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Business case for the Leadership Foundation for Higher Education

The concept of the Leadership Foundation was first developed by Universities UK and SCOP, informed by earlier research by the Higher Education Staff Development Association (HESDA) and Professor Robin Middlehurst of the University of Surrey. This document outlines the business case for the Foundation.

At their annual conferences in 2001, Universities UK and SCOP agreed to develop a strategic framework to help the sector to enhance leadership and management. The Foundation was then endorsed within the January 2003 DfES White Paper on the *Future of Higher Education*, and by the funding bodies for England, Northern Ireland, Scotland and Wales. Its aims are to identify and meet the sector's key leadership and management needs and contribute to the further development of professional leaders and managers. A total of £10 million has been earmarked by the four UK funding bodies for the Foundation over the first three years of its operation.

The new Foundation will incorporate and build on the success of HESDA, particularly with regard to the HESDA Top Management Programme and Senior Staff Mentoring Scheme. It will also take forward the successful governors' training programme of the CUC.

An interim board is overseeing the establishment of the Foundation and the recruitment of its Chief Executive. The board is chaired by Professor Roderick Floud, President of Universities UK and Vice Chancellor of London Metropolitan University, and includes representatives from the Standing Conference of Principals (SCOP), Universities UK, the Committee of University Chairmen (CUC) and the four higher education funding bodies.

For further information please contact: pressunit@universitiesuk.ac.uk

Chief Executive Baroness Warwick

Universities UK, Webburn House, 20 Tavistock Square, London WC1H 9HQ

Tel +44 (0)20 7419 4111 Fax +44 (0)20 7388 8647

Email info@UniversitiesUK.ac.uk Web www.UniversitiesUK.ac.uk

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1. Background

- 1.1 Recognising that the sector is facing a significant range of new challenges, higher education leaders agreed at their annual conferences in 2001 to develop a 'Strategic Framework' for enhancing leadership and management in higher education. A Steering Group chaired by Professor Adrian Smith, Principal Queen Mary College London, was established to develop the Framework with advice from an Expert Group and support from the funding bodies. The Committee of University Chairmen (CUC) encouraged the initiative and provided representation on the Steering Group. Additional external expertise from the national Council for Excellence in Management and Leadership (CEML) and the John Lewis Partnership was sought and offered through the Expert Group.
- 1.2 Professor Smith presented the analysis and proposals of the Steering Group to the representative bodies in late 2002. The proposals envisaged the establishment of a Leadership Foundation to deliver the strategic framework. The representative bodies supported the proposals in principle subject to a more detailed business case.
- 1.3 In early 2003 a more detailed business case was presented to the representative bodies. This business case was accepted by the representative bodies and at the same time the government endorsed the concept of a Leadership Foundation for Higher Education in the DfES White Paper on *The Future of Higher Education* earmarking £10 million of funding over three years. A number of changes were suggested by members of Universities UK and SCOP and this revised business case has incorporated those concerns.
- 1.4 Following approval by Universities UK and SCOP and the funding bodies an interim board has been established to take forward the proposals for the Leadership Foundation with the aim to have a chief executive in post and the organisation established by January 2004.

2. The case for investing in a Leadership Foundation for Higher Education

Demanding challenges both globally and nationally

- 2.1 It is important to emphasise that the UK higher education sector has been extremely successful under increasingly pressurised circumstances. This success can be demonstrated both absolutely in terms of contributions to economic growth, research quality, student satisfaction and employability and in comparative terms in relation to other OECD countries and other sectors of the UK economy. Effective leadership, management and governance have contributed to this success and provide a firm basis on which a Leadership Foundation can build.
- 2.2 The sector recognises that what has been achieved to date has not been without cost (in terms of financial deficits, long-term maintenance of the estate, and pressures on staff recruitment, retention and morale) and that the economic, technological and political challenges ahead are unprecedented. Pressures on leaders, managers and governors can only increase as institutions seek to respond to expanding demands in regional and global markets, to rising student expectations and tough public policy agendas. The recent DfES White Paper points to further significant change required of the sector. Sir David Watson in an address to the Association of University Administrators in April 2002 described the position of UK higher education as 'perhaps the most volatile and turbulent since the early 1980s'. In this context, higher education leaders wish to increase institutional capacity and the individual capabilities of their senior staff to lead and manage significant change. A targeted and appropriately resourced national strategy is called for.

