where and how universities can contribute to regional economic growth through KE.
- Types of regions or regional contexts and how these shape the role universities should play in enabling economic growth through KE.
- University KE pathways for delivering impacts on regional growth
- The types / scale of capabilities, resources and alignment needed within universities to deliver KE aimed at supporting regional growth, and the ability of universities to adapt and reconfigure to deliver.

Abstract

This paper examines how local economic context shapes the types of university knowledge exchange (KE) needed. Universities are often seen as important for local growth, yet they sit in local economies that vary significantly in terms of sectoral composition, economic dynamism, and absorptive capacity. Academic work on this topic tends to build from the university out – by asking what particular universities can offer. Rather than start with the capabilities of universities, in this paper I build out from the characteristics and needs of different types of local economy. Using data from UK Travel to Work Areas (TTWAs), the paper develops a five-part typology of local economies and considers how different forms of KE align, or fail to, with these local contexts. The types of KE which might be appropriate in London or one of the UK's tech clusters will be very different to those in a post-industrial town or city. The paper concludes with recommendations for differentiated institutional roles which might better drive local and so national growth.

Contents

1	Introduction	1
2	Context: universities, national growth, local growth.....	2
2.1	Spatial inequality in the UK	2
2.2	Universities, knowledge exchange, and local growth.....	3
2.3	Policy agendas	6
3	Varieties of local economies.....	7
4	Implications for knowledge exchange	8
5	Conclusion: Making policy for diversity	11
	References	12

1 Introduction

The UK has a growth problem. In the 12 years following the financial crisis, UK labour productivity grew at a sluggish 0.4 percent per year, less than half the rate of the 25 richest OECD economies (0.9%) (Resolution Foundation and Centre for Economic Performance, 2023: 6). When elected in 2024, the new Labour government set economic growth as their primary mission. To achieve this, they need economic growth across local economies, and one mechanism for achieving this is knowledge exchange from the UK's many universities. Through UKRI and other funders, the government provides funding for various forms of knowledge exchange and uses metrics to measure activity and outcomes, with the ultimate aim of achieving economic impact from academic work.

Yet the UK has a diverse set of universities which sit in very different local economic contexts. The situation for LSE or UCL, in a large, economically diverse, and dynamic city is quite different from that of Falmouth University in a peripheral rural area. How should universities adapt knowledge exchange policies to their specific local context? And what does this mean for metrics and programmes at a national level? To answer these questions, I build from the local economy up. Rather than starting with the characteristics and activities of universities, I start by thinking about the different local economies in the UK and what knowledge exchange activity might be most appropriate in each. The aim is to consider how different forms of knowledge exchange might lead to economic growth in different types of local economies – and how current structures achieve this.

My overall argument is uncontroversial: as local economies vary significantly, university knowledge exchange strategies must be tailored to these specific places. But it is also clear that knowledge exchange strategies are often poorly tailored to local context, with the result that well-meaning and worthwhile interventions are not well targeted. Partly this is because of fuzziness in all three terms: there is huge difference between London, the largest Travel to Work Area (TTWA), and either Falmouth or St Andrews and Cupar, the two smallest TTWAs to contain a university; but equally we cannot compare Falmouth, a specialist creative industries university which became a university in 2012 and St Andrews, which became one in 1413. We should not pretend these are the same type of institutions nor judge them by the same metrics. Moreover, even 'knowledge exchange' as a concept includes a huge variety of potential activities, from the commercialisation of frontier research to training staff in more basic activities.

To make this argument, I develop a rough typology of UK local economies using data on TTWAs linked into information on the type of universities which are located there. This typology gives five rough types of local economy, the policy implications of which vary significantly. The aim is not to precisely categorise every local economy in the UK into a mutually exclusive definition; instead, I hope to start thinking through what different local economies might gain from different forms of knowledge exchange and so reveal where the current system might be sub-optimal.

