



Universities in a values economy



Dr Thomas Owen-Smith, SUMS Consulting
Adrian Pryce DL, University of Northampton



Capitalism is changing

“The purpose of a company is to engage all its stakeholders in shared and sustained value creation. In creating such value, a company serves not only its shareholders, but all its stakeholders – employees, customers, suppliers, local communities and society at large.”

Davos Manifesto 2020
Klaus Schwab, World Economic Forum Founder and Chair

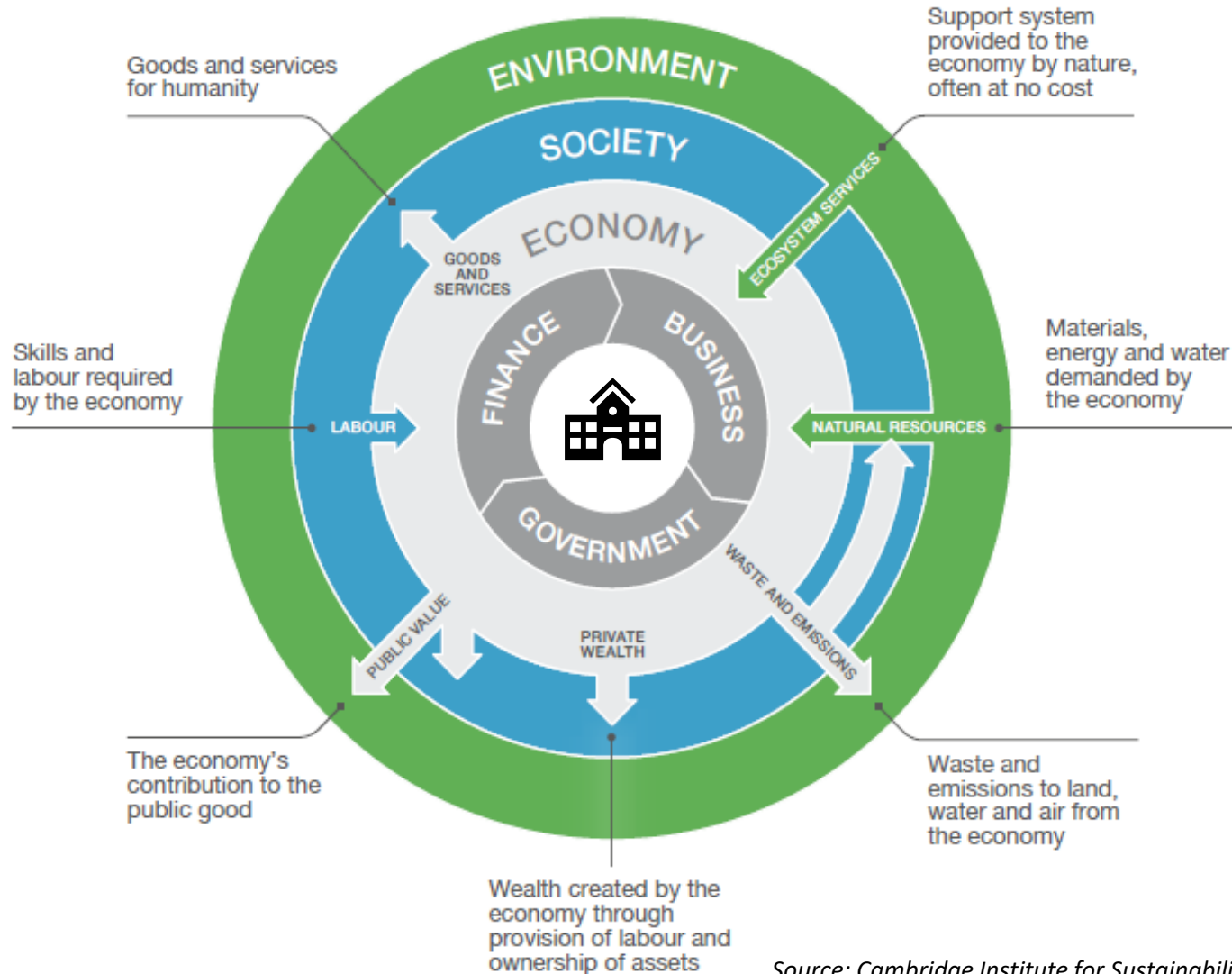
We need new infrastructure, new modes of learning, new manufacturing systems, new medicines and new forms of energy... To build a better tomorrow, we need companies imbued with purpose and motivated by profit.

Their activities will produce a shared value that accrues to the shareholders as well to employees, customers, suppliers and the wider community.

