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Running a ‘Business’: The Role of the ‘Institutional Elite’ in Building ‘Business-Facing’ Universities

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Set against a backdrop of complexity and uncertainty this paper explores the responses of a group of UK higher education institutions (HEIs) to government policies, which were designed to encourage greater university-business collaboration. In examining the reactions of individual institutions, the authors noted not only a differentiated approach to the national policy but also the significant influence of the ‘institutional elite,’ (IE) in driving the business-facing agenda forward in their universities. Although a plethora of literature has emerged on the importance of ‘anchor institutions’ to local communities and as strategic contributors to local economies (Asheim, 2011), and of the appropriateness of entrepreneurial universities to fill this regional lacuna, little focused research has examined the effectiveness with which national policy has been translated into practice and commercial success at a regional level (Scott, 2014). This paper provides empirical research, which evidences the need for better-informed policy making in this area (Scott, 2014; Culkin, 2016).

Keywords: Business-Facing; Entrepreneurial University; Higher Education; Knowledge Economy; Leadership; Policy; Regional.

Introduction

The notion of the knowledge economy (BIS, 2016) has been used to capture the shifting structure of developed and developing economies from the twentieth century industrial era to the current information or digital age. Central to this vision of a successful economy are sustainable and strong universities alongside investment in research and science (Levy et al., 2011; Temple, 2012). Against this backdrop the concept of knowledge has changed and it is no longer regarded for its own sake, and is increasingly linked with ‘economic’ value in the form of intellectual capital or as a key resource or asset (Barnett, 2012; Fuller et al., 2010). Hence priority (in terms of financial support and policy) is given to transferring knowledge into activities that create wealth in order to make the country more economically competitive (BIS, 2015). These themes and trends are not peculiar to the English higher education (HE) system or specific to a particular political party. In fact the perception of higher education as an economic and social resource has not only shaped the policy of UK governments of different political persuasions (Shattock, 2012), but has also been used to direct higher education policy across much of Europe and beyond (King et al., 2011).

Despite the fact that universities are considered as essential players in the creation and sustainability of the knowledge economy (Temple, 2012; BIS, 2016), successive governments have either reduced or removed public funding for tuition fees and subjected research funding to increasingly strict controls. This has forced higher education institutions (HEIs) to review their governance practices and institutional processes in a bid to find alternative sources of funding (Universities UK 2013). Following the recasting of knowledge, universities have been coerced by financial incentives and policy exhortations to reconfigure their institutions to ensure they interact more closely with business and the wider community. Recent research

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into the HE sector suggests the adoption of the market model has seen universities being driven increasingly by their consumers (Williams, 2013), and or operated along business lines (Whitfield, 2012). The term ‘academic capitalism’ has been used to capture the process whereby universities are moving from a ‘public-good knowledge/learning regime to an academic capitalist knowledge/learning regime’ (Slaughter and Rhoades (2004:7). This has led to the contention that ‘the capitalisation of knowledge’ has now become the dominant mission for Higher Education Institutions (Ranga and Etzkowitz, 2013).

This paper sets out to examine why and how certain universities have chosen to position themselves within a context shaped by increased state regulation and market pressures. Particular interest is paid to how HEIs have chosen to interpret the ‘vague’ policy prescriptions of successive governments in respect of notions such as, the knowledge economy. This precipitates a specific focus on aspects of marketisation, namely entrepreneurship and more specifically the adoption of the business-facing narrative by some universities, and the tensions inherent within such policy when vice-chancellors (‘institutional elite’) attempt to interpret and apply it to their institutions, and the wider community. In-depth interviews with ten vice-chancellors and two senior members of the OVC (Office of the Vice Chancellor) from the post-1992 segment of higher education, coupled with extensive documentary analysis, provide empirical evidence to support calls for the need for government policy designed to foster innovation to demonstrate greater understanding of the nuances and complexity of the regional context (Scott, 2014). Better and more informed understanding of institutional responses to the demands of the regulated market, and of policy interpretations within particular institutional settings can only lead to more appropriate and successful innovative policy making, and policy adoption (Culkin, 2016).

**Policy and Research Context**

*The Marketisation of Higher Education*

While there is scant disagreement that HE is undergoing a process of marketisation, there is growing debate over its nature and the extent to which it has occurred. Notable contributors to this field (McGettigan, 2013; Whitfield, 2012), see marketisation (while accepting various forms exist) and privatisation as synonymous, arguing that both are part of a broader neoliberal agenda to transform public services. Others including, Palfreyman and Tapper (2014:v) are more circumspect and suggest that there has been a ‘steady move from public funding and institutional autonomy to the flourishing of a state-regulated market’. Whereas Brown (2011) contends that the higher education market can never be fully marketised because it does not display the entire suite of market traits, and as an example points to the ‘quasi’-market for research funding. Brown and Carasso (2013) add an international dimension to their discussion suggesting that marketisation is not confined to Britain, but can be traced worldwide.

The debate is further clouded by a growth of public-private partnerships, which add to the increasingly blurred and overlapping relationships, roles and motivations of public and private providers. By way of examples, Fielden et al., (2010) highlight the evolution of publicly funded universities and colleges, with private enterprise components and an increase in joint ventures between for-profit and publicly funded institutions for declared mutual benefit. What is clear from the literature, is that the provision of HE is regarded as, a marketised and commodified economic activity, and that current government interest in (and or regulation of) the sector is unlikely to dissipate given their commitment to (1) the notion of scientific and technological research as an instrument for economic growth and (2) the idea of

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consumer protection for the significant number of fee-paying home students (Palfreyman and Tapper, 2014).

