

# Professionalisation of management and leadership

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This article shows the importance of appropriate governance and management structures that support income diversification, and reflects the role of university leaders in fostering cultural change in their institutions as well as for engaging and motivating staff.

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## 1 Context and key challenges

The context within which European Universities are working presents several key challenges that institutions must address. At a global level, the depth of the economic downturn is having a significant impact on higher education, most notably through diminishing budgets and uncertain funding frameworks. This trend is all the more worrying for universities as the international higher education landscape becomes more and more competitive with the increasing prominence of thriving economies, such as China and India, who are investing heavily in their higher education sectors with impressive results. Finally, the literature has highlighted the gap that exists between North-American and European universities insofar as their capacity to move towards the exploitation of additional income streams is constrained by the governmental and legal frameworks within which they operate.

Challenges are also associated with the characteristics of the European higher education sector, and in particular its breadth, complexity and diversity. This inhibits change from happening swiftly, especially where institutional autonomy is limited by external constraints. More autonomy would enable institutions far greater opportunities to broaden their funding base, but achieving such autonomy will clearly be harder in some countries than others.

Finally, universities must meet the more sophisticated demands of their student populations. Students have higher expectations and these, in turn, become more diverse as universities become more global with significant implications for investment in campuses and infrastructure, for which universities cannot rely on annual fluctuations of government funding. Universities must therefore develop new models for income generation over which they have much greater control.

## 2 The EUDIS project (European Universities Diversifying Income Streams)

Building capacity for income diversification in higher education therefore requires action at multiple levels. The outcomes of the study “Financially sustainable universities II: European universities diversifying income streams”, led by the European University Association, confirm this by formulating recommendations addressing the different key stakeholders in the matter.

Universities must take on a proactive approach by redesigning governance and management structures, as well as ensuring exemplary leadership and management capability and capacity. Cultural change must be embedded through modern and flexible people management policies; finally, universities must have clear strategies to enhance staff development at all levels and across all staff groups.

These efforts shall be in turn supported by action at regional, national and European levels, where governments and funders need to commit to creating the conditions for greater institutional autonomy, while designing appropriate incentives that enable institutional governance scope for reforms fostering an improved environment for income diversification.

However, this last point is very much about the leadership teams in universities being able to influence government and funders to institute such changes. Therefore, institutional leaders will need to be accomplished at conducting negotiations successfully at these highest levels both nationally and internationally.

Having recognised the challenges, which are not insignificant, universities are well placed to deal with them, because as knowledge-based businesses, they deliver success through their people. What is crucial is for universities to have the vision to know what is needed and deliver that change in our institutions rapidly. The difficult external environment makes it all the more important to act swiftly and decisively and to act now.

## 3 Governance and management structures supporting income diversification

The following section suggests a number of key aspects to take into consideration by institutional leaders to foster the effective implementation of the university’s income diversification strategy.

### Aligning structures and goals

Having defined the strategic goals of their institution in terms of income diversification, university leaders must consider the appropriateness of the governance and manage-

ment structures. Good governance is often the stage that is left out when thinking about leadership issues. Is cultural change supported by adequate decision-making processes in the university? Clear lines of delegated authority are vital to support the need for rapid and responsive decision-making. The sheer number of “layers of management” may constitute an obstacle to being able to be opportunistic and achieve competitive advantage. Committee cycles have to be carefully examined to ensure that lines of responsibility and accountability are respected without creating needlessly heavy procedures.

### **Adapting governing bodies**

Institutional governance is the place to start if the university is to set the right conditions to foster cultural change towards income diversification. This also requires the right skills and representation on governing bodies. If the governing body is to ensure that the institution is able to meet the challenges ahead, then the competencies of its members are crucial. As a general rule, the governing body needs to lead by example.

The recruitment of governors has been changing in many institutions in the United Kingdom. Governors are being interviewed and selected for their specific expertise. Institutions increasingly recruit highly regarded experts who are active within the economy. At the University of Edinburgh, experts from the financial sector were recruited to serve on the Investment Committee. All “lay Governors” are now interviewed and assessed against competencies and are appointed based on their professional experience and Board room expertise.

The need to transform the whole approach to governance is crucial to universities. Although different constraints may apply in different countries, there is scope within each university to adapt the ways and processes by which the institution attracts, recruits, selects, appraises and develops the members of its governing bodies.