The paper is structured as follows. I start by considering context: why does local growth matter, what role do universities play, and what other policy agendas matter? Next, I map out how local economies across the UK differ and – based on this – consider how we should think about the optimal knowledge exchange policy in each. Finally, I conclude with broader implications for national policy, metrics, and knowledge exchange.

2 Context: universities, national growth, local growth

2.1 Spatial inequality in the UK

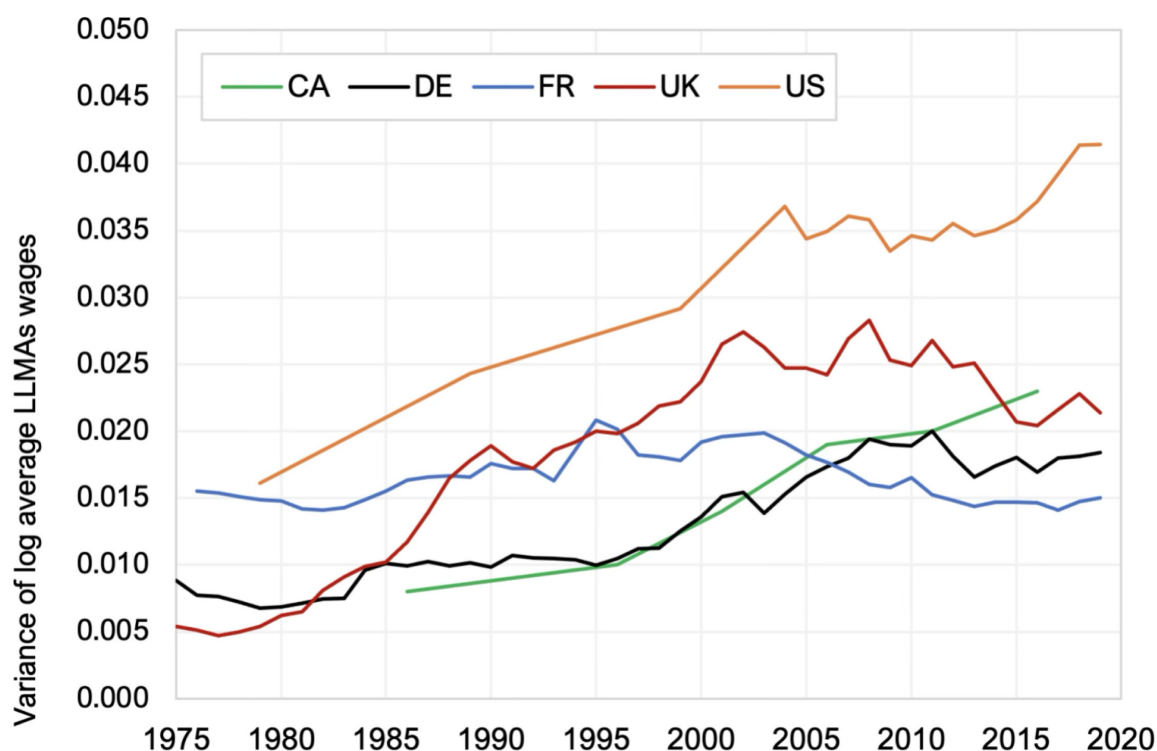
The UK has large and pronounced spatial inequalities in economic performance. These are not, as is sometimes argued, the worst in the advanced world, but they are still high. Figure 1 gives the variation in wage inequality across local labour markets in the UK and Germany, France, the US and Canada since the 1970s, taken from Bauluz et al. (2023). Spatial inequality is hard to measure as boundary effects can lead to misleading comparisons between places, but using local labour markets provides the most consistent and robust comparison between places in different countries.

The figure shows a large increase in wage inequality between different places. UK spatial inequality was relatively low in the mid-1970s, but the 1980s and 1990s saw the UK go from being less unequal than West Germany to more so. But this trend ended in the 2000s. Spatial inequality in wages flatlined from 2007 and began to fall in 2013, as the National Living Wage compressed wage distributions across the country.