For the purposes of this paper marketisation is considered to be ‘the supply of higher education services along market lines’ (Brown, 2011:17). In this way it can be seen as part of the overall process of change that is occurring across the sector, and it is possible to trace in its origins the influences of neoliberalism and globalisation. It is also possible to visualise this process in a number of new activities and measures that have materialised across the sector. Across and within institutions rankings and league tables have proliferated, while academic research *per se* has been increasingly subject to market criteria, and institutions have allocated increased resources to functions such as marketing.

**The Entrepreneurial University**

In the context of this paper’s focus the notions of business-facing and entrepreneurship are considered to have a close symbiotic relationship. There is a vast amount of extant literature, both national and international addressing the notion of ‘the entrepreneurial university’ (Etzkowitz 2004; Lehrera et al., 2009; Mohrman et al., 2008; Thorp and Goldstein 2010). The entrepreneurial university concept covers all types of HEIs including those with strong research histories, as well as newer organisations (Geiger 2006; Kauffman 2008). The literature itself encompasses a pervasive set of issues, including the closer engagement of the university with industry and the movement towards a ‘Triple Helix ‘model of partnership among government, industry, and higher education (Etzkowitz and Leydesdorff 2000; Etzkowitz 2008, Ranga and Etzkowitz, 2013). While this paper uses the literature of the ‘entrepreneurial university’ to enrich and enliven the debate, it chooses to construct its arguments around a specific policy instrument – that of the business-facing university.

**An Overview of Higher Education Policy**

Since the late 1970’s the rise of the Neo-Liberal agenda has seen an increasing trend towards the privatisation of public services, including education, housing, transport, and care services. Governments across much of Europe and the wider developed world have been keen to transfer the cost of such services from the state to the individual (Whitfield, 2012). Some thirty years later and a number of reviews and white papers after NICHE (1997), universities in England are expected to compete against each other for research funding, while students are expected to finance their own studies. The concurrent expansion of HE was perceived to be a cheap means of providing a higher skilled workforce, which would allow the UK to better, compete globally (Callinicos, 2009). The Lisbon Council made it clear that they expected universities to evolve along the lines of modern businesses, and that as such governing bodies needed to grow to reflect the wider needs of stakeholders, other than academics (Schleicher, 2006). This attitude was reflected in the UK in a report from CIHE (Council for Industry and Higher Education) that suggested universities in the UK needed to act like any other commercial organisation by improving external marketing and internal communications (Abreu et al., 2008).

**The Business-Facing Discourse**

The 1988 Education Reform Act established a framework that encouraged university-business collaboration and in the 1990s government policies were introduced to promote relationships in areas of research and development. The Dearing Review (1997) also attempted to address some of the issues in specific sections, but it was the Lambert Review (2003) that produced the first focused study of university-business collaboration, and made a number of recommendations aimed at improving existing, and encouraging new, relationships between the UK’s strong science base and its business community (Wilson, 2013). These included:

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science and technology parks, adjacent to, and sometimes owned, by universities (Chatziioanou and Sullivan, 2004); the development of the role of intermediaries such as industrial liaison offices; the opening of technology transfer and information offices (Chapple et al., 2004); the development of student and staff incubators (Ylinenpää 2001); the launching of new venture programs for staff and students; the development of clearer Intellectual Property (IP) policies and arrangements for the licensing and patenting of university know-how (Baldini et al., 2006); the organisation of spin-off activity; and the creation of venture and loan funds.

The Review had huge impact in many areas, at institutional and at sector levels, but it was the recommendations relating to permanent and expanded ‘third stream’ of funding for universities that accelerated the business-facing activities of universities. The previous government had identified a perceived need for increased diversity within the sector of higher education in order to establish a better fit between universities and the needs of society (Willetts, 2013). However, the government also recognised that not all HEIs would be able to adopt the same approach to research and teaching and suggested therefore that institutions should differentiate their activities (Attwood, 2007). In a further bid to close the gap between what universities were providing and what employers desired the government determined to evolve an alternative vision of the university. It identified a number of institutions to pilot and develop its conceptual model of a business-facing university. Initially, five institutions were chosen including Brighton, Central England in Birmingham (now re-named Birmingham City), De Montfort, Sheffield Hallam, and Hertfordshire. In practical terms each of the chosen universities was allocated central funding to accelerate their strategic development, with the given aim of creating a business-facing culture. This was designed to address issues relating to the role of universities in the productivity and competitiveness of the UK’s economy, in addition to their teaching activity (DIUS, 2007).

The Government announced its intention to, “create the conditions where all our firms put innovation at the centre of their strategies” (DTI, 2003:3); and, in a bid to encourage universities to cooperate more with business increased funding for the Higher Education Innovation Fund (HEIF). In turn the Leitch Review of Skills (2006), recommended that employers needed to be more demanding of, and have more influence upon the programmes being delivered by, higher education institutions. Universities were also encouraged to regard employer-engagement on the same basis as academic research. Further to the Government’s policy document ‘A New University Challenge; Unlocking Britain’s Talent’ (DIUS, 2008) HEFCE (Higher Education Funding Council for England) announced its intention to create 20 new centres of higher education by 2014.

