

Submission to the Lambert Review of Business-University Collaboration
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1. Summary of contents

This paper outlines the writer's experience relating to interactions between higher education and business, and goes on to illustrate how Liverpool John Moores University is responding to the needs of economic development on the basis of an executive management structure and culture throughout its organisation. It indicates current areas where effective support could be given to strengthen universities' capabilities to carry out commercial activities.

2. Relevant experience of writer

This contribution to the Lambert review draws upon the experience of working as a researcher, teacher and manager in four different universities within the UK, (as well as one research institute in France), and many years of personal experience in undertaking high-level academic consultancy (for example with Intel Corporation). University management experience ranges from the role of chief executive to the management of commercial activities through "arms-length" companies, and the management of intellectual property rights (IPR).

Whilst General Manager of Loughborough Consultants Limited, the writer contributed to the development of DTI best practice advice on university consultancy and the management of IPR, and has studied science park and incubator practice in the USA. At De Montfort University, working closely with the Patent Office, he established an Intellectual Property Advice Centre, radically changed the commercial culture of the institution, and established a very successful parallel commercial company, De Montfort Expertise Limited. The evidence for success can be seen in the statistics for the number of USA patents granted to UK universities, where De Montfort is the only post – 1992 university to appear in the top twenty.

3. Diversity of universities

It needs to be emphasised that modern universities are very complex operations, and that universities differ greatly in their structures, cultures, and priorities. This may seem an obvious point to make, but it is clear from the reactions of many who are not in close contact with universities (including politicians) that they are often assumed to be homogeneous, if not identical institutions. This is far from the case. The remembered experiences of senior politicians who were undergraduates some years ago at particular universities simply cannot be generalised to provide useful benchmarks for understanding the complex operations of modern British universities as a whole.

It is essential that this diversity should be recognised and encouraged. It is the interaction of teaching, scholarship, research and consultancy within a

university that makes it a vibrant and successful operation, and enables it to respond effectively to its regional economy.

It is important to appreciate that governance and management approaches within universities also vary greatly, and in particular that the executive management approaches now being developed and practised in some universities are markedly different from the more traditional style of management by academic committee still used in the majority of research-dominated universities, which harks back to the 18th century and beyond.

4. Governance and management

There is a great deal of confusion about the difference between “governance” and “management” in relation to universities, primarily because in many of the older universities the approach to decision-making (as apposed to management) is via a complex and arcane committee structure. This structure tends to overlap with another committee structure that deals with governance. There is no real executive structure in such universities, especially since many senior posts are rotational in nature and incumbents are drawn from the academic cadre, and are not permanent appointments. Indeed, in these universities, the word “administration” is preferred above “management”, and managerial approaches are viewed with suspicion. Interestingly, this observation applies equally to universities in the USA. The only means that senior staff within such institutions have available to them to run their universities is to lead and persuade committees into making desirable decisions. Executive management is a totally alien concept. However, it is not clear whom, if anyone, is responsible for taking decisions; nor is it clear who is responsible and accountable for the delivery of outcomes, or for failure.

At LJMU the institution is quite clear about the different, but related, roles of governance and management. The Board of Governors looks at the “big picture”, as would the Board of a large private company. It is responsible for the educational character of the institution; for approving its strategic plan; and for its financial position. It ensures that the institution meets all of its legal and social responsibilities; and it monitors the performance of the executive management of the university against the approved plan.

The Board of Governors represents most of the main stakeholders of the University: these include staff, students, employers, businesses, the professions, and regional government bodies. “Independent Governors” make up more than 65% of the governing body, and are drawn from the professions, business and industry. They have reserved powers over and above the staff and student representational governors.

The Board of Governors at LJMU has four main sub-committees to oversee particular aspects of the University and to ensure that the Governors are given confidence that their responsibilities are being covered by the work of the executive management. These sub-committees cover audit, employment, enterprise, and finance. The fact that there is a special sub-committee for enterprise is a clear demonstration of the importance attached to this activity.