Historical under-investment is now recognised

- 2.3 The findings from the Steering Group's needs analyses point to historical under-investment in leadership and management development in higher education. A UK-wide survey in 2000 (funded by HEFCE's Good Management Practice Initiative) revealed that up to 70% of institutions had no systematic institutional approach to senior management development, although in some cases arrangements for junior and middle management levels were part of an institution-wide strategy. Management qualifications among senior staff were not the norm and the levels of annual expenditure on management development (where recorded) varied considerably between institutions, after taking size of institutions into account. However, respondents did report plans to increase provision, and in contrast to the general picture, the sample of institutions that had well-developed systems can be compared with the best in class in any sector.
- 2.4 A follow-up survey of individual senior managers' experience and expectations of leadership and management development confirmed the general picture. A majority of respondents reported dissatisfaction with the status quo and agreed that formal management training was now essential for effective senior management in higher education. Independent studies carried out in Wales and Scotland in 2001 and 2002 reported similar findings.
- 2.5 An assessment of Government investment in parts of the public sector reveals a high level of dedicated central resources for management development that extend and complement local provision. For example, last year's budget for the schools' Leadership Development Group was £19.5 million; the health sector's Leadership Centre budget was approximately £17 million and the former Further Education Funding Council committed £80 million in 2001 to the training of FE lecturers and Principals to FENTO standards. (New funding will shortly be made available to support the development of a Leadership College for the Learning and Skills sector.)
- 2.6 A brief international survey (commissioned by HEFCE) of seven other English-speaking higher education systems also highlighted a shortfall at national level in the UK. While the UK has comparable award-bearing provision (including specialist HE programmes), the range and volume of non award-bearing provision is less than in competitor countries. The UK is also not well served in the quantity and range of focused research on higher education leadership and management at institutional and national levels. HEFCE's findings prompted Sir Howard Newby to float the concept of an International Leadership Academy for Higher Education at the HEFCE conference in April 2002. Close co-operation between the funding bodies, Universities UK and SCOP in the work of the Steering Group has ensured that Sir Howard's initial ideas have been incorporated into this proposal for a Leadership Foundation.
- 2.7 Recent funding initiatives in England (£10 million over three years from 1999/2000 to support Good Management Practice and a further £120 million for 2002/3 to reward, retain and develop staff) are addressing some of these historic shortfalls. SHEFC has also provided institutions with an extra £400,000 in 2002/3 linked to the implementation of HR strategies. The Office for Public Management's analysis of 53 English institution's Human Resource Strategies reveals that a proportion of this funding will be allocated to management development (on average about 5-10% with considerable variations in planned spend between institutions). These developments point towards a positive change in institutional commitment to investing in leadership and management development. Yet, much more needs to be done and a Leadership Foundation would spearhead further action.

Four reasons for a dedicated Leadership Foundation for Higher Education

- 2.8 The range of challenges now facing the sector combined with a history of under-investment in leadership and management development provide the main reasons for proposing additional investment. The specific case for channeling such investment through a Leadership Foundation for Higher Education rests on four key premises.
- i. First, higher education institutions are distinct, autonomous businesses with diverse missions and markets. The value of a dedicated Leadership Foundation is that it will be sensitive to different customer needs and market drivers as well as to the specific higher education context.
 - ii. Second, the need to respond to global competition and to collaborate with other sectors to achieve social and economic goals means that higher education must work increasingly closely with business, health, other education sectors and internationally. A Leadership Foundation would have access to multiple sources of expertise and information and would procure a variety of high quality products and services for the sector as well as creating new opportunities for institutions and individuals.
 - iii. Third, by creating a clear focus on leadership, management and governance, a Leadership Foundation will not only create a higher profile for these roles within and outside the sector, but will also promote cross-sector dialogue about comparable strategic challenges and opportunities. Better understanding across sectors as well as joint development opportunities will increase the confidence of stakeholders in the management capabilities of the sector.
 - iv. Fourth, a Leadership Foundation offers the opportunity to build on existing provision, expertise and commitment in the sector (such as the contribution of the Higher Education Staff Development Agency, the Association of University Administrators and other professional associations). It will stimulate further demand for development by extending the volume, quality and variety of what is available to institutions and individuals.