More recent attempts to foster business-university collaboration include: the creation of a National Centre for Universities and Business (NCUB) and a Smart Specialisation Advisory Hub to share best practice, improve alignment between partners and support Local Enterprise Partnerships to deliver stronger collaborative propositions through an understanding of comparative advantage. A pilot scheme has been set up to establish University Enterprise Zones (UEZ), aimed at encouraging greater university-business interaction to increase innovation and growth. Initial funding for the scheme is £15m for England across three years (14-15 to16-17) and is aimed at developing incubator and grown on space for businesses (BIS, 2014). According to BIS (2015) HEIF delivers a return on public investment in knowledge exchange - an estimated £6.30 gross additional income generated for universities from every £1 invested. As a result, the current government has announced its intention to increase funding for HEIF to £250 million per annum.

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The notion of the business-facing university has come under heavy attack for its lack of clarity and detail. Critics such as Brown and Carraso (2013), claim that the government lack a coherent view of the purpose of higher education. Journalists and those involved in HE comment on commerce-friendly universities (Attwood, 2007), and ‘demand-led and market-leading’ universities, noting that it seems to be the less-research intensive universities that have chosen to declare themselves as business-facing (Gilbert, 2007). Universities claim that they are “a new type of emerging university – with a commitment to adding value to employers, enterprise and regional and national economies” (UH, 2011). The theoretical background relating to the notion of business-facing universities is generally regarded as weak, or at most limited (Boulton and Lucas, 2008; Godin, 2003; Palfreyman and Tapper, 2014). Proponents lean heavily on the theories of Human (Becker, 1964) and Social Capital (Putnam, 1993), and the notion of knowledge as a key resource or intellectual capital (Fuller et al., 2010; Harris et al., 2013). Implicit in all these theories is a direct correlation between the acquisition of skills, brought about by training and or education and the growth of the economy (McMahon, 2009; Smith, 2003).

It would appear therefore that inherent problems exist in this area of policy making. Firstly, the government has failed to produce any substantial empirical research supporting the notion that by enhancing the country’s knowledge base this will ultimately lead to greater social inclusion, tolerance and economic growth (Fortin and Currie, 2013; Goddard et al., 2014; Reid et al., 2004). Secondly, the government has, by focusing on the supply side of human capital effectively ignored the actual skills employers are looking for and value in the labour market (The Guardian, 2016; Economist, 2015; Harrison, 2002).

Methodology

Qualitative Case Studies
The approach taken was case study driven. First, the extensive documentary analysis of both raw and compiled data was undertaken, and second twelve semi-structured interviews were carried out ‘key informants, from post-1992 universities across the UK.

Secondary Data Collection and Analysis: Documentary Analysis
Documentary analysis is often dismissed as a research tool by social scientists, as it is all too readily associated with research in a historical context. However, in respect of this particular research study, the notion of socio-historical analysis is useful as it allowed the researchers to reflect on contemporary issues such as government policy documents, while simultaneously having a sense of their conception, and their purpose (Bloyce, 2004). The evaluation and analysis of the secondary data consisted of an integrated programme of research, with evidence derived from a wide range of sources including: policy statements and reports from national, governmental and non-governmental bodies, such as the Department for Business, Innovation and Skills (BIS), Council for Industry and Higher Education (CIHE), Higher Education Funding Council for England (HEFCE), and the Confederation of British Industry (CBI); participation at a number of University and College Union (UCU) conferences; as well as higher education practice regulations and standards; and a selection of documentation, largely sourced from the internet, including mission and value statements, corporate reports, and strategic plans for individual institutions, that were of relevance to the topic under research. External contextual data was also sourced from the Office of National Statistics (ONS), Higher Education Statistics Agency (HESA), and government web-based research.

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Primary Data Collection and Analysis: The ‘Institutional Elite’

The term ‘key informant’ refers to anyone who can provide detailed information and opinion based on his or her knowledge of a particular issue. Originally used in the field of cultural anthropology the ‘key informant’ technique (Marshall, 1996) is an ethnographic research method, which is increasingly being used in other areas of social science. The principle advantages of interviewing ‘key informants’ relate to the quality of data that can be obtained within a relatively short period of time. To obtain the same quality information and insight from interviews with other members of a community can be time-consuming and expensive. The approach has been utilised recently in a number of studies carried out within higher education, including: a project by the Centre for the Study of Education and Training (CSET), Lancaster University on behalf of the Higher Education Academy (HEA) into the role of HEFCE in Teaching and Learning Enhancement (2014) and a 2014 report by the Cranfield School of Management on behalf of The Leadership Foundation for Higher Education (LFHE) into Performance Management in UK Higher Education Institutions.

Contemporary evidence suggests that in the context of a rapidly changing external environment the role of the vice-chancellor has changed to one of strategic planner and business manager (O’Meara, and Petzall, 2005, Whitchurch, 2012). Given their unique position within universities vice-chancellors can provide deep practitioner’s insight into the transformation of the sector, and are able to speculate and make inferences about it’s future, providing information not readily available through published sources (Bradburn et al., 2004). Respondents were not selected as representative of the members of the university to which they belonged, but rather because of their knowledge about the issues under research and their ability and willingness to discuss the same (Kumar et al., 2010). These key individuals all occupy strategic and influential positions at local, regional and national levels, and were employed at the time of the interviews in universities across the country. Throughout this paper, this group will be largely referred to as the ‘institutional elite’. This latter phrase has been used to capture the significance that the role of leadership agency plays in shaping and directing change within institutional value chains.