It oversees the policy and the performance of the University in the whole area of enterprise, and would be asked for advice on major new directions for future enterprise activity, and consulted before undertaking any new activity that might be seen as having significant risk or implications. It does not, and could not in practical terms, get involved in the details of routine contracting or delivery, which is an executive management responsibility, other than through the regular overview of performance through routine management reports on enterprise activity.

In sharp contrast to the traditional mode of management-by-committee favoured by traditional universities, LJMU adopts an unambiguous executive management style. This mode of organisation is supported by a small number of committees that are purely advisory in nature, and by widespread staff consultation. Financial responsibility is devolved to Faculties, Schools and Departments within the institution, within budgets and protocols that are set by the Executive Management team under the aegis of the Board of Governors. Objectives and targets are set in relation to an overall institutional strategic plan, as would be the case in industry.

The executive management team is responsible for leadership and for the day-to-day management of the institution within the overall strategy set by the Board of Governors. It has responsibility for giving informed advice to the Board on its strategy and priorities, especially at periods of formal review, and for delivering the performance outcomes set by the approved plans.

Clearly, there are great benefits and advantages to be derived from an executive management approach to the running of British universities. It offers potential for greater focus, continuity and consistency in relation to policy and outcomes; improved financial control and greater cost-effectiveness; and a more coherent overall approach to all activities.

5. Unique features of Liverpool John Moores University management

Over the last two years, the University has been going through major structural and cultural change. Though based on broad consultation with all stakeholders, decisions relating to change and to policy direction are the responsibility of the chief executive and his senior team, subject to the approval of Governors.

The overall objective is to create a modern university with an executive management structure fit for purpose, and appropriate to the management of a modern academic institution, which is delivering a clear and agreed mission and purpose, working at international, national, regional and local levels, with a particular contribution to make to the regeneration of Merseyside.

Several key actions have already been taken with great success, and these are briefly outlined below to demonstrate the direction of approach being taken. It is both pioneering and ambitious in its holistic approach to changing the managerial style and culture of a modern university.

- *Managerial structure*

After extensive consultation, and with the approval of Governors, a new organisational structure was introduced to clarify line management structures and to group cognate academic activities of the University (Faculties) together under newly appointed Deans. The Deans are permanent appointments with responsibility for academic delivery and resource management in their faculties, in addition to corporate-wide managerial responsibilities.

The objective is to provide a framework for devolved responsibility and accountability, and the structure has proved generally effective and surprisingly popular.

- *Review of Mission, Purpose, and Behavioural Values.*

Through a detailed consultation process, staff and students in the University were invited by the Board of Governors to review the Mission of the University. This process produced revised Mission, Purpose and Values statements that were approved by the Governors, and has ensured wide “buy-in” to the future direction of the University.

The statements essentially re-affirm that the University is committed to providing opportunities for the widest possible range of people that can benefit; to providing teaching based on scholarship and research; to undertaking research of national and international quality; and to working closely with business and the professions, particularly in the Merseyside regeneration context. In other words, the place of enterprise and close collaboration with business partners was re-affirmed unambiguously in our fundamental attitudes and plans.

- *Leadership training*

The implementation of a wholly new organisational structure requires fundamental cultural change. In order to deliver an efficient organisation, staff needed to work and contribute in changed ways and to promote effective teamwork. This process of cultural change has been effected with outstanding results. LJMU engaged Senn-Delaney, an American-based company specialising in organisational cultural change, initially to work with the University’s senior management, comprising some seventy people.

Senn-Delaney is an experienced and well-established company and was used by Ford at Halewood to effect the cultural conversion from Ford to Jaguar (with spectacular results on efficiency and staff commitment), and are also working with United Utilities here in the North West, and with Smith Klein Beecham on a world-wide basis. Despite their global experience across business organisations, it is interesting to observe that LJMU is the first university to seek their expertise. The results have been

dramatic, the only problem now being to find the resources needed to roll out the programme to the remaining 2,400 employees.

- *Strategic Planning – Price Waterhouse Coopers*

The services of a senior consultant at PWC have been employed to give training to the senior management team in strategic planning approaches, and to facilitate a fundamental review of the University's strategic plan, rather than to utilise the characteristic planning approach of most universities which is rather "incremental" in style. The resulting ambitious strategic plan has been received enthusiastically by the wider staff and has been approved by the Board of Governors.