This falling spatial inequality was not all good news, however. Inequality had increased in earlier periods because there was economic growth, particularly in London and the South East. Since then there has been precious little growth and so spatial wage inequality has largely been affected by labour market policy rather than increasing national wealth.

But while spatial inequality has been falling, by this measure at least, it remains high, and there are good reasons to focus on local growth and so address this. First of all, living in a weak local economy can still have a large negative impact on living standards. Being born in a high unemployment area, for instance, can reduce wages even in adulthood and even when controlling for educational attainment and parental background. McNeil et al. (2024) show that an individual born in the 1970s in a low unemployment local authority (LA) will now earn a predicted £2,500 per year more than their peer born in a high unemployment LA at the same time, even if they have the same education, occupation, and end up working in the same place.

Figure 1. Wage inequality across local labour market areas, 1975-2019 (Variance of log mean wage).



Note: Full-time workers, 20 +, weekly/daily earnings.

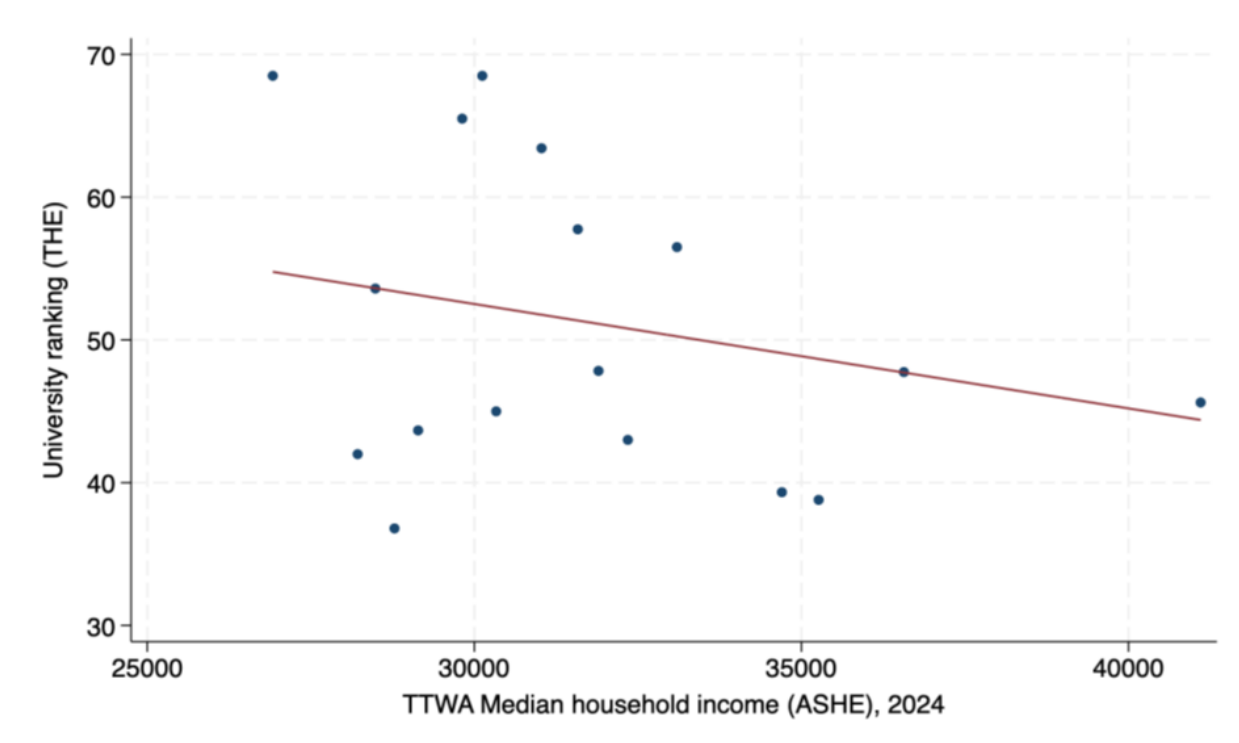
Source: CA: CCP; DE: SIAB; FR: DADS; UK: NES/ASHE

Secondly, the government's focus on growth needs to run through places. Increasing incomes in less affluent places will increase national growth, and addressing the barriers to economic growth in otherwise successful local economies can also make an important contribution. The national economy is an amalgamation of local economies and many of the problems faced in the UK's economic growth – poor transport, a lack of investment, skills supply, and housing supply – are local problems.