Following each recorded interview the resulting transcripts were transcribed and analysed. Ultimately, this resulted in a set of categories or themes (thematic analysis) based on the empirical evidence and informed by the previous desk research, that were ultimately used to structure the holistic research findings. The analysis was not only concerned with identifying commonalities in the data, but also with discovering the variety of meanings, attitudes and interpretations found within each theme.

Results and Analysis

While universities and government departments have adopted the terminology of business-facing on their websites and in their documentation; the term has little if any agreed meaning in such arenas and seems to be even less well understood in wider society. The phrase has connotations of the business world and of the adoption of private sector practices by public sector organisations. To some it is redolent of the privatisation practices introduced across the public sector by governments; to others it is simply time that universities faced up to the global competitive market that they are part of. It implies at its simplest level a greater engagement between employers and universities, and it is with this notion in mind at the outset that the term was explored with the ‘institutional elite.’ This paper seeks to draw out examples of both actual and rhetorical initiatives and to explore how the concepts have been understood and utilised in the post-1992 institutions under review.

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The Many Faces of ‘Business-Facing’: Perceptions of the ‘Institutional Elite’

All the respondents (‘Institutional Elite’) expressed familiarity with the terminology of the business-facing university, and the government policy underpinning it. Outside of the sector, however the ‘institutional elite’ was concerned that the phrase business-facing was misunderstood, and that it meant little to the general public. There was a suggestion from some of those interviewed that the business-facing agenda was not a new phenomenon and that most of their institutions were preparing students for work long before the government introduced its latest initiative (especially in view of their history i.e. prior to 1992 they were polytechnics).

There was no such consensus over the definition of a business-facing university, with one opinion being: ‘There are very different kinds of business-facing universities’ (OVC 12). Another IE suggested that rather than a rhetorical debate over whether universities were business-facing or not, the real dividing issue was whether institutions were driven by a desire to satisfy their customers or preferred to concentrate on optimising the supply and demand of their commodities. The notion of business-facing was either perceived by the ‘institutional elite’ to be a ‘catch-all’ phrase that promoted all aspects of their business, including the public, private and voluntary sectors, or was regarded as a restrictive label by those vice-chancellors keen to promote their institution as ‘comprehensive’ and serving the needs of society as well as business. Throughout the interviews it was evident that the business-facing and employer-engagement agenda had influenced all of those interviewed, but that the institutions had chosen outwardly at least to react to the government’s agenda around business-facing in different ways. This differentiation could be accounted for by a number of factors, not least the lack of clarity around an accepted definition of the term business-facing.

A number of interviewees had unequivocally adopted the phrase business-facing and closely aligned their institutions to it, in a deliberate attempt at differentiation. In general these ‘institutional elite’ felt that business-facing was an inclusive label that could incorporate the voluntary sector, the corporate sector and the public sector. Three of the IE’s interviewed were more than keen to fully commit their institutions to the government’s vision of a business-facing university and to emulate business in any way possible. This raised issues about the balance between the traditional activities of a university such as teaching and more commercial type activities in these institutions. It was also unclear from these interviews how this culture had been or was being embedded in these organisations. The implicit suggestion was that all academics were being forced to adopt commercial attitudes and practices in these universities, with one respondent claiming that:

If you can’t show your teaching is related to the business-facing agenda, then you know, the question is whether you are in the right place (OVC 7).

The majority of the ‘institutional elite’ was more cautious and expressed concern over publicly declaring is ‘serving the needs of business’ as a ‘number one priority’ (OVC 12). They did affirm their commitment to the business-facing ideology, but felt that it was only one element of the work that they undertook. This group were more candid in their acknowledgment that their commitment was partially, albeit only slightly, driven by legislation and special funding initiatives introduced to bolster government policies. This did raise questions over the rhetorical nature of the business-facing agenda, especially in one institution where it was perceived to be little more than a means to an end:

We do see a need for the two reasons I said for boosting a different funding stream to the university and for gaining even, for getting even closer to business … (OVC 7).

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At the other end of the spectrum two vice-chancellors were more vociferous in challenging the narrative of business-facing. They opined that describing an institution as business-facing was problematic, especially in a sector where staff were historically located on the ‘left of politics’ and maintain ‘philanthropic views’, and that this could potentially lead to staff feeling alienated and disenfranchised. This criticism was unwittingly supported by one of the more pro-business-facing institutional elite who admitted that academic and support staff were not expected to be ‘clever dicks’ but simply required to fulfil their contractual obligations. While, this might sit uncomfortably with some of the notions of collegiality and autonomy that tend to be synonymous with the traditional notion of a university this fits firmly in line with human resource policy inside some industries and businesses.

It was suggested also that the business-facing brand could restrict an institution’s freedom of movement, and hence its appeal to those outside of the sector. It was clear that a number of vice-chancellors felt that the notion of a business-facing institution was somewhat incongruous with a (partially) publicly funded institution. During the discussions that centred on the business-facing university there was little mention of education and or teaching, but frequent references to surpluses and profits. Only one respondent made any attempt to reconcile the business-facing agenda with the mission of a university by referring, albeit in passing, to the importance of producing industry ready graduates. One vice-chancellor pointed to the ambiguity of the categorisation, by making reference to a successful institution (outside of the post-1992 sector) that was heavily engaged with business and industry but had decided deliberately to retain a distance from the label, in a bid to avoid the archetypal stereotyping that was likely with such classifications. It was clear that the terminology was operating on different levels across the sector.