Mark Carney, *Values* (2021: 361)

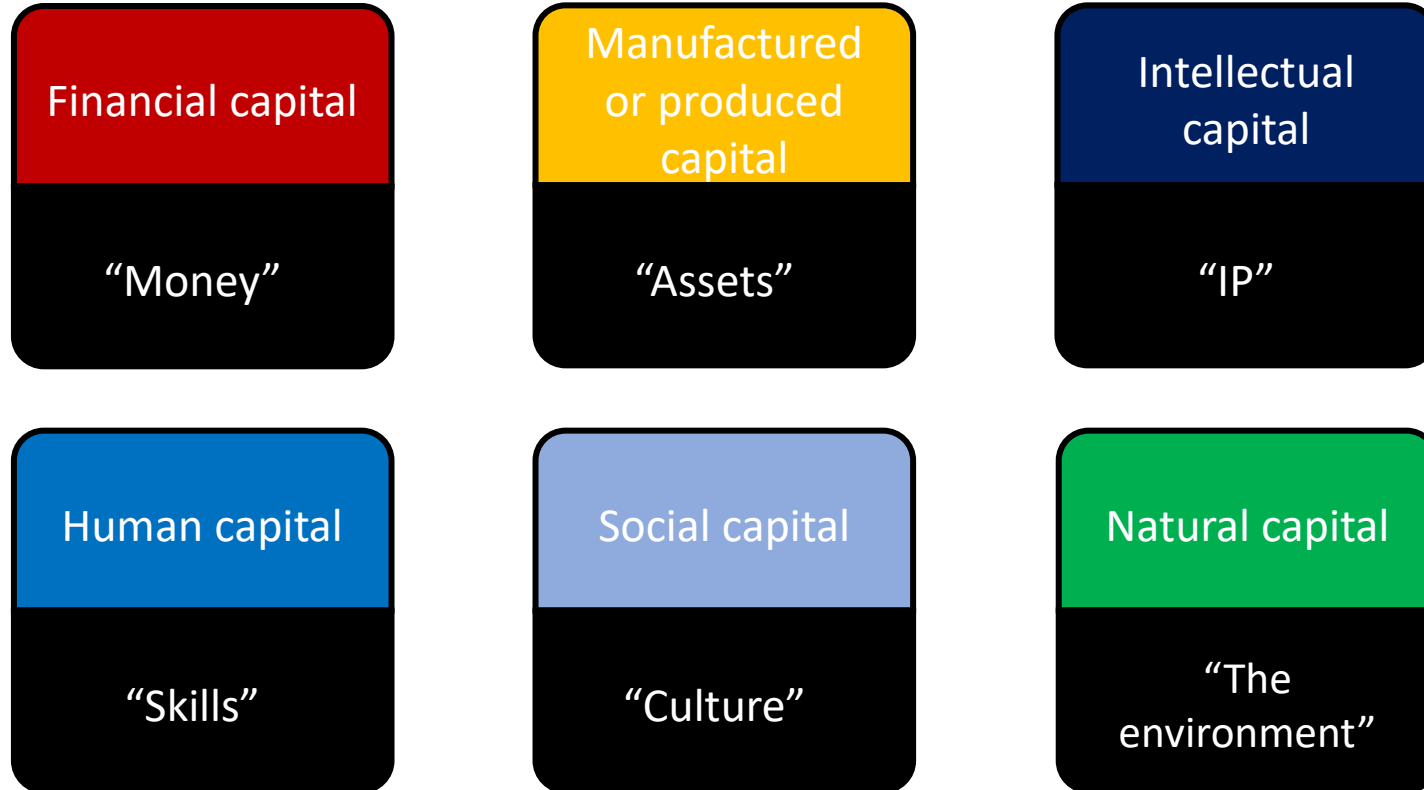
What does this mean in practice?