2.2 Universities, knowledge exchange, and local growth

Universities are seen as an important part of the UK's local growth agenda. In part, this is because there are strong universities even in local economies which are otherwise relatively low income. Figure 2 plots the average times higher education university ranking (where 1 is highly ranked) for each ventile of TTWA income across the UK. There is a negative relationship, showing that the most affluent places tend to have better universities, while the least affluent places tend to have weaker ones. But this relationship is largely driven by London and, excluding that, there is no such clear relationship.

Figure 2. Binned Scatterplot: Little relationship between university ranking and local incomes



Source: University rankings from Times Higher Education. Only includes TTWAs with a university.

Overall, this graph leads to two obvious conclusions. The optimistic conclusion is that there are strong universities across the country, and these could provide a tool for local growth. Yet there is also a pessimistic conclusion – if universities were dominant tools of local economic growth, we would expect this to show up in the data, and so we need to be cautious about how much universities can achieve. While there is good evidence on the positive local impact of universities, but local economies are shaped by much more than just these institutions. We need to be realistic about what universities alone can achieve.

Having said this, the academic literature on the role of universities in local economies shows that they play a wide number of roles. The commercialisation of research is important and has been the subject of much literature on knowledge exchange (Thomas et al., 2023). But there is now recognition that universities can play a much wider role. Most obviously, universities play a vital role in producing human capital – but they also set the conditions which encourages that human capital to stay. In the US, Abel and Deitz (2012) suggest the number of graduates produced in an area is only weakly correlated with local human capital, but that universities can encourage them to stay as university R&D leads to well-paid local jobs. Another function is entrepreneurship. Breznitz and Zhang (2022) show that entrepreneurship education is not enough to encourage students to start new firms, but that other supporting infrastructure such as accelerators are also important. This role in creating jobs as well as human capital is particularly important in non-metropolitan areas which might otherwise lack high-skilled employment (Kitagawa et al., 2022).

Yet the impact of universities on local growth is not a simple, linear one. A good example here is the University of Oxford which claimed close to a billion pounds in total research income in 2023¹. Yet despite this huge income, Oxford as a city has barely grown as a share of the national economy in 20 years: the OECD estimate that it was 0.9% of the UK economy in 2021, and the same share in 2001². Of course, Oxford's economy remains affluent, and the economy has grown, but this growth has only tracked that of the national economy. The city's small size means that it does not translate into meaningful growth at a national scale.

Other than Oxford's small scale, there are several other explanations for what looks, *prima facie*, like a significant local growth policy failure. One good justification is that much of the research activity – such as the COVID vaccine – which happens in Oxford is not designed to be commercialised locally or, for some valuable research, commercialised at all. Another is that Oxford's planning system restricts growth, and so Oxford might be producing research which happens elsewhere. Or it might be much of the research which takes place in Oxford is commercialised in other parts of the country or by multinational firms with national bases. If this is the case, the UK will still gain a huge amount from knowledge exchange in the city, even if it does not lead to significant local growth.

There are three major implications here. First, that it isn't sensible to think all scientific research should be commercialised where it happens. Nonlocal forms of knowledge exchange can also be beneficial for the national economy. Second, wider policy frameworks matter for knowledge exchange, innovation, and economic growth. The best growth-focused policies can still fail in the context of coordination problems such as challenging planning restrictions around a low-lying and historic city surrounded by floodplains (and with residents who are often resistant to development). But third, it does suggest that if we think local growth matters, we should think carefully about where we are funding research. There may be a trade-off between funding Imperial, which is more proximate to multinationals in London, compared to Oxford, which is more isolated.