The nomenclature was seen as part of the branding exercise of an institution, and there was competition among institutions trying to come up with the most favoured tag or strap line. For some ‘institutional elite’ the label was already considered passé:

Enterprise is no longer a fashionable word so we are now thinking about creativity (OVC 9).

The temporality reflected in the susceptibility to fatigue of such buzzwords above appeared to point to a wider contradiction within higher education institutions. The interviews suggested that the business-facing accolade reduced the mandate of higher education to simply supplying degrees as a means to obtaining a job, and as such was not suitable as a standalone mission for a HEI. All of those interviewed at least outwardly supported the view that a university should be run as a business and operated along business-lines. Those ‘institutional elite’ that unequivocally perceived their institutions to be businesses and business-like posited that the business-facing mission was a clear way for post-1992’s to sign post themselves in a highly competitive sector.

There was a wider consensus across the group concerning the engagement of institutions with employers, in terms of knowledge transfer and student employability. This was expressed more in terms of a philosophy and was not necessarily referred to as business-facing, but reflected the elements of the government’s business-facing policy designed to address areas relating to the productivity and competitiveness of the country (BIS, 2015). This can be better understood by the assertion of a number of ‘institutional elite’ that suggested that a University’s Mission Statement had to be perceived as credible and it was essential that such statements were not deviated from simply to reflect the current whims of a particular ruling body or government. This was also underpinned by a belief, among the respondents that universities and especially those in the post-1992 sector had always been business-facing, and

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that the government’s recent criticism had been directed more at the traditional, older type universities.

Of all the ‘institutional elite’ only one expressed concern over the government’s policy of employability, and questioned the legitimacy of a ‘demand-led system of higher education’, whereby employers were perceived to know the exact skills graduates needed. The respondent suggested that in their experience employers were really looking for ‘graduateness’ rather than the notion of specific skills constantly referred to by the government.

The Real Face of Business-Facing: Documentary Analysis

The evidence collected from the interviews problematised the notion of branding among the higher education sector and especially among Mission Groups, and started to raise questions over the feasibility of promoting differentiation (based on unique brands) as a policy to sustain the sector. To illustrate this point even further it is worth considering the individual Mission and Vision Statements of the group interviewed. It is very difficult to distinguish between each of the institutions on the basis of these brief statements. The following Table 1 sets out to demonstrate the repetition and commonality in these statements by documenting the frequency with which certain words were used throughout the interviewed groups’ Mission/Visions Statements. Admittedly, all of the institutions were post-92 universities (i.e. formerly polytechnics), but even so they claim to be very different entities, and yet when you consider their statements there is a general failure to define and articulate what individual institutions uniquely have to offer (Chapleo, 2011; Kosmützky and Krücken, 2015; Reisz, 2010). Nearly all employ the terminology of enterprise or innovation and refer to strengths in teaching or research, as well as relevance to the business community, and boast an international presence, albeit in teaching and or research. It is difficult to reconcile the homogeneity so readily evident in these statements, with the notion of real heterogeneity present in their institutions as projected by the ‘institutional elite’.

It is possible also using secondary data to test the vice-chancellors stated commitment to the business-facing agenda, by, for example directly mapping ‘quantifiable metrics’ such as Key Performance Indicators (KPIs) from regulatory requirements such as revised government funding regimes and qualitative standards (e.g. requirements for consistent quality and customer satisfaction) to university strategic plans. The numbers of Knowledge Transfer Partnerships (KTPs) and business enterprises existing in institutions reflected the vice-chancellors inclination or otherwise towards the business-facing agenda. This however raises issues of confidentiality and comprises the anonymity promised to respondents by the researchers. So, here instead we have chosen to demonstrate principals by using broad sector figures. For example, by looking in detail at changes in the overall income and expenditure for the sector (see Appendix 1: Tables 2.1, 2.2 and 2.3) it is possible to determine the influence of aspects of corporatisation and or marketisation.

Further evidence of corporatisation can be seen in the rise of new forms of management in the sector. Common features are noted to include the adoption by academics of a more overt managerial agenda and managerial-like persona (Shelley, 1999 and Davies and Kirkpatrick, 1995), alongside a rise in the number of resources devoted to management and administration duties within universities (Brown, 2011). Figures published in the Times Higher Education in 2011 indicated that between 2003/04 and 2008/09 the number of managers employed in British universities rose by 33 per cent, compared with a 10 per cent increase in staff and a 9 per cent increase in student numbers. Further figures suggest that at a university such as Oxford the cost of funding an enlarged central administration function is around £20 million a year (Oppenheimer, 2011).

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As part of the analysis for this paper, we have examined data for the current members of the University Alliance mission group. These universities are the most ‘overt’ group of business-facing universities and as such closely reflect the nature of our original research subjects. In this way we can consider individual published figures for institutions (comparable with those in our research group) without compromising the anonymity of our research study. Appendix 2 Table 4 shows the latest published salaries for business-facing university vice-chancellors and the percentage of non-academic staff employed within these institutions. Figures published by HESA and collected from HEIs reveal that support staff are in the majority at 71 per cent of UK higher education institutions. The national average is 43 per cent. Further evidence of the appropriation of a business-like culture in these institutions is supported by the fact that of the eighteen vice-chancellors that lead these Alliance universities fourteen of them refer to themselves in either their personal profile on their institutional website or their linkedin profile as CEO (Chief Executive Officers) of their respective institutions, and negotiate private sector comparable salaries.