- *EFQM Excellence Model*

The chief executive of LJMU leads a HEFCE-funded pilot project in the "Better Management Practice" initiative. Building on the experience gained by piloting the European Foundation for Quality Management (EFQM) model in several universities and HE colleges across the UK, it was decided that the University should adopt the EFQM model for the whole institution. A full evaluation of the University against the model has been done using staff from across all parts of the University, and areas for improvement are now being tackled with gusto.

- *Removing the formal committee structure of the University*

After consultation across the University, the complex and rather ineffective committee structure of the University has been reviewed. The immediate impact is that an estimated 300 committees and working groups have been removed from the University, leaving only eight formal committees (including the Academic Board), which have important and well-defined functions, and which are largely advisory. The University is now unambiguously executively managed.

- *Composition of the main executive board*

An executive board known as the Strategic Management Group (SMG) manages the central functions of the institution. Formally, the SMG is advisory to the Vice-Chancellor and Chief Executive, who is in turn directly responsible to the Board of Governors.

Included on this executive board are the Pro Vice-Chancellors (permanent appointments), the Marketing Director and the Finance Director. Both the Marketing Director and the Finance Director have been recruited directly from the business sector. It is very unusual, if not unique, to find a professional Marketing Director on the senior executive board of a university. Also included on the SMG are the six Deans of Faculty, the Director of Enterprise, and the Director of Excellence. The Director of Excellence is responsible for implementing the EFQM Excellence model across the University, and for reviewing critical processes.

6. Liverpool John Moores' commercial activities

LJMU is engaged in a substantial amount of enterprise work, through support to SMEs, and through general consultancy, teaching companies, spin-out companies and simple IPR exploitation.

The University has produced 21 spin-out companies in the last 18 months, and the pace is accelerating. LJMU has more teaching companies in the business field than any other university.

One of its earlier spin-out companies, Telescope Technologies Limited, which is still a 100% owned subsidiary company, won the "China Exporter of the Year 2002" award. This was for designing, building and exporting a \$5m robotically controlled astronomical telescope to Yunnan in China.

LJMU is also heavily engaged in ensuring that its undergraduates get a range of opportunities to experience working in SMEs, and to develop their commercial skills. One scheme used to introduce graduates into the SME world is "Business Bridge", benefiting from funding from the Objective One programme for Merseyside and now into its ninth year.

Our objective is not only to produce graduates who will be sought after as employees, but also to produce graduates who will successfully establish their own businesses. Interestingly, the Government only collects statistics on graduate employment, not those relating to business start-ups among graduates.

We aim to move further, to be able formally to validate the important personal transferable skills attained by our students to the benefit of future employers and to the benefit of students seeking their first jobs.

7. The range and levels of HE - Business interactions

The ways in which industry and business access university expertise and advice are varied, and reflect both the maturity and size of the organisation concerned, and the strategic importance of the relationship required.

Within LJMU, requests for simple advice required by SMEs to solve problems are most usually dealt with via calls to the Business Development Office, or by one of the Business Development Managers making contact out in the field.

Larger organisations, being more savvy about particular areas of expertise available within the University, will want to make direct contact with its local experts. In these situations, the academic concerned makes individual contractual arrangements through the Business Development Office.

On other occasions, a company may wish to establish a major strategic alliance with the university as a whole, and this will be discussed at the most senior levels in the company and in the University.

One needs to be able to cater for all possibilities and all combinations. There is no model answer to this. Different industries will expect different responses and different ways of engaging with them. The main issue is for the university to be able to respond in a timely and professional way, speaking the language of business and having available to it all the appropriate commercial techniques concerning contracting. The main challenges facing universities in supporting economic development are those of staff capacity and the flexibility to respond within other contractual obligations, as well as the ability of the University to retain suitable staff within an extremely poor salary regime and during a period when basic research funding is being withdrawn from universities.