Clients and markets for the Foundation

- 2.9 The task of a Leadership Foundation is to add value to the sector, particularly by brokering new international and cross-sector opportunities with the leading centres of expertise globally. Its role is to enhance (and not duplicate) existing provision such as that offered by HESDA and the future Academy for the Advancement of Learning and Teaching in Higher Education, to develop new markets and services where they are needed and assist institutions to build up their own capacity and profile. The potential markets for the products and services of a Leadership Foundation include:

- **Individual senior managers and leaders** in higher education: a target population of some 3,200 people (Bett Report figures and definitions, 1999). Bett's 'senior managers' include: vice-chancellors and principals, deputies, finance directors, deans, non-academic directors and non-academic heads of departments. The recent national surveys report a demand for a wider range of high quality, focused provision with a cross-sector and international focus. Waiting lists for existing programmes (eg the Higher Education and Cabinet Office Top Management Programmes and the DfES/CBI pilot mentoring scheme) attest to levels of unmet demand. There is also a significant equality and diversity agenda to be met.
- **Governors of institutions:** a target population of some 4,000 people including lay members, staff and students. Initial work by the Standing Conference of Principals (SCOP) to develop both a virtual and a physical governance network has been well-received; the Committee of University Chairmen (CUC) has expressed interest in extending this to the universities as an extension of the existing CUC Governor Development Programme. Beyond conferences and seminars, governors have confirmed that they would like access to a variety of comparative management information and good

practice data. They are also interested in creating opportunities for business and higher education to learn from each other.

- **Institutional capacity-building:** products and services to support both the 170 institutions in the sector (such as benchmarking projects, international twinning schemes and collaborative programmes for small institutions) and services to the new and growing population of management development specialists inside institutions. There is demand for specialist facilitators, and for access to expertise in developing competence frameworks and in methods of evaluating the outcomes and impact of provision.
- **Professional associations:** there are at least 15-20 relevant associations. While specialist foundation training and provision for professional updating exists, there is unmet demand for cross-functional exchange, for general, tailored leadership and management programmes and for the infrastructure necessary to enable - for example – human resource or finance specialists to develop materials to support sector-wide management training. The main professional associations represented on the Expert Group strongly support the proposal for a Leadership Foundation.
- **Heads of academic departments, heads of service units and research directors:** a target population of some 8,000 people. Institutional funding is being targeted at these populations and bids to HEFCE's Good Management Practice Fund reveal further demand for collaborative programmes and projects across institutions. The main role of the Leadership Foundation would be to increase institutions' capacity to meet demand by disseminating good practice, supporting collaborative programmes and providing access to new ideas and resources.

2.10 Other levels of management and leadership within institutions are also critical to the performance and competitiveness of institutions. Course directors and team leaders, a target population of some 50,000 people, would be included in this category. Here, the role of a Leadership Foundation is to assist other bodies (such as the new Academy for the Advancement of Learning and Teaching in Higher Education) to provide leadership and management development that will enhance academic practice. The Leadership Foundation will need to ensure that it establishes an effective working relationship with the proposed new academy. There is already provision for an academy member of the board and this should be a reciprocal arrangement. Consideration should also be given to establishing a joint liaison group and ensuring a joint review of both organisations three years after they have been established.

Existing provision: national and international

- 2.11 No comparable organisation to a Leadership Foundation exists in UK higher education, although the Higher Education Staff Development Agency (HESDA) and the professional associations (such as the Association of University Administrators) provide some services that are relevant and can be built upon. Institutions (individually and collaboratively) provide for personal and organisational development. The Leadership College for the Learning and Skills Sector is likely to be a close partner as will other public sector leadership organisations. The private sector offers multiple sources of expertise, from private consultancies to large businesses. The UK's business schools serve both the private and public sectors. A Leadership Foundation would be able to broker opportunities with this wide range of providers and partners.
- 2.12 A Leadership Foundation would collaborate with the best international providers to develop new international products and to offer a range of networking opportunities for UK institutions. The Leadership Foundation can learn from and establish partnerships with similar activities undertaken by such organisations as the American Council on Education and the European Universities Association. There is also the potential to provide services to other countries. The concept and scope of the proposed Leadership Foundation is at present unique in the world; it

could provide an international shop window for higher education leadership and, when operating at its full potential, bring further prestige to the UK's higher education sector.

3. Guiding principles for a Leadership Foundation

Leadership development that drives and supports the HE business

- 3.1 Leadership, management and governance are vital drivers of organisational performance. They are pivotal to investment, productivity, service delivery and quality of performance in all sectors (CEML). The best organisations recognise this and are world-class in their approach to leadership development (used here in a generic sense). Leadership development drives and supports their business strategies. Development activities are used to deliver business objectives and to provide opportunities for growth, advancement, change and renewal at individual, team and organisational levels. It is this broad vision of leadership development that a Foundation would actively promulgate through its work with and on behalf of higher education.