Discussion

The ‘fuzzy’ conceptual nature of notions such as the knowledge economy, make it relatively easy for government and other agencies to make recommendations but more difficult to provide policy prescriptions (Palfreyman and Tapper, 2014; Warhurst and Thompson, 2006). There is some counter-evidence that governments in Europe and the UK have given practical expression to some of their theoretical ideas surrounding business-facing universities. Etzkowitz (2008) among others argues that this is evidenced in: policies aimed at promoting learning at both an individual and a firm-level; in the support of spin-offs (i.e. incubation centres); in policies directed at enhancing the quality of local universities; as well as in attempts to stimulate public research and provide technological support services (Rodrigues, 2002 in Rodrigues, 2002). Specific examples include the creation of HEIF. What the fuzzy nature of these policies highlights however is the importance of those tasked with interpreting such policy. This research exposes a number of differences between the objective rhetoric (secondary data) and the subjective reality (primary data) of the march to the market and demonstrates the need for a more nuanced understanding of the higher education sector by policy makers.

The Emergence of Leadership Agency

One salient theme to emerge from the research was the significance that agency in the form of leadership (vice-chancellors) has on the changing shape of culture and business models within HEIs. The term ‘institutional elite’ which was coined to capture the pre-eminence of these figures, was adapted from The Sutton Trust’s terminology, which referred to university vice-chancellors as ‘the higher education elite leading our universities’ (The Sutton Trust, 2009:3). The appropriation of a single nomenclature by the authors represents the generic characteristics and traits of those interviewed who represent a homogeneous group (especially in terms of their age, race and gender) despite their attempts to present themselves and their institutions as unique. This homogeneity was further underpinned by institutional allegiance (usually prompted by the self interest of vice-chancellors) to one of the four mission groups or think tanks. This inability for individual institutions to differentiate themselves serves to highlights another anomaly in the business-facing rhetoric

It was evident that the extent to which marketisation had been embedded into the institution correlated to the philosophy of its leadership. In the perceptions of those individual’s interviewed and documentary analysis undertaken both before and after the interviews it was apparent that vice-chancellors were widely perceived as being key actors within the HE

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sector. This is evidenced by the profiles of the respondents, who had all served on Select Committees and were either Chairs or members of regional agencies. The majority were members of Universities United Kingdom (UUK), with at least two occupying positions on its Board. Nearly all of those interviewed held senior roles in various national bodies including the Higher Education Funding Council for England (HEFCE), and the Confederation of British Industries (CBI). While one member of the ‘institutional elite’ interviewed was the Chair of a mission group, a number of others have been awarded a Commander of the Order of the British Empire (CBE) and in at least one case have received a knighthood for their services to higher education. The behaviours and values of each vice-chancellor could be seen reflected in the overall shape of the institution and hence in its business model. Obviously, it could be argued that the vice-chancellors were simply representative of the type of institution they were fronting. However, most importantly it was possible to trace the strong influence of vice-chancellors not only in persuading regional and national bodies to adopt strategies which were more conducive to their individual institution but also in instilling policy and ideologies into the university from outside. It is the ability of these individuals to perform in both their institutional settings and the wider operating environment that can be seen to influence universities the most.

To date much existing literature (across disciplines) fails to consider vice-chancellors as ‘active agents of change’, who influence the shape and structure of their organisation’s value chain (Gereffi and Korzeniewicz, 1994; Humphrey, 1995; Cattaneo et al, 2010; Newsome et al, 2015). The contention of this paper is that it is the action of key figures such as university vice-chancellors who perform on the edge of institutions and their boundaries and on the local, regional, national and political stage and interpret policies into institutional strategies that appear to have the most influence on the form that institutional business models take. Vice-chancellors, who perceive themselves as we have seen earlier in this paper as company chief executives, need to be considered as economic actors in the value creating activities of universities in much the same way as the collective of labour. In this way, the strategies of vice-chancellors also have like labour, the potential to upset the flow along the value chain (Ingram and Oosterkamp, 2014; Quan, 2008). While workers contest value chains, it is actually vice-chancellors who are the driving force behind much of the reshaping of value chains, and as such need to be considered in much the same way as labour. In this way our paper contends that many models that claim to be able to examine the business of higher education, such as and by way of an example the Global Value Chain Framework (See James, 2013 for a fuller explanation of this contention), need to be amended to take the notion of agency into consideration.

*The Embedded Evidence of Policy Rhetoric: The ideology of governance*

The notion of ‘operational’ governance (Kaplinsky, 2000; 2013; Robinson, 2010) can be seen to exist clearly in the new business like structures of post-1992 HEI’s. Here rather than Service Level Agreements (SLAs) when we discuss ‘quantitative metrics’ (Taylor, 2012) we are referring to staff and student numbers, income levels, Ref results and KPIs (Key Performance Indicators) as systems of managerial control. These metrics can be seen to influence the wider value chains of higher education, as opposed to simply manipulating expenditure and or income levels. However this paper argues that governance in these circumstances is above and beyond these systems of managerial control, it is concerned with the informal and tacit adoption of current ideology (the unwritten rules of the game); the influence these variants play in determining the patterns of value chain governance, and the general manner in which universities carry out their business. It can be used to explain seemingly irrational decision-making. For example in 2012 most universities chose to adopt the maximum tuition fee of £9,000, irrespective of any real cost considerations. The decisions

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made were based on ‘market logic’, and in anticipation of similar decisions being made by competitors, and a fear of being seen to offer a lower quality product or service.