### **Strategic planning and assessment**

By embedding income diversification into the university’s strategic goals, it will mean that it is integrated within the main business planning processes and will benefit from clear planning, resourcing, managing and monitoring of performance against targets.

Establishing indicators of measurement is therefore necessary to assess the success of the strategy. Measures should be defined and set to determine that there indeed is a culture that genuinely fosters income diversification, creativity and innovation across all areas of the university. Institutional leaders will need to give clear thought to individual and business performance indicators that need to be monitored through governance and management structures.

#### 4 Exemplary leadership and management to foster and sustain culture change

How can university leaders create cultures that encourage greater diversification of income? Two preconditions are necessary. Firstly, institutional leaders must make an explicit decision that income diversification is a major corporate priority; and secondly, obstacles to income diversification, innovation and creativity must be removed, for instance by reducing the number of "layers of approval" or any process that hinders the responsiveness in translating ideas into action.

##### **Winning hearts and minds: the importance of communication**

Leaders should act as role models for income generation and ensure public acknowledgement for the work of others. Universities are "people businesses". Ideas come from people and people make those ideas happen. Communicating the right messages and rewarding the right behaviours help to effect cultural change.

Senior leaders therefore need to consistently communicate the income diversification agenda. That includes engaging the Professor of Mathematics as well as the post-doctoral researcher in Classics. Engaging staff early in their career with the institution is rewarding, as it will encourage them to play an active role and have impact if they understand that this is relevant to their career advancement. The idea to convey is that the activity of each employee is bringing added value to the university.

Fostering workplace creativity and innovation should not be a one-off event. It should represent the way in which universities work. It is about having a creative working environment. Thus, leaders need to ensure channels and fora exist to communicate ideas upwards and across the organisation to engage staff and pass ideas on to leaders or champions. For this, leaders must make time, space and resources available to support the effectiveness of such fora.

This will help to foster a culture of collaboration and mutual support which is key in allowing ideas to flourish and opportunities for income diversification to be identified and exploited, including new ways of working. For example, universities may make greater use of multidisciplinary and cross functional teams. This can work in both academic and professional services areas. Indeed, universities should make sure they focus on all staff groups, and not exclusively on academic staff. It is vital to embed cultural change across institutions at all levels to ensure their future financial viability.

Effective external communications are equally valuable, for example, building closer links with your local community can lead to fruitful alliances that benefit the local region as well as the University. Are there opportunities and collaborations to be explored in your city or region? This can have enormous benefit for your local profile, because

institutions are often criticised for not engaging with the local community. Universities have responded in a variety of ways and many are now playing an increasingly active part in, for example, the creative industries, through their support for book, music, theatre and film festivals. For example, the University of Edinburgh has a close relationship with the Edinburgh Festival, hosting many of its events in the heart of the city centre. This brings the local community into the University and means that the University is making a very visible contribution to the local economy.

Finally, in the current economic climate, there is scope to send out a very powerful message to all staff. Gaining employee engagement in an economic downturn will be much easier if leaders are giving confidence-building messages about the future and linking this to how best to enhance the institution's financial health.

### **Management Capability and skills**

The success of universities derives from having a motivated, energised and committed workforce. It is good to remember some basic principles:

- Employees' most important relationship at work is with their direct manager.
- The role of the manager is seen as having the greatest impact on discretionary effort.
- Employees need managers who are themselves engaged and committed to the organisation, its values and its objectives.

University leaders should therefore seek to enhance management communication capacities to promote and deliver the institution's income diversification strategies; both internally, to raise awareness about the importance of diversifying income, and externally, to engage stakeholders and partners with the mission and goals of the university.

"Return on Investment" approaches may be helpful to assess whether the investment the institution is making in management development is reaping benefits and achieving the defined goals. Are faculties enjoying more success in securing long term strategic partnerships, where managers have had skills development in brokering such contracts?

Enhanced management capability is necessary to manage rewards and performance much more effectively. In academia, it seems more appropriate to talk about success rather than just performance management, if one wants to win hearts and minds.

## 5 Modern and flexible people management policies

### Recruitment and promotion

Approaches to recruitment matter for successful income diversification. Making income generation an explicit criterion for appointing or promoting people is something to consider, as well as seeking evidence of a candidate's track record and their experience in fostering these skills in others.