Recognising difference

- 3.2 Leadership, management and governance are different activities. They are practised at different levels of the institution and have different characteristics within and across institutions and sectors. They involve collective and individual responsibilities and are reflected in the structures, systems and processes of the institution. In addition, individuals and institutions have different needs and are at different stages in their approaches to development. A Leadership Foundation will recognise these distinctions and diversity in its objectives and activities.

Actively building on experience

- 3.3 Higher education's leaders, managers and governors are experienced professionals and expert practitioners. They have neither the desire nor the time to spend long periods in a classroom. Leadership development needs to be individually tailored and is about learning to do things differently or better through observation, experimentation, discussion and reflection. Personal development opportunities must be relevant, timely and stimulating. This requires skilful design, creativity and expert facilitation combined with assessment, feedback, and support. A Leadership Foundation will incorporate best practice in the design and delivery of learning opportunities for leaders, managers and governors.

An integrated development agenda

- 3.4 Building and sustaining world-class performance is not achieved only by enhancing individual capabilities. Individual development must be aligned with HR systems and practices and with organisational (and system-wide) development initiatives that create the conditions in which leaders can lead. The challenges facing higher education require an integrated development agenda in three related areas: modernising human resource strategies and procedures, revitalising business processes and structures, and investing in development and support for leaders, managers and governors. A Leadership Foundation, working with other bodies, will support this agenda by providing access to world-class performers and stimulating debate and action in the sector.

Equality at the heart of the Leadership Foundation

- 3.5 The Leadership Foundation should aim to be an exemplar of effective and thorough procedures relating to equality and diversity issues in the recruitment of its own staff and in the provision of its services. There should also be a commitment to work with the sector and other organisations, such as the Equality Challenge Unit, to ensure that equality and diversity issues

remain at the top of the agenda for higher education. Progress in relation to equality and diversity issues should be included in the monitoring of the work of the Leadership Foundation.

4. What a Leadership Foundation would do

- 4.1 The aim of the Foundation is to enhance the competitiveness, efficiency and effectiveness of UK higher education by further developing the professionalism and profile of leadership, management and governance in the sector.
- 4.2 The objectives of the Foundation are to:
- Improve the supply of development opportunities, particularly in relation to international and cross-sector experience.
 - Stimulate further demand for development.
 - Identify, support and disseminate good practice.
 - Work with institutions, agencies and professional associations to build an integrated and co-ordinated approach to leadership development.
 - Raise the profile of higher education leadership, management and governance.
 - Challenge the sector to broaden perspectives and continue to 'raise its game' in relation to leadership, management and governance.
- 4.3 In all its activities, the Leadership Foundation will take account of the national agenda to increase diversity and equal opportunities in relation to leadership, governance and management in the sector.
- 4.4 The Leadership Foundation will be the strategic focus, central resource and co-ordinating point for leadership, management and governance development in higher education although delivery of activities will be dispersed. It will broker international and cross-sector development opportunities, commission and design programmes and projects for its clients, undertake market research, identify and disseminate good practice and resources, assist institutions to develop their own capacity and lead the debate on enhancing individual and institutional performance.
- 4.5 The Foundation will achieve its objectives through four core areas of activity:
- Individual Development (1) – provision aimed at individual leaders, senior managers and governors;
 - Institutional Capacity-building (2) – provision of resources and good practice to support and extend institutional activity;
 - A Futures Lab (3) – foresight activities to ensure that future needs are identified and that the currency and relevance of all provision is maintained;
 - Acting as Champion and Co-ordinator (4) – for leadership, management and governance development in the sector.
- 4.6 Through its activities, the Leadership Foundation will contribute to enhancing 'strategic capabilities' at individual and institutional levels. There are numerous frameworks that outline the capabilities, behaviours, competences and experience required for leadership, management and governance (see for example, the work of the Council for Excellence in Management and Leadership) and these will inform the Foundation's work. SHEFC's Joint Working Group (JWG) on Leadership and Management in Scottish Higher Education has recently produced a framework that identifies the strategic abilities required by institutions to deliver current policy objectives.

