

# Income diversification at the University of Warwick

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This article describes the specific approach of the University of Warwick – one of UK's most dynamic and progressive universities – to generate income. This includes a broad field of knowledge transfer activities and long-term relationships with big companies, commercial operations like Warwick Science Park, retail outlets, conference business and internet job business, as well as public-private-partnerships and philanthropic giving. It concludes that constantly identifying and growing new sources of income seems to be a vital role of the modern university which may also be the only way to keep independence.

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## 1 Introduction

In Europe, as in many countries and regions across the world, higher education systems have expanded extensively over the last decade and continue to undergo wide and deep structural changes. In nearly every country of the European Union something very similar is happening, though in different forms and at different speeds. That is the massification of higher education, combined with a simultaneous attempt to improve the quality of higher education. The results of these tendencies in higher education are manifold: dramatic changes to the student body with many more non-traditional entrants including part-time students; a rapid growth in demand for professional programmes; and a much enhanced level of international student mobility amongst them.

But the chief effect has been to put strain on the public finances as higher education has moved from being understood as a preserve of elites to a vital component of the knowledge economy. That strain has manifested itself in many ways, from a series of academic and organisational reforms, including the emergence of more managerial forms of governance in many institutions in direct response to the new external environment, through more and more action on student fees, to the dramatic growth of private higher education in many countries. Globally, more than one in three students is studying in the private sector and there are already some very well established markets such as the United States.

Across Europe, it is a fact that in many of its countries demand for higher education is in danger of outstripping the capacity of universities to fulfil that need. So, it is no

surprise that alternative forms of higher education provision are emerging apace. In addition, public funding regimes are being used as a policy instrument by governments pressed by the forces of globalisation to either produce or support a group of institutions which can be considered as part of the international elite and, in turn, to ensure that universities play their role in the creation of knowledge-based national economies. The tension between providing a higher education for a burgeoning and increasingly heterogeneous community of learners, in a manner which is coherent but simultaneously flexible enough to respond to the changing needs of society, in institutions which were often set up to do something else, is a challenge indeed. What seems certain is that what has generally been regarded as a publicly funded sector will change radically over the next few years, bringing the whole issue of the mix between public and private on to the agenda.

Universities should be considered as autonomous institutions, each of them with their distinctive strengths which should be both cultivated and celebrated. But as the balance between public and private changes, while simultaneously governments are surrounding universities with too many regulations and are often interfering to a greater extent even where universities have effectively been branches of the civil service (the law of more influence with less funding), diversifying the streams of income on which individual universities rely must therefore be a vital part of maintaining autonomy and the resultant freedom to manoeuvre. Of course, such activities contribute towards the overall financial health of an institution and ensure that there can be continuous investment in the academic front line but they also mean that universities can have choices which otherwise would not be open to them.

## **2 The example of the University of Warwick**

The University of Warwick was established in the first wave of post-war university expansion in Britain and can now be counted as the most successful of the eight universities which emerged in the United Kingdom in the 1960s. Today, the University is consistently placed in the top 10 of UK universities overall in national league tables. In the most recent national Research Assessment Exercise, Warwick was ranked 7<sup>th</sup> overall. The University has 20,000 undergraduate and postgraduate students and employs 5,000 staff covering academic, administrative, operational and commercially-facing roles. As a campus-based university, Warwick benefits from an extensive estate, spanning 290 hectares, which constitutes a great asset. The institution has a turnover of around 409 million pounds per year (over 430 million Euro), and takes just 23 per cent of its funding from government. This figure is considerably lower than the sector average in the UK and is lower both in percentage and real terms than many other institutions. It is particularly notable against the figures presented by the project "European Universities Diversifying Income Streams", led by the European University Association, which found

that, on average in Europe, public funding accounted for over two thirds of a university's average financial structure and that for 40 per cent of institutions, additional sources of income represented 10 per cent or less of their total income.

The University of Warwick is recognised as one of the UK's most dynamic and progressive universities for four main reasons. First, it has never tried to imitate traditional models like Oxford or Cambridge. Rather, what it has done from its foundation is to be different on the grounds that one cannot be successful in the long run by being a clone of other Universities. Its purpose is to keep innovating.

Second, the University of Warwick has been very selective about what it does academically. For example, the first Vice-Chancellor realised that he could make an immediate impact with mathematics, not least because it had a low cost base, and put investment into it which has paid off. The University still has only thirty departments but it is possible to be excellent in all of these disciplines.

Third, Warwick has always sought to be both academically excellent and relevant. The University believes that the two can mix without detriment to either. The world-renowned Warwick Manufacturing Group for example is unique in the UK higher education sector because of its unparalleled links with industry. It has still proved very difficult for other universities to emulate this because its ethos requires a quite specific kind of environment.