Universities need to actively go out to look for technical and professional competence in new areas of expertise. The profile of the institution's workforce must meet the needs of the university and reinforce its ability to reach the defined goals. Effective talent management is a key.

This is a reason for tailoring recruitment strategies to meet the different needs of the university. "One size fits all" approaches cannot suit the proposed purposes. The recruitment of specific staff, such as experts in alumni and philanthropic giving, is a pre-requisite. These experts can, in turn, develop and enhance the skills of other staff across the university.

Making strategic use of the expertise available: when people are selected to lead major task forces to implement change, are they selected on the strength of their success in income generation in the past? If this is considered as a strategic goal, then it should be a criterion for selection. Equally, are people moved around the institution to maximise opportunities for income generation? Bringing people together in units may help to spawn new ideas and make them happen.

### Measurement and Rewards

Rewards and metrics provide evidence of how initiatives are contributing to the success of the institution. Therefore, university leaders need to develop an approach to rewards that will appeal to the different needs and motivations of your staff. Staff will not all respond to the same types of incentives and rewards. Institutions must take on sophisticated approaches in designing flexible rewards systems that recognise the variable needs and motivations of staff.

There are various modalities for rewarding successful components of the university. Incentives and rewards may be designed for the individuals, but also for the unit/department. If faculties have been successful in generating income, can they keep some or all of their returns?

It is essential to be clear about what will be rewarded. Areas that may be addressed in the rewards processes include:

- Delivering new successful income streams & entrepreneurial activity;
- Innovation and creativity;
- Excellence: in academic and professional services;
- Output focused activities;
- Establishing strategic alliances, collaborations and partnerships;
- Intelligent effort or informed risk taking that delivers viable income streams.

Rewards need to be aligned to the strategic goals of the university and the relevant faculty, department or school. Individuals and teams must be rewarded for their successes in income diversification if this is a strategic goal of the institution.

Staff need to focus on what is high value, high impact and of high reputational benefit. Leaders have the responsibility to convey this message to the rest of the staff. Embedding this new philosophy is key to professionalising leadership in higher education. This includes rewarding innovative breakthroughs and successes quickly; publicising rewards for income diversification to signal its importance to the culture of the institution; and developing behavioural measures of creativity and income generation.

### **Professional Development**

Exemplary leadership and management skills, supported by tailored development to meet the needs of different staff at different stages of their careers are essential to effect successful cultural change. In practice, this may take the form of coaching for those in management roles to develop their staff effectively, or ensuring that senior colleagues participate or facilitate sessions on income diversification, to reinforce the importance of this to the culture and success of the organisation.

Universities must be prepared to embed skills at all levels that foster income diversification in their development provision. They can offer cross functional development opportunities to facilitate the sharing of ideas and enhance the likelihood of income diversification. They may use competitive benchmarking in their development provision to encourage income generation.

Universities are all recruiting development and alumni professionals, but all staff need to be able to exploit their respective networks to raise income. Traditional staff roles are changing, with academics becoming fundraisers and learning how to operate on a more commercial basis. One interesting example is the 'Commercial Breakthrough Programme', that we ran at the University of Edinburgh for Heads of Section in Veterinary Clinical Sciences. The aim of the programme was to enhance the Vet School's understanding of operating in a customer facing business environment, and consequently to increase clinic income. Some of the competencies that staff had the opportunity to develop were: the commercial mindset; effective deal making (influencing

and negotiating); project managing commercial actions; and opportunity spotting, screening and testing. These skills are new to the higher education context – but have great relevance in our new funding environment.

One cannot emphasise enough the importance of adopting a sophisticated and differentiated approach to institutional leadership, one that is informed by and tailored to national, institutional and individual needs. That is to say, that there is no single solution that can be adopted across the piece. Each institution will need to identify solutions in respect of its own strategic priorities and national governance and funding context. This being said, it is possible to propose some broad recommendations: the professionalisation of management and leadership in European higher education is about creating the right culture, supported by the right structures attuned to institutional strategic priorities, and should focus on:

- Institutional governance;
- Build and enhance leadership capacity at every level to achieve fundamental culture change; and
- Transform policies on people management to support flexible, agile workforces by embedding an ethos of high quality leadership in all that universities do to create the conditions for greater financial sustainability.

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