5. How the Leadership Foundation will work

The best national and global provision

- 5.1 The Foundation has an ambitious aim of bringing the world's leading thinkers and management practitioners together in support of British higher education. The sector deserves no less. Since the topic of university leadership is fast moving, multi-disciplinary and international, it would be impossible (and unrealistic financially) to build up full time cadres of academic specialists. Instead, the strategy will be to create networks and affiliations with the leading centres of expertise in all the relevant disciplines globally. Through these connections, international resources and opportunities will be made accessible to institutions and individuals through brokerage or direct commissioning.

A base of policy analysis and intelligence

- 5.2 Leaders of universities operate in a fast moving global marketplace where “borderless higher education” is becoming commonplace. The Foundation will be in a unique position with its international networks to bring developing policy issues from around the world to the attention of the UK community. One of its tasks will be to develop a “foresight” role of identifying the challenges that leaders in other sectors and countries are facing and to interpret the lessons from these for UK HE. Partnerships with other organisations such as the Higher Education Policy Institute, the Council for Industry and Higher Education, the Society for Research in Higher Education and the American Council on Education can ensure that any policy seminars and publications on leadership issues are well founded.

Acting as champion and co-ordinator

- 5.3 Leadership development processes are under-developed in some parts of the sector and are well-developed elsewhere. The Leadership Foundation will therefore act as a champion and promoter of best practice from all sectors, including higher education. It has an equally important role in assisting other sectors to understand how universities and colleges work so that knowledge transfer and collaborative arrangements can operate smoothly. Improving the quality of dialogue, exchange of information and practice about leadership, management and governance between higher education and other sectors will increase confidence among key stakeholders that institutions are well led and managed; this will in turn help to ensure continuing levels of investment in the sector. The Foundation will need a capacity to gather market intelligence, to maintain close links with relevant bodies such as the funding councils and government departments and will need to monitor sector-wide practice (in ways that do not increase the current burden of accountability).

The resulting outcomes and benefits

- 5.4 The Foundation's work will make a significant contribution to the following outcomes from the higher education sector:
- At sector level: increasing diversity in leadership, management and governance, enhancing skills in collaboration and in entrepreneurial and commercial activities including costing and pricing of activities, increasing the demand for, and supply of, relevant development opportunities, adding value through cross-sector and international developments and achieving public policy targets. The findings of the forthcoming Lambert Review of links between higher education and business and the DTI/Treasury Review of Innovation will be addressed through the Foundation's work and programmes will, in general, contribute to increasing the efficiency and effectiveness of leadership and management practice.

- At institutional level: improved positioning of institutions as good business partners and employers of choice, with better management of HR risks and enhanced leadership and management skills and strategies and a strengthened awareness and application of good management practices. Harnessing the latent resources of governors through expanding Governor Development Programmes should lead to gains in both efficiency and effectiveness.
- At group level within institutions: improved cross-functional understanding and better teamwork across boundaries.
- At individual level: clarity about roles and performance expectations, access to appropriate development opportunities, enhanced skills and visible recognition for achievements.

Measuring performance

- 5.5 A key task for the Foundation's Chief Executive Officer will be to identify specific output measures and performance indicators and agree them with the Board. The Foundation will wish to measure the direct results of its own activities and the impact of these activities at individual and institutional levels (where feasible). In all sectors, evaluation of leadership and management capability and links between development activity and business outcomes appears weak (CEML, 2002). An important role for the Leadership Foundation beyond developing its own metrics will be to assist institutions to develop their evaluation frameworks. The Foundation will also relate closely to the DTI's work in developing a framework for benchmarking management and leadership across organisations and sectors (Government response to CEML recommendations, 2002).
- 5.6 At this stage, therefore, thinking on possible performance measures can only be indicative. The following are some ways in which the performance of a Leadership Foundation might be judged.
- Performance against its objectives, including equality objectives
 - Data on the impact and benefits of Foundation activity at institutional level
 - Volume and range of Foundation activity matched against take-up of opportunities by client category
 - Volume and range of institutional provision supported by the Foundation
 - Use of Leadership Foundation services by all institutions
 - Range of users of the Foundation's services
 - Client satisfaction data in relation to each product or service
 - Volume of client requests (logged and met) for support from the Foundation
 - Favourable media coverage
 - Positive stakeholder reports
 - Range of opportunities brokered with leading international and cross-sector providers/agencies matched against take-up.