Fourth, Warwick tends to hire academic staff and administrators who want to do the same things as the University because they want to come to Warwick: the university offers a space for a much more entrepreneurial body of people, people who have the initiative without which the university cannot succeed.

### **3 Institutional approach**

But there are other stylistic reasons for Warwick's success in this endeavour. First, and by far the most important, is an absolute unwillingness to be complacent in any way – part of what the community calls the 'Warwick gene'. A crucial part of this 'gene' is the willingness to innovate and to try new things. There is a 'why not?' attitude and, even in straitened times, an absolute commitment to 'structured risk-taking'. The key to much of Warwick's success, then, has been a good understanding and management of risk coupled with very tight financial control but with a bias to having a go.

Second, there is a very flat management structure which gives the space to explore and innovate. Warwick has fewer tiers of management and less bureaucracy generally than many other universities, and decisions can as a result be made relatively

quickly, making Warwick highly responsive to opportunities as and when they arise. That flat structure is characterised by a minimal number of barriers between departments and the centre. In contrast to most British universities which are opting for executive management styles and formal hierarchies, Warwick has avoided concentration of power as a mistake for an organisation which aspires to be fast and flexible.

Third, Warwick's policy is to be outward-looking in all activities. Whether in the attitude to partnerships with business and industry or in international partnerships, cooperation is seen as a means of getting advantage, not as a threat. The recent internationalisation strategy for example has been based on the selection of a very few international partners who share Warwick's values and ambition – Boston University in the United States, Monash University in Australia and Nanyang Technological University in Singapore. These partnerships have been leveraged to add financial and cultural capital to Warwick, through, for example, shared use of equipment and technology platforms with Monash University, and joint research bids to major national funding bodies both in the UK and in the US with Boston University.

Finally, and central to this discussion, Warwick's innovative and entrepreneurial spirit resulted from the driving principle that the University should not become overly reliant on government funding.

#### **4 Income generation activities**

Born out of the crucible of the government funding cuts of the 1980s in particular, the University of Warwick has relentlessly pursued a variety of knowledge transfer activities with business and industry; a variety of commercial operations; numerous partnerships with private companies; and has developed a new, socially aware, approach to philanthropic giving without sacrificing academic excellence. Following are a few examples of Warwick's distinctive approach to these activities.

##### **Knowledge transfer activity**

The extensive and diverse range of the university's activities in what might be termed the broad area of knowledge transfer can be illustrated by the previously mentioned pioneering work of Warwick Manufacturing Group (WMG). When WMG was set up in 1980 by Lord Bhattacharyya, it was very different from the traditional academic model: a bridge between the UK's manufacturing industry and the application of cutting edge research. The relationships seeded between the Group and industry have led to major collaborative research programmes with companies worldwide, especially with India, with which Warwick has unique links (for example with Tata, Bharat Forge, TVS Motor Company), and the Group runs teaching and research centres in Hong Kong, Singapore, Malaysia and Thailand. In addition, WMG has forged long-term

relationships with organisations in sectors as diverse as aerospace and pharmaceuticals, automotive manufacture to food processing, banking and healthcare. That early pioneering instinct in seeking out industrial-academic links is just as much a key component of Warwick's strategy today, and that root industrial mission has been extended significantly through the establishment of WMG's International Digital Laboratory, a visionary project which has enabled industry to interact with research in new ways through a sophisticated digital environment. This flagship research building on the Warwick campus transfers the process skills of Warwick Manufacturing Group into new domains, in particular, medicine and security.

Knowledge transfer taken in its widest sense, Warwick also provides a variety of professional and workforce development opportunities, from bespoke consultancy to executive education programmes for sectors as diverse as international finance or medicine and manufacturing. Overall, in 2009 alone, departments of the University including WMG, Warwick Business School, the Warwick Medical School, the School of Law and Warwick Institute of Education, have provided such programmes for over 6,000 people.

### **Commercial operations**

Closely linked to the activities of units like the Warwick Business School, are the university's commercial operations. The University is home to seventeen freestanding businesses. They include three thriving post-experience residential training centres for the business community; the University of Warwick Science Park; retail outlets; an award-winning vacation conference business and a internet jobs business. These entities generate income, a proportion of which returns to the university's academic mission. These activities enable the university to continue to relentlessly invest in excellent people, excellent facilities, and an outstanding teaching and learning experience for students. A good example is Warwick's innovative jobs business, jobs.ac.uk, which advertises positions in universities, colleges, research institutions, commercial and public sector, schools and charities through a completely electronic service. The service has been extended to the US market and operations are now being franchised to universities across the United Kingdom.