8. Improving interactions and trading between HE and Business

Most of the required steps to enhance universities' ability to respond more effectively to business have already been taken, but a few critical areas could still usefully be addressed. These include the availability of "proof of concept" funding; an improvement in the retention of skilled staff; the ability to invest in specialist equipment; and the important continuation of the benefits of "third leg" funding.

- *Availability of "proof of concept" funding*

Often a promising new idea goes nowhere because of the lack of relatively low level speculative funding to take an idea to a more developed stage or prototype. The money required could be in the range £10,000 - £50,000, and is by its nature highly risky. The private sector is not excited by such an opportunity, especially as there is no clear IPR that can be set against any investment. Public investment is needed, and universities certainly do not at present have the capacity to invest such funds. Fortunately, here in Merseyside a mechanism to deliver this kind of funding should become a reality soon (see section 9).

- *Need to retain skilled staff*

It is becoming more and more difficult to retain the kind of skilled staff demanded by SMEs needing advice and support. Academic salaries are already known to be highly uncompetitive. At a time when the Government is essentially withdrawing funding for basic research of national levels of quality, the ultimate incentive that universities could offer staff to compensate for their relatively poor financial packages – the ability for them to spend some time undertaking relevant research – is fast disappearing. This will have a major impact on the abilities of universities to retain staff, and therefore to service regional support agendas.

- *Need to invest in equipment for teaching, research and consultancy*

The Government recognises the many years of under-investment in equipment in universities for teaching, research and enterprise. The

recognition of the problem does not however solve it. The reality is that commercial customers need, and used to have access to, specialist equipment and professional staff working at the highest levels of delivery. This is no longer the case, since most companies themselves have better equipment than would be available to university staff.

- *Do not change the arrangements for “third leg” funding*

The very useful incentive known as “third leg” funding was offered to universities two years ago to allow them to develop professional delivery mechanisms to interface more effectively with business. Appropriate investment has now been made, mostly via the appointment of specialist staff who have now established the necessary networks both inside and outside universities. This activity takes time to develop, and the investment in it by initiative funding is starting to show results. The worst thing that could happen now would be for a major change to be made in the current arrangements on the basis that no obvious progress has been made. Any changes, especially on any basis of competitive bidding for initiative money, would undermine the importance of the work currently being integrated into the culture of universities, and waste the investment already made over the last two years.

9. New developments in Liverpool with the support of the NWDA

Liverpool John Moores University has been working co-operatively with the University of Liverpool over a wide range of areas during the last two years. Areas of especially fruitful collaboration have been the establishment of a Liverpool Science Park, and the co-ordination and support of incubators.

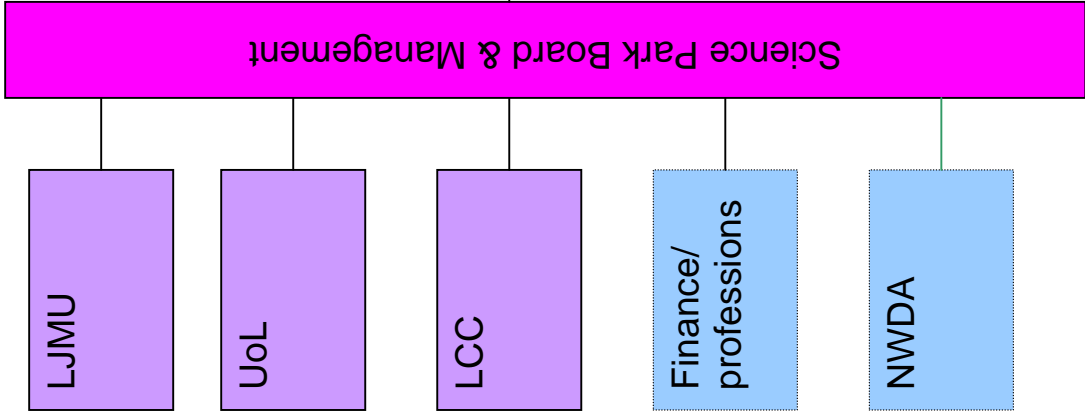
With the strong support of the North-West Development Agency (NWDA), the Liverpool City Council (LCC), and potentially the Objective One programme for Merseyside, a Liverpool Science Park will be operational from September 2004.