The example of Oxford hints at a second important distinction, between different types of innovation. Some forms of knowledge exchange policy should aim for the technological frontier, and it might be harder to commercialise that in the local economies in which it takes place. The discovery of a novel drug by faculty in a small-town university is a significant scientific achievement, and its commercialisation in a major city is still a victory for the national economy. But it might be that forms of knowledge exchange which are further from the frontier – aimed at the adoption or adaptation of new technologies – might be more helpful for local firms (Breznitz, 2021; Lee, 2024). Indeed, there may sometimes be a trade-off between funding knowledge exchange for local growth and knowledge exchange for national growth.

An additional caveat relates to linking knowledge exchange output with the strengths of local economies. There is often a focus on science and technology-based applications in activities

¹ To be precise: £944.9 million including QR funding. See <https://researchsupport.admin.ox.ac.uk/information/income> [accessed 11th July 2025]

² OECD Metropolitan Area Database. [https://data-explorer.oecd.org/vis?tenant=archive&df\[ds\]=DisseminateArchiveDMZ&df\[id\]=DF_CITIES&df\[ag\]=OECD%2F&dq=.&lom=LASTNPERIODS&lo=5&to\[TIME_PERIOD\]=false](https://data-explorer.oecd.org/vis?tenant=archive&df[ds]=DisseminateArchiveDMZ&df[id]=DF_CITIES&df[ag]=OECD%2F&dq=.&lom=LASTNPERIODS&lo=5&to[TIME_PERIOD]=false) [accessed 11th July 2025]

related to knowledge exchange. For example, the Tracey / Williamson review of spin out companies (2024) argued that “Whilst the review focusses on science and technology, we note that the UK has particular strengths in the humanities, social sciences, and the arts, which have already shown spin-out capability.” This point is particularly important in the context of many local economies which are heavily service based, rather than focused on manufacturing or science-based companies, and where there will be less use made of new technology. This shows that there is a vital role to be played by other forms of knowledge exchange into non-science-based sectors.

2.3 Policy agendas

Local growth has waxed and waned as a UK policy agenda. The most significant related policy agenda of the past twenty years, Levelling Up, has mutated into a wider devolution and growth agenda (Fransham et al., 2023). The term lives on in the public and policy imagination, but rarely in policy documents, although its influence still lingers in policy. The English Devolution White Paper set out to reconfigure English local government to reduce costs and fragmentation and, as a result, stimulate growth. It included the aim of “Strengthening local innovation ecosystems”, including through stronger regional partnerships, engagement between UKRI and strategic authorities. Mayoral Strategic Authorities were also required to produce Local Growth Plans, setting strategic priorities for local areas and working with government agencies – including UKRI – to deliver them. The guidance so far does not seem to mention Universities, but there have been calls for a stronger alignment between universities and these plans (Kelleher and Ulrichsen, 2024).

More recently, there have been measures to try and grow local economies through innovation. For example, £500 million has been announced through a Local Innovation Partnership Fund which is designed to build partnership between local authorities, business, and researchers. The idea is that investments in local strengths will help increase innovation at a local level, creating new jobs and supporting business growth³. These join initiatives such as the earlier Strength in Places Fund, which funded similar collaborative projects to a similar value (£400 million).

Innovation policy is also evolving with the new government. The industrial strategy set out 8 growth sectors for the national economy, the so-called IS-8, a series of sector plans have been announced detailing support for these sectors, and the government is reporting quarterly on progress. The strategy was “unashamedly place-based” and argued that “regional growth is critical for the competitiveness of the IS-8 and the resilience of the national economy” (HM Government, 2025: 22). The technology adoption review included consideration of the adoption of new technologies and highlighted the role of universities in this, suggesting that business wants geographically and sectorally tailored partnerships to drive adoption. So, government policy is trying to meet two needs. First, it is trying to make investments in leading edge technologies such as Artificial Intelligence. But second, it is trying to upgrade and improve the diffusion of technologies through the wider economy, even outside frontier sectors and firms.