The whole system



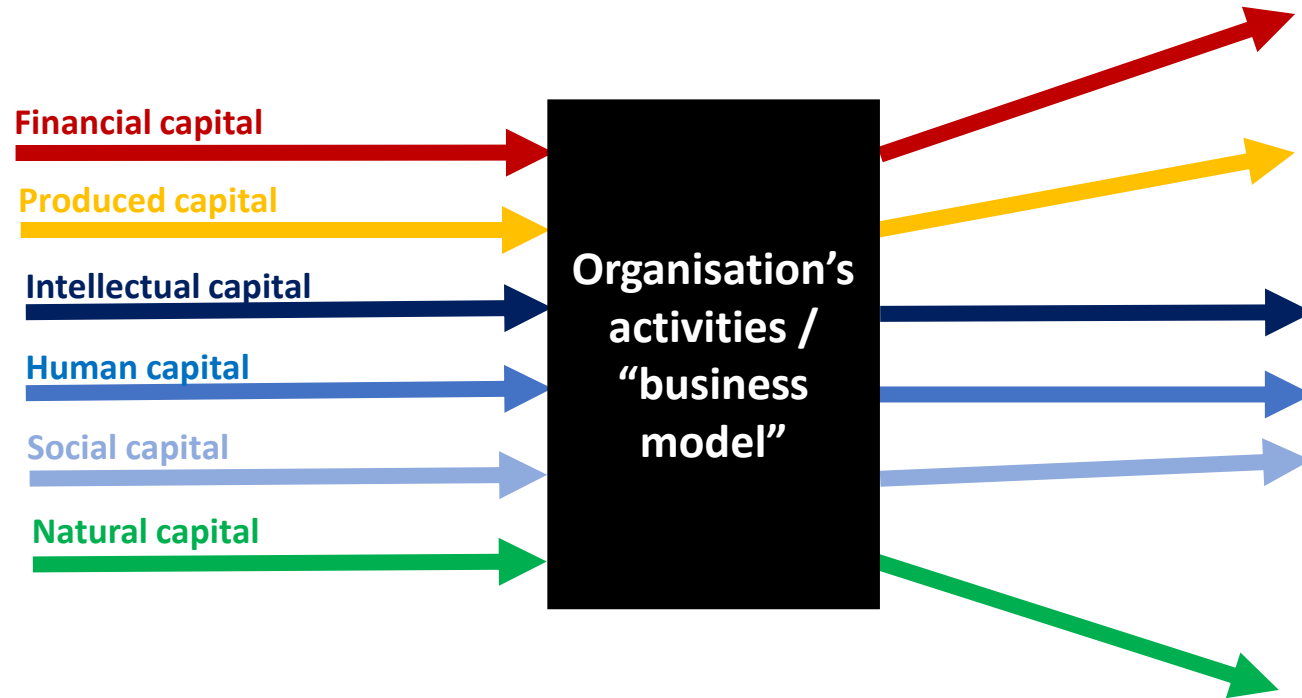
- The economy is **embedded** in society and society is **embedded** in the environment.
- Each of these holds **value** (e.g. money, assets, skills, biodiversity) but not all this value is priced.
- The economy, society and environment give and take from each other, transferring “**flows**” of **value** (e.g. material, labour, energy) between the “**stocks**” of **value** that they hold.
- An organisation is **embedded** in all of these spheres.

Introducing the six capitals



- The capitals approach was set out in the Integrated Reporting <IR> Framework in 2013.
- The approach is used for best-in-class **sustainability reporting** and, increasingly, **mandatory disclosures and statutory reporting** around the world.

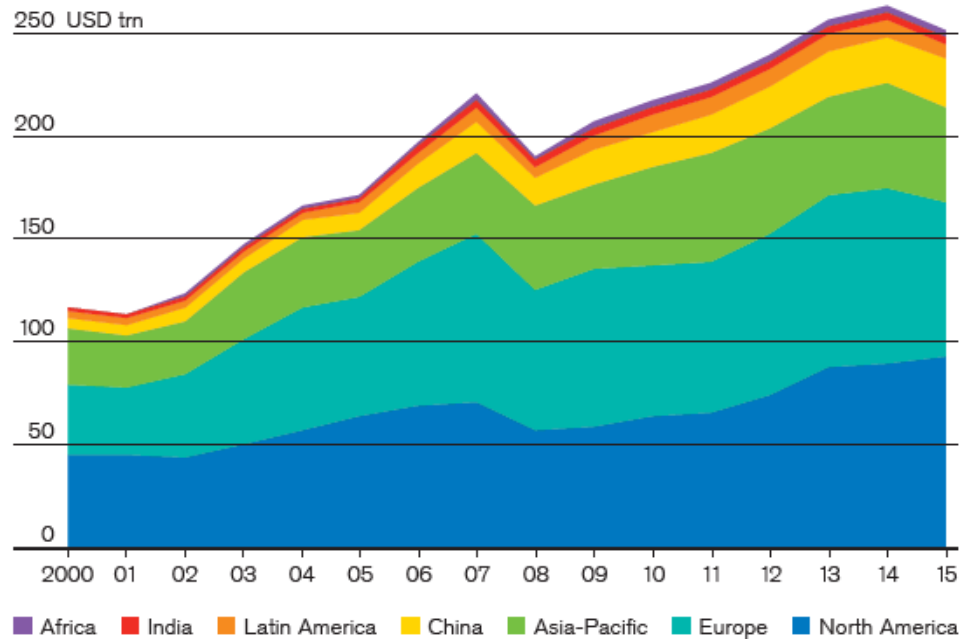
The value creation (and destruction) process



- All organisations draw on capital of different kinds for their business/activities.
- In result of their activities, capitals increase or decrease.
- **Activity that increases capital creates value, activity that erodes capital destroys value.**
- An activity may increase one type of capital while eroding another – thereby creating and destroying value at the same time.