The "raison d'être" of these activities is not to generate income, but should as far as possible not be run at a loss. For example, there is the Warwick Arts Centre, established in 1974 and now a nationally recognised facility which forms the cultural hub of the campus and attracts over 300,000 external visitors each year.

### **Public-private partnerships**

Warwick has always been open to and has proactively fostered public-private partnerships throughout its history. In recent years, private companies themselves are ac-

tively seeking partnerships which enable them to extend their own research and development capabilities, to gain access to new areas of fundamental research, to promote international cooperation and student mobility and to enhance their own credentials in terms of corporate social responsibility.

An example is Warwick's developing partnership with GE Healthcare, a unit of General Electric Company, and the global provider of medical technologies and services. Building on areas of common interest and existing research collaborations between GE Healthcare and departments such as Warwick Manufacturing Group and Warwick Medical School, as well as Warwick's existing partnership with its local university hospital, Warwick has been able to link into GE's global campaign to use research, product development, IT, education and strategic partnerships to deliver improved healthcare. This institutional-level partnership with the healthcare provider is leading to significant joint research grant applications, funded PhD scholarships (including GE scientists studying at Warwick), the delivery of Continuing Professional Development programmes to GE staff and potential financial support for a variety of first-stage research projects at the University.

Another illustration is Warwick's partnership with Cisco Systems, a well-known IT solutions company. The Warwick-Cisco partnership aims to exploit emerging technologies to build knowledge in and create innovative approaches to human-network interactions. So, for example, Warwick has a particular ambition to tackle the issue of effective and inspirational virtual community engagement, in part to engage with its rapidly growing global alumni base and, in part, to better exploit its worldwide networks more generally. So, the university is working with Cisco experts to develop effective content and delivery channels to connect with Warwick's 165,000 alumni worldwide and also to develop innovative ways to link up members of Warwick's International Gateway for Gifted Youth, a global network of the brightest and most creative young people aged 11-19.

### **Philanthropic giving**

The University of Warwick has pioneered a new approach to philanthropic giving. The importance of philanthropy of all kinds cannot be underestimated and Warwick has set ambitious goals to take the University to the highest global echelons, enabling continuous investment in the very best people and the very best facilities. Without the giving culture of the US it will take a long time for philanthropy to become a major component of income of most European universities' income – probably at least a generation – but it can make an impact in specific cases. In 2009, for example, Warwick launched its 'Case for Support' and a key part of that case is making a global impact through the Warwick in Africa Programme. Through the programme, undergraduate mathematics students are working alongside African teachers in township schools in

South Africa and Tanzania to help improve classroom teaching. Reciprocal visits to the Warwick campus allow African teachers to explore new teaching methods to make a lasting impact on the learning experience of future generations of pupils. The project is completely funded by philanthropic donations from alumni and friends of Warwick, Barclays Capital, the ExPat Foundation, and the Supraja Foundation, as well as a number of individuals. It enables the University to demonstrate its genuine commitment to solving global problems; find a basis for initial philanthropic engagement with individual alumni and other public and private organisations; and provides students with opportunities to build their social and cultural awareness on a global scale.

## **5 The future**

To summarize, constantly identifying and growing new sources of income, sources which seek to underpin and provide investment for the core academic endeavour, seems to be a vital role of the modern university. And there is good reason to see this search as more than simply instrumental.

To begin with, diversifying income streams may be the only way to survive the rigours faced by universities in most of Europe as government asks them to do too much with too little, but still wants to retain its steering capacity over the system.

It may also be the only way to keep independence and with it an allegiance to the core values that universities have held dear for some time now – organised scepticism, creation of new knowledge because of the vitality of the community, free and open communication of ideas, scholarly accomplishment as measured by peer review and other devices, loose governance, intellectual progeny, and an allegiance to understanding universities as public goods which transcend national boundaries.

Finally, it may be the only way to find the extra income with which to pursue institutional difference. As Page (2007) has pointed out in an influential book, diversity creates better economies and societies. If universities are all forced towards a mean by the funding models that drive them, they can never do the different things that are crucial to their vitality. They cannot sample widely and the vitality of the European higher education system as a whole will be threatened.

Diversifying income streams may be hard work but without it universities will not be able to independently pursue their strategies and fulfil their missions in a sustainable way.

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Professor Nigel Thrift joined Warwick from the University of Oxford where he was made Head of the Division of Life and Environmental Sciences in 2003 before becoming Pro-Vice-Chancellor for Research in 2005. Since becoming Vice-Chancellor in 2006, Professor Thrift has launched a new strategy for Warwick's future and has led the University in increasing income from research and philanthropy, as well as increasing Warwick's international profile through initiatives such as the Warwick Commission and the International Gateway for Gifted Youth.