³ <https://www.ukri.org/news/new-fund-will-focus-research-investment-on-local-priorities/>

At least two of the recent policy agendas sit at the intersection of place, innovation, and Universities. The first is the Oxford Cambridge Corridor or Arc, an attempt at spatial planning which will link the two cities with Milton Keynes in a spatial planning area north of London (Valler et al., 2023). Measures have included £500 million in transport, housing, and water infrastructure (BBC News, 2025). Alongside this, there is focus on clusters as part of the industrial strategy, with clusters in the IS-8 sectors identified and supported through proactive policy. Both of these are investments in already successful places, showing a shift of balance to policy to supporting excellence.

3 Varieties of local economies

If universities are to be judged on the strength of their connection to local growth, we need to consider the starting points of the economies in which they sit. To do this, I develop a new typology of local economies in the UK. There are, broadly, two ways to define local economies. The most common is to use government areas, such as local authority districts. There are advantages to this approach - data is relatively available and it aligns with units over which policy is made – but they are flawed measures of local economies. For example, consider Oxford local authority area, which sits within the wider Oxfordshire economy. Many people will commute from outside the town into its labour market. And many firms will be located in science parks or business parks which are outside of the local authority boundaries. Excluding these areas from the measure of local economy give a misleading picture.

A second approach builds on this insight and tries to work from real life patterns of economic activity. For example, primary urban areas (PUAs) are defined using satellite images of built-up areas. But given green belts across many cities, it is hard to argue that contiguous areas are totally self-contained as they suffer from similar boundary issues as government units. So, the approach I will take here is to use travel to work areas (TTWAs) which are defined as areas which are roughly self-contained: in most, a minimum of 75% of the population both live and work within the area. These are not perfect - different people have different abilities to travel, so face different labour markets - but they are consistently defined. TTWA definitions used here come from the 2011 census (data for the 2021 census is unlikely to be reliable due to the pandemic).

I use data for each TTWA in which there is a university in Great Britain (so excluding non-university TTWAs and, unfortunately, Northern Ireland as some data is not available). I then construct a dataset which included information on industrial structure (share of tech, professional services, manufacturing, public sector), incomes (median wage), and population, area, and population density. To develop the typology, I follow the basic advice given in Turobov, Coyle and Harding (2024) which is to provide standardised guidance for thematic analysis of datasets using Chat GPT. Using ChatGPT4o and a dataset constructed from ONS sources⁴ I asked it to develop a typology with London as a separate category and based on

⁴ The data included variables for Median Income, Manufacturing (excluding high tech, % employment), High Tech (% employment), Public Professional (% employment), Services (% employment, excluding

these core facets of university characteristics, local economic structure, and size / population density. As with all such typologies, the results are not designed to be mutually exclusive but rather illustrative of the type of local economy in each area. The results are given in table 2.

Table 2. A typology of local economies

Local economy type	Median Income	Key Sectors	Example Universities
London	£41,500	Very high professional services, high-tech; very low manufacturing	UCL, Imperial, LSE, King's College London
High-Tech Regional Hubs	£35,400	High-tech (17%), strong professional services (13%)	Oxford, Cambridge, Bristol
Post-Industrial / Public Sector Economies	£29,200	High manufacturing (9.2%), high public sector (33%), low professional services	Sunderland, Wolverhampton, Central Lancashire
Regional Cities	£33,000	Balanced economy, urban scale, moderate high-tech and public	Manchester, Birmingham, Edinburgh, Glasgow
Mixed Mid-Sized Cities	£31,900	Mid-level in high-tech, public, and professional sectors	Chester, Lincoln, Worcester

Note that these are not intended to be perfect, mutually exclusive categories (there are many differences between Edinburgh and Manchester or Sunderland and Wolverhampton). Nor are they designed to be perfect illustrations of local economies – the whole point of the exercise is to illustrate diversity in a simple way. I have also built out from the sort of local economies in which universities are based: few are located in isolated rural areas, so there is no ‘rural’ category. Instead, they are designed to illustrate the characteristics of different places in a way which is helpful in thinking through how knowledge exchange might work in different contexts. I will next consider what policies might be best in each type of place.