Beyond externally imposed governance the ideology of marketisation imposes a particular rhetoric. The term ‘ideology as governance’ aims to expand the extant notion of governance and to capture the profound influence that for example (a) the subliminal infusion of business-like language and culture into HEIs, and (b) the adoption of business-like practices and processes, have had upon the shape and direction of change in value chains. Linking this notion to the previous point about the ‘institutional elite’ as agents of change it is well documented within much of the business management literature that company chief executives have an intuitive grasp of the unwritten rules of his or her organisation, without which they would have failed to achieve their status (Scott-Morgan, 1994; Sharp et al., 2011). Some of the ‘institutional elite’, for example, made reference to a simmering tension among their academic staff exacerbated by the tendency towards a quality audit culture, and the emphasis on measuring and assessing academic workload (Fearn, 2008; Macfarlane, 2011; Nyhagen and Baschung, 2013; Strike, 2010).

The primary data (interviews) highlighted and underscored the increased usage of commercially and business-rooted language and values, which were evident within the various policies and institutional documents (secondary data) which were mined for data during the systematic documentary analysis. Repeated references were made to private sector practices and procedures, throughout the interviews and throughout the documentation for example Strategic Plans and Value and Mission Statements. Key watchwords including ‘performance’, ‘quality’, ‘competitiveness’, ‘efficiency’ and ‘accountability’ were used constantly, again in both mediums. This perpetuated the notion that the informal and tacit adoption of current ideology was in some sense a facet of governance. This informal or ideological type governance can be seen to have perpetuated institutions and affected the actions of both key and less significant actors within the value chains of higher education. ‘Ideology as governance’ then is implicit within both the overt commercialisation of knowledge and the changing nature of universities.

Finally, by increasingly expecting HEIs to behave in a professional and business-like manner, institutions have been encouraged to recruit leaders, who are supportive of the overall orthodoxy of the knowledge economy and are capable of directing such an organisation. In this way the ‘ideology of governance’ can be seen as self-fulfilling, in the sense that it encourages the selection and promotion of those individuals who are most able to promulgate its values and ideals, and who will in turn recruit others with a similar set of values and behaviours. It is in this way that the ‘ideology of governance’ can be seen to permeate the entire length and breadth of the value chain. In an update to the original research carried out for this study a desk research exercise (2015) has revealed that all but one of the vice-chancellors originally interviewed has now retired or moved on. A number of those newly appointed are individuals who are classified as ‘professional staff’ as they have not followed the traditional academic route through to Professor and then the Vice-Chancellor’s career trajectory. This would seem to add weight to the importance of operational governance in the business models of universities and the expectation that universities must be more commercial. Across the Atlantic it would appear that once again our American counterparts have already started to recruit ‘businessmen’ to lead their universities (Times Higher, 2015b).
Conclusions and Recommendations

Much contemporary research reports that universities are still failing to adapt their business models to meet the changing professional, economic and technological needs of their stakeholders (Christensen and Eyring, 2011; Hommel and Thomas, 2014; Weber and Duderstadt, 2010). This paper contends that a paucity of existing models hinder the efforts of academics and practitioners to comprehend the complexity of the HE landscape when universities are attempting to move to a more entrepreneurial mode, but also that poorly informed innovation and enterprise policy is reducing its successful implementation across the HE sector. Better and more informed understanding of institutional responses to the demands of the regulated market, and of policy interpretations within particular institutional settings can only lead to more appropriate and successful innovative policy making.

In addition to the above the paper highlights the increasing significance of leadership in academia (Goodall, 2009; Whitchurch, 2013; Whitchurch, 2012). Although much literature has emerged on the changing nature of academics within HE, there is little focused research on what it is that vice-chancellors in particular actually do ‘both in the public face and in the underbelly of politics, and what the impact is on outcomes for students and research’ (Lumby, 2012). As the economic impact of entrepreneurial universities continues to inform and drive higher education policy in England (BIS, 2016), the position of vice-chancellor is increasingly likely to be filled by individuals with mixed professional and academic credentials. This paper highlights an urgent need for more research into this vital role.

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Reference List


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## Appendix 1

### Table 1: Exploring the Diversity between University Mission and Vision Statements

<table>
<thead>
<tr>
<th>Terminology</th>
<th>Frequency</th>
<th>Terminology</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>5</td>
<td>International</td>
<td>5</td>
</tr>
<tr>
<td>Creativity</td>
<td>2</td>
<td>Knowledge</td>
<td>3</td>
</tr>
<tr>
<td>Economy</td>
<td>2</td>
<td>Learning</td>
<td>5</td>
</tr>
<tr>
<td>Education</td>
<td>3</td>
<td>Partnership</td>
<td>3</td>
</tr>
<tr>
<td>Employment</td>
<td>2</td>
<td>Professional</td>
<td>6</td>
</tr>
<tr>
<td>Enterprise</td>
<td>5</td>
<td>Research</td>
<td>8</td>
</tr>
<tr>
<td>Excellence</td>
<td>2</td>
<td>Students</td>
<td>3</td>
</tr>
<tr>
<td>Individuals</td>
<td>3</td>
<td>Teaching</td>
<td>4</td>
</tr>
<tr>
<td>Innovation</td>
<td>5</td>
<td>Quality</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Taken directly from University Websites 2015

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Appendix 2

Table 2.1: Main sources of income received by HE Providers in England in academic years 2012/13 and 2013/14 (£ thousands)