6. How a Leadership Foundation would work with customers and stakeholders

- 6.1 The Foundation is designed on the principle that success depends on building partnerships. It will have a small professional secretariat, in which the main disciplines are leadership and management and the main professional skills those of commissioning, project management, resource investigation and dissemination and market research.
- 6.2 The main clients and stakeholders are the HE institutions themselves. Their relationship with the Foundation is crucial to its success and members of institutions could find themselves involved in the following ways:

- as provider of services under contract to the Foundation (such as developing a Flagship programme or providing research/information)
 - as customers, through sending participants to Foundation programmes and events
 - as partner/participant in national or international exchanges, mentoring schemes and benchmarking projects managed by the Foundation
 - as the recipient of advice on human resource policy or good practice or on locations where innovative ideas are in place
 - as recipient of an award for good practice or development
 - as employer of secondees to the Foundation.
- 6.3 The Foundation will need to get its relationship with institutions on a sound footing from the start. They must feel that it is offering them support when they need it, that its activities add value and are as cost effective as they can be. The creation of a Leadership Foundation is a response to the specific and general needs of the sector and institutions will judge its success on how well their needs are addressed by the Foundation.
- 6.4 An immediate priority will be for the Foundation to establish a mechanism for maintaining a regular liaison with its key partners. These key partners have already been highlighted in the report and include HESDA, professional associations, public sector leadership colleges, the private sector and international associations and providers.
- 6.5 The funding bodies and the UK governments are also crucial partners, particularly in those early years when they will be the paymasters as well as patrons and potential customers. Close liaison will be necessary in relation to the funding bodies 'good practice' resources, including HEFCE's new Leadership, Governance and Management Initiative. The wider scope of this initiative will be of great value to the Leadership Foundation. The funding bodies' international liaisons with governments and other agencies are likely to provide the Foundation with valuable evidence as well as potential partnerships and customers.
- 6.6 The Foundation, as well as providing a focused source of activities to meet generic needs will serve the particular needs of the Scottish, Welsh and Northern Irish higher education sectors as well as the needs of the English sector. The success of the Leadership Foundation will depend upon how effectively it meets the needs of its client groups. From the outset it will need to sensitise itself to the needs of the different nations of the UK and seek to ensure that it has mechanisms to provide appropriate services. These services will need to be continually updated in relation to the changing circumstances of the Scottish, Welsh and Northern Irish higher education sectors.
- 6.7 Other key partners have already been mentioned: international institutions and representative bodies, international providers and management thinkers, equivalent management development agencies in the UK public and private sectors and employers and business partners.

7. Governance, structure and location

- 7.1 The funding bodies and the government have welcomed the sector's lead in developing the concept of a Leadership Foundation and it is appropriate that the sector should take the main part in its governance and direction. The essential features of its governance are that:
- it should reflect sector commitment and ownership of the agenda.
 - its Board should have other stakeholders represented on it.
 - it should be an independent, legal entity, which allows it to create its own image and brand.

- 7.2 The Foundation will therefore be formed as a company limited by guarantee and may, once established, seek charitable status. Its Board will contain nominees of the funding bodies, of Universities UK and SCOP, the Committee of University Chairmen, and the proposed Academy for the Advancement of Learning and Teaching in Higher Education. It will also have one or two external members from other sectors in the UK or overseas with appropriate specialist expertise. It is envisaged that the Chief Executive Officer of the Foundation would be a Board member ex officio.
- 7.3 The Board would make all the key financial and strategic decisions, but the Foundation would create advisory bodies containing national and international experts drawn from the relevant disciplines. The structure should also allow for the development of collaborative relationships with other agencies and partners, such as a liaison group embracing the proposed Academy for the Advancement of Learning and Teaching in Higher Education and the Leadership College for the Learning and Skills sector.
- 7.4 The Foundation has been costed on the assumption that it has a small secretariat of no more than ten people. The Chief Executive Officer and the senior professional staff would have experience either of management as an academic and professional discipline or of management development as a managerial function. The CEO would also require strong strategic abilities and experience and must be credible with Vice Chancellors, Principals and other Chief Executive Officers, the funding bodies, governors of institutions, government officials and Ministers. Supporting the senior team would be other professionals with expertise in marketing and policy research and a business manager, as well as administrative support staff. One option is that institutions would agree to second suitable staff to the Foundation for one or two years.
- 7.5 The options for locating the Foundation have been extensively reviewed. They included for example: physical co-location with Universities UK/SCOP, siting within an academic institution or business school, locating with a funding body or another existing higher education agency, co-locating with a similar initiative in another sector (eg, the Leadership College for the Learning and Skills sector) or establishment on an independent site. This last option is the one recommended by the Steering Group. It is hoped that such a location would be close to an academic institution, allowing economies to be achieved in internet access and shared financial systems.
- 7.6 While location within an academic institution would appear to sound optimal, it is important that the Leadership Foundation develops a distinctive brand that serves and has wide appeal across the sector. Association with a single institution might undermine this, since the Foundation will need to draw on expertise from academic or professional organisations globally, rather than being dependent on the particular specialisms of one institution.