4 Implications for knowledge exchange

So far in this paper, I’ve argued that there is a diversity of universities in the UK, that these are scattered across local economies with varying characteristics, and that knowledge exchange varies significantly in scope and extent. Given this, it is hard to provide generic policy recommendations – indeed, given that local economies vary significantly in their characteristics, attempts to make policy which do not reflect this diversity are problematic. But the typology above – despite its simplification – does help illustrate the type of knowledge exchange activity and targets which might be appropriate in each of these highly stylised university locations.

others), Population (1,000s), Land Area (Sq. Km), Population Density (1,000 per Sq Km). In addition, Chat GPT had access to University Rankings and information about the student body.

Table 3. Example implications

Local Economy Type	Examples of appropriate local KE	Implications for National KE Policy
London	International innovation partnerships; Scale-Up Support; advanced tech transfer and research for local frontier sectors (including Professional and Business Services, Financial Services); absorptive capacity from elsewhere	Sustain global excellence with investments in the capital; develop non-STEM focus; provide location for commercialisation of knowledge produced elsewhere
High-Tech Regional Hubs	Support scale-ups and start-ups; frontier research to leading firms; build links with major regional universities	Focus KE funding on IS-8 clusters; link to national missions
Major Regional Cities	Support scale-ups and start-ups; Anchor combined authority innovation activity; partnerships with major firms	Support city-region KE strategies, led by university partnerships; connect to combined authority / mayoral / strategic authority priorities
Post-Industrial / Public Sector Economies	Inclusive growth partnerships; local skills and digital upskilling	Enable KE for social outcomes; adjust metrics to reflect civic/public innovation
Mid-Sized Cities / Rural areas	Diversified SME support; applied R&D / technology diffusion; responsive education and technical education	Develop distributed KE infrastructure; collaboration with larger local economies

First, consider London. While London remains the richest major city, it is no longer the dominant motor of the national economy it was in the 1990s and early 2000s. Indeed, while it has huge economic strengths, many of the frontier firms which drive its economy have been relatively less successful since then (Centre for Cities, 2023). In GDP per capita terms, London's lead over the rest of the country peaked in 2016 when GDP per capita was 173.7% of the UK average. Now, GDP per capita in the capital is 173.4% - well within the margin of error.⁵ The days when growth in London was driving the UK economy forward are, unfortunately, gone.

But London still has huge growth potential. It is home to some of the UK's leading universities, major firms, international links, and a thriving set of science-based startups as well as world leading Professional and Business Services and Finance firms, two IS-8 sectors. Given this, investments in knowledge exchange in London are an opportunity for the UK economy, particularly if knowledge exchange can stimulate further growth. Doing this could involve a focus on frontier research, scale-ups and spin-outs, and building closer links with the multinational firms in the capital. It would also involve taking a broad view of knowledge exchange, as while the capital has strengths in many science-based industries, it is world leading in many sectors such as Finance and Professional and Business Services. Further focus on knowledge exchange in these sectors would help rejuvenate the capital's economy and fit

⁵ ONS: Gross domestic product (GDP) per head at current market prices, pounds. Available from: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/regionalgrossdomesticproductatlnutslevelregions>

with the aims of the industrial strategy, extending the current focus which is limited to skills supply.⁶

The UK's tech hubs, such as Oxford, Cambridge and even Bristol (included despite its large size because of its relatively tech heavy industrial structure), can also provide fertile ground for knowledge exchange and commercialisation. With relatively high incomes and skilled workforces, but lacking scale, they face similar opportunities to commercialise leading edge science. Established industrial clusters will benefit from frontier and translational research. These hubs tend to have strong universities and some established frontier firms. But their small-scale points towards a need for collaboration with other places, and the need for policy to address other issues such as planning restrictions. The exact mechanisms through which this will work are still, however, unclear. The extent to which scientific collaborations work between places means efforts to build scale and collaboration might be effective. But travel time between the two cities remains long, and it is not clear how effective such an instrument will be relative to the pull of collaborations with London or internationally.