<table>
<thead>
<tr>
<th></th>
<th>2012/2013</th>
<th>2013/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding body grants</td>
<td>£5,512,095</td>
<td>£4,523,977</td>
</tr>
<tr>
<td>Tuition fees &amp; education contracts</td>
<td>£10,167,850</td>
<td>£12,007,872</td>
</tr>
<tr>
<td>Research grants &amp; contracts</td>
<td>£3,902,381</td>
<td>£4,124,385</td>
</tr>
<tr>
<td>Other income</td>
<td>£4,550,701</td>
<td>£4,683,674</td>
</tr>
<tr>
<td>Endowment &amp; investment income</td>
<td>£237,041</td>
<td>£276,605</td>
</tr>
<tr>
<td>Total Income</td>
<td>£24,370,068</td>
<td>£25,616,513</td>
</tr>
</tbody>
</table>

Source: Higher Education Statistics Agency (HESA) HE Finance Plus 2013/14

Table 2.2: Main sources of expenditure for HE providers in England in 2012/13 and 2013/14 (£ thousands)

<table>
<thead>
<tr>
<th></th>
<th>2012/13</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Costs</td>
<td>£12,783,935</td>
<td>£13,477,956</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>£8,783,729</td>
<td>£9,159,923</td>
</tr>
<tr>
<td>Depreciation</td>
<td>£1,363,017</td>
<td>£1,473,695</td>
</tr>
<tr>
<td>Interest and other finance costs</td>
<td>£356,721</td>
<td>£359,204</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>£23,287,402</td>
<td>£24,470,778</td>
</tr>
</tbody>
</table>

Source: HESA HE Finance Plus 2013/14

Table 2.3: The Percentage Change in Main Sources of Income (Y) and Expenditure (E) for HE Providers in England 2012/13 and 2013/14

<table>
<thead>
<tr>
<th></th>
<th>% Change Y</th>
<th>% Change in E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding body grants</td>
<td>-17.9</td>
<td></td>
</tr>
<tr>
<td>Tuition fees &amp; education contracts</td>
<td>18.1</td>
<td>Staff Costs 5.4</td>
</tr>
<tr>
<td>Research grants &amp; contracts</td>
<td>5.7</td>
<td>Other operating expenses 4.3</td>
</tr>
<tr>
<td>Other income</td>
<td>2.9</td>
<td>Depreciation 8.1</td>
</tr>
<tr>
<td>Endowment &amp; investment income</td>
<td>16.7</td>
<td>Interest and other finance 0.7</td>
</tr>
<tr>
<td>Total Income</td>
<td>5.1</td>
<td>Total Expenditure 5.1</td>
</tr>
</tbody>
</table>

Source: HESA HE Finance Plus

Table 2.3 shows that tuition fee income increased by 18.1% while income from funding body grants fell by 17.9%. Total expenditure increased 5.1% between 2012/13 and 2013/14. Staff costs, which accounted for more than half of total expenditure increased by 5.4%. The biggest changes in income are within the area of tuition fees and funding body contracts, and in this way we can start to see the influence of such factors on ‘operational’ areas.

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Table 4: (Members of University Alliance Mission Group VC Salaries (£ thousands) and Percentage of Support Staff Employed, 2013-2014)

<table>
<thead>
<tr>
<th>Alliance Universities</th>
<th>VC Salaries</th>
<th>% of Support Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiff Metropolitan University</td>
<td>£214,661</td>
<td>57%</td>
</tr>
<tr>
<td>Coventry University</td>
<td>£258,077</td>
<td>45%</td>
</tr>
<tr>
<td>Kingston University</td>
<td>£206,000</td>
<td>45%</td>
</tr>
<tr>
<td>Liverpool John Moores University</td>
<td>£230,000</td>
<td>50%</td>
</tr>
<tr>
<td>Manchester Metropolitan University</td>
<td>£259,000</td>
<td>50%</td>
</tr>
<tr>
<td>Nottingham Trent University</td>
<td>£577,000</td>
<td>56%</td>
</tr>
<tr>
<td>Oxford Brookes University</td>
<td>£222,000</td>
<td>57%</td>
</tr>
<tr>
<td>Plymouth University</td>
<td>£265,000</td>
<td>52%</td>
</tr>
<tr>
<td>Sheffield Hallam University</td>
<td>£257,000</td>
<td>55%</td>
</tr>
<tr>
<td>Teesside University</td>
<td>£244,883</td>
<td>57%</td>
</tr>
<tr>
<td>University of Greenwich</td>
<td>£219,167</td>
<td>49%</td>
</tr>
<tr>
<td>University of Hertfordshire</td>
<td>£269,000</td>
<td>55%</td>
</tr>
<tr>
<td>University of Huddersfield</td>
<td>£247,000</td>
<td>47%</td>
</tr>
<tr>
<td>University of Lincoln</td>
<td>£224,000</td>
<td>55%</td>
</tr>
<tr>
<td>University of Portsmouth</td>
<td>£237,000</td>
<td>55%</td>
</tr>
<tr>
<td>University of Salford</td>
<td>£214,000</td>
<td>51%</td>
</tr>
<tr>
<td>University of South Wales</td>
<td>£191,000</td>
<td>55%</td>
</tr>
<tr>
<td>University of the West of England</td>
<td>£261,630</td>
<td>56%</td>
</tr>
</tbody>
</table>

Source: Times Higher Education (2015a)