Most importantly, the establishment of a Science Park (led by the two universities working together, but Chaired by the Vice-Chancellor of LJMU) is also being used as a catalyst to co-ordinate incubators and to produce funding to support “proof of concept” and initial stage “seed corn” funding. A schematic diagram is attached showing the IPR exploitation processes, and the role of the Science Park Board in co-ordinating the operation to best effect. This would appear to be a wholly unique approach.

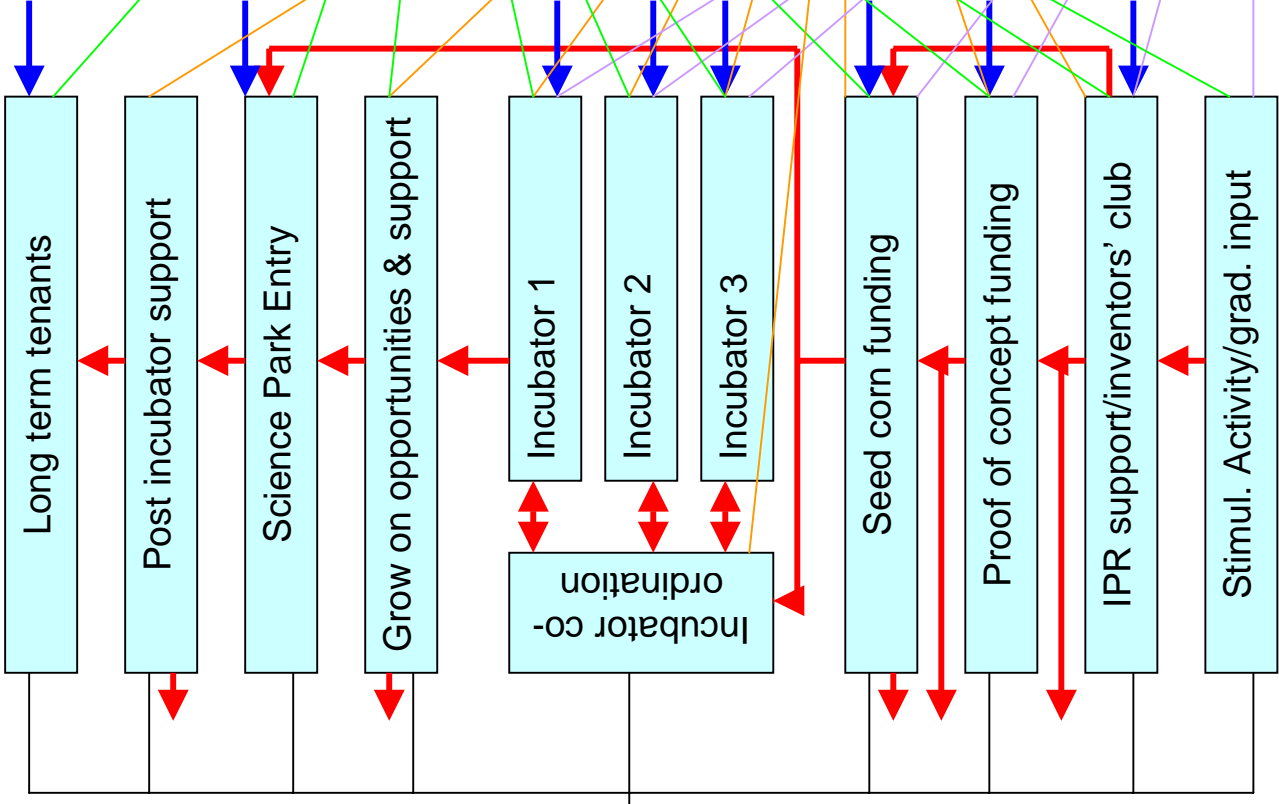
Given this development, and the fact that highly skilled Business Development Offices have been well established in both universities (and are collaborating), the Liverpool universities are well placed to make major steps forward in the enterprise field, supported strongly by the NWDA.

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Stakeholders



Processes



Players