8. Financing the Foundation

- 8.1 The business case is based on the assumption that the Foundation will obtain its funding from four sources:
- annual grants from the funding bodies, but subject to the findings of an external evaluation after three years.
 - fees paid by participants and/or institutions.
 - contracts with agencies in the UK or overseas for the design and delivery of bespoke programmes.
 - contributions in cash or in kind (eg: staff secondment) from foundations or partners in the public or private sectors. One foundation has already expressed interest in providing funds, but it would be unwise to predict income from this source at this stage.

8.2 The long term aim for the Foundation must be to move towards greater self- sufficiency, but this will not be possible until the Foundation has established itself as a high quality agency. After a period in which its costs are not fully recovered from clients, it is expected that the charges for its services will increase over time and it may also be able to move to a subscription system. An external evaluation after three years will enable the main stakeholders to assess the value of the Foundation to the sector as well as the progress being made towards the goal of sustainability. If the proposed Academy for the Advancement of Learning and Teaching in Higher Education is evaluated at the same time, the potential for closer links between, or even integration of, the two bodies can be explored. The experience of HESDA, the nearest equivalent agency, is that the sector is unlikely to be willing to contribute wholly to the costs. The Foundation will however plan its initial budgets on the basis that all the direct costs of development programmes are recovered from participants in fees.

9. Managing the risks

9.1 The main areas where the business case might be at risk are as follows:

- The Foundation fails to establish itself as a provider of quality services.
- The budget proves to be inadequate to achieve the desired objectives and programmes.
- The demand for the services of the Foundation does not match current expectations.
- Fee levels set by the Foundation for products and services deter customers who prefer cheaper offerings.
- The CEO proves to be inadequate for the job.
- The governance of the Foundation fails to manage and monitor the CEO and staff so that objectives are not achieved.

9.2 A summary of their likely impact, probability and the risk management strategies that will be adopted is shown in the following table.

| Risk | Probability | Likely impact | Risk management strategies |
|--|-------------|---------------|--|
| Provision thought to be of poor quality | Medium | High | Use of highest quality providers Monitoring by Board Rigorous internal QA and evaluation |
| Funding is insufficient | Medium | High | Promotion by CEO and marketing officer Regular liaison with actual and potential funders |
| Demand for services does not materialise | Medium | Medium | Regular surveys of demand CEO customer/client contacts Active marketing strategy Brokerage with intermediary bodies |
| Prices deter customers | Medium | Medium | Market research Responsive pricing policies |
| CEO is inadequate | Medium | High | Review of performance by Chair of the Board Tight monitoring and control |
| Failure of governance | Medium | High | Appointment of effective chair and application of good practice governance arrangements |

10. The next steps and timing

- 10.1 Universities UK and SCOP wish to proceed with establishing the Foundation as quickly as possible. The plans and costings have assumed a nine month set up period from April to December 2003. During this period the Universities UK/SCOP Steering Group has been re-designated as an Interim Board which will oversee the creation of the new legal entity, the selection of a location and the search for a Chief Executive Officer.

11. Conclusion

- 11.1 The Leadership Foundation plans to be a high profile, world-class enterprise. It will draw on the leading providers and thinkers throughout the world to support the leadership, management and governance of UK higher education. It must be thoroughly familiar with the best leadership and management practices in other UK sectors and other countries. Yet at the same time it has to be sensitive to its clients' autonomy and preferences, so that its interventions are relevant, timely and meet their agreed needs.
- 11.2 Without these interventions the UK's HE sector is unlikely to perform as well as the nation expects in the competitive arena. The external challenges are significant and not all higher education institutions have fully developed the capabilities to meet them. The Foundation has a key role in helping all the sector's leaders to develop their institution's strategic responses and see that they are successfully implemented. With its help the sector's capacity will be strengthened significantly.

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