Larger regional cities tend to have less focus on high-tech industries, although this does not mean they lack major clusters. Major universities can play an important role in anchoring local economies, solving coordination problems in the economy, along with both frontier research and diffusion oriented translational research. These universities also serve a vital role in building pools of human capital, and curricula and teaching styles need to be adapted to business need, although this need not purely be local business. Most of these places have developed mayoral authorities, giving universities a single point of contact to work to as they tailor knowledge exchange strategies. They also have both frontier and non-frontier firms, suggesting a role for universities in both frontier research and diffusion.

Post-industrial towns and cities tend to lack frontier firms but may have significant technical expertise embedded in local firms and workforces. Today, many host large public institutions, particularly post-1992 universities, and these can play an important role anchoring the local economy. But firms may lack the capacity to engage with universities, and intermediaries are often under-resourced. As these places develop new governance structures, there is an opportunity for universities to form a part of this development.

Mid-sized cities and rural areas may lack sectoral specialism and scale. However, their innovation ecosystems are often in transition, with gaps in leadership and limited intermediary capacity. With targeted support and strong local coordination, there is scope to build more inclusive forms of knowledge exchange rooted in civic identity and local institutional memory.

These are clearly not prescriptions – the precise challenges faced in local economies will vary significantly. But what this exercise does show is that variety of needs in local places and, in turn, think about what a policy which met these needs might look like.

⁶ See the sector plan here:

https://assets.publishing.service.gov.uk/media/6858644ac9b3bb1663ab9077/industrial_strategy_professional_and_business_services_sector_plan.pdf

5 Conclusion: Making policy for diversity

It is uncontroversial to argue that the UK has a very diverse set of higher education institutions, and similarly uncontroversial to say that they sit in very different local economic contexts. So, it should be easy to assert that, if policy aims to achieve local growth, KE strategies must vary significantly. Yet while agreeing on the principle is simple, it is hard to design a policy mix which addresses this, particularly from a centralised position. By focusing on the needs of specific local areas, this paper has aimed to consider what such a policy agenda might look like.

Such an approach has many benefits. First of all, it provides an opportunity to match the supply of research and knowledge exchange with local demand. For example, in many cities, including London, place-based policy would allow research funding to be focused on key local industries such as Professional and Business Services or Financial Services. In areas with weaker economies, it would focus on applied or non-frontier research, giving local firms the knowledge they need to catch up.

Second, universities can play a key role in addressing coordination issues related to local economies. The ‘strategic’ vision of local economies in the English Devolution White Paper will create new institutions for Universities to work with, even in areas where they are not already working with them. The new Strategic Authorities should, in theory, mean there are growth-focused local institutions they can work with (and align slightly more closely with the TTWAs I used earlier). But to do this may require development of capacity and new relationships and requires Strategic Authorities which want to take a pragmatic approach to growth, something which cannot be taken for granted. For example, the new Local Innovation Partnership Fund will provide valuable funding for research which addresses local priorities⁷. But it is a one-shot fund, giving local areas little time to build the relationships needed for successful projects, and universities in areas with weaker local capacity will struggle to develop plans. Capacity building can help build up the ability of and relationships between universities, local government, and local business to allow a larger range of successful projects to come to the funders.

Third, it allows a clearer focus between frontier research and applied or translational research, so better serving local needs. There is now good evidence on the local innovation impacts of Fraunhofer Institutes or Universities of Applied Science, not because of the technical design of these institutions, but because they do applied research which is often locally focused (Schlegel et al. 2022; Llanos Paredes, 2023; Lee, 2024). The UK model is not clear on these distinctions, and many local economies lack institutions which can do this, given the teaching focused model of many institutions. As teaching incomes are increasingly strained, universities are seeking new roles.

⁷ <https://www.ukri.org/news/new-fund-will-focus-research-investment-on-local-priorities/>

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