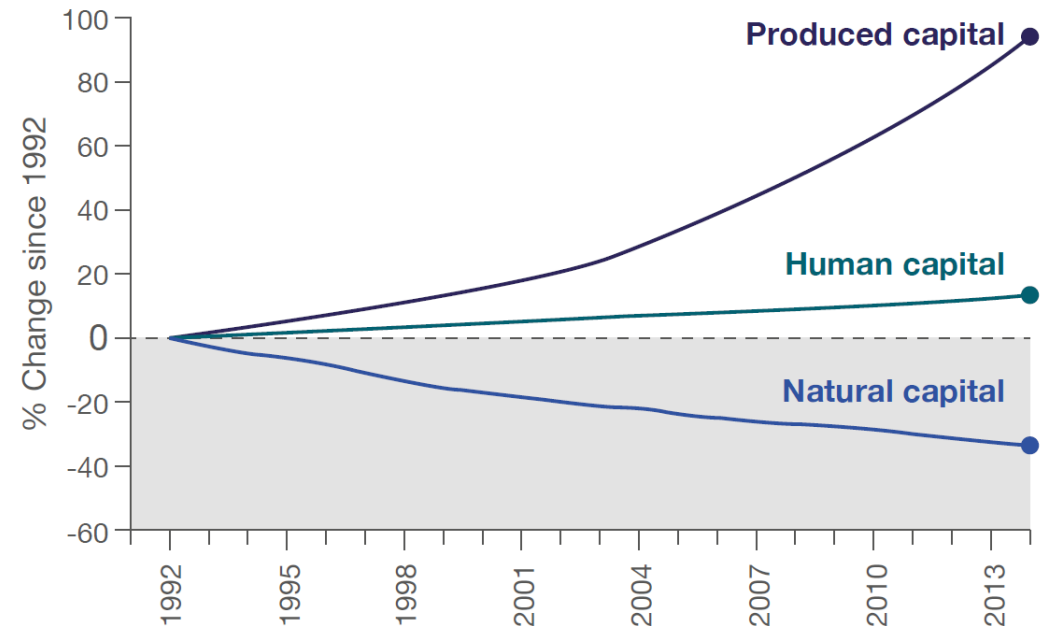
Global trends of value creation and destruction

Total global wealth, 2000–2015, current exchange rates



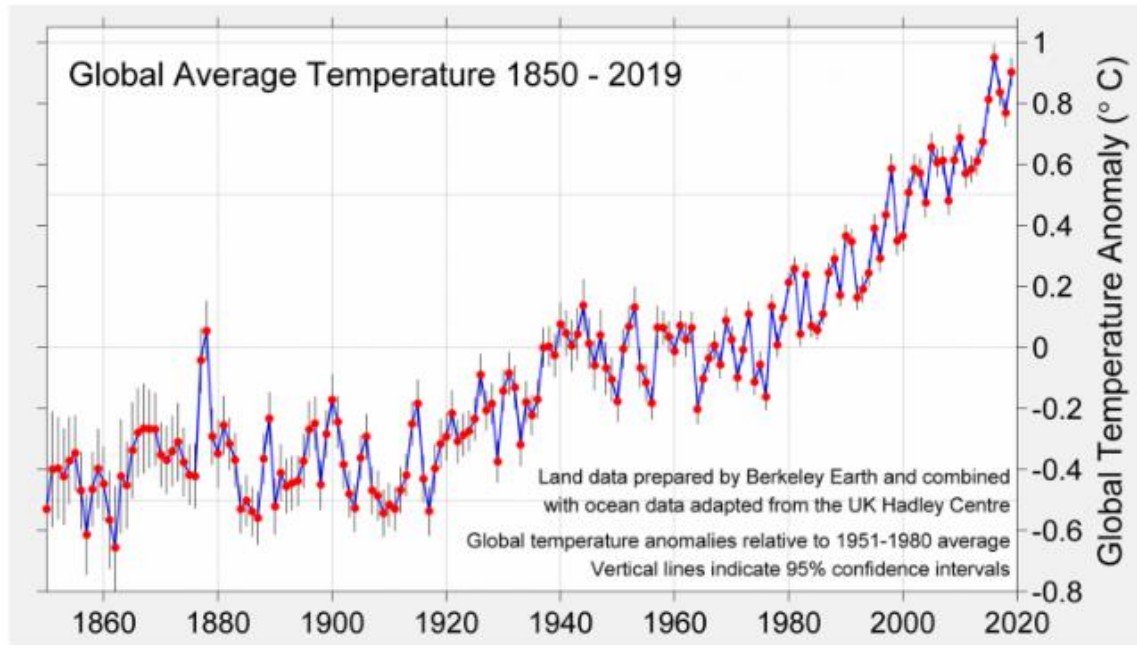
Source: James Davies, Rodrigo Lluberias and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2015

Conversion of natural capital into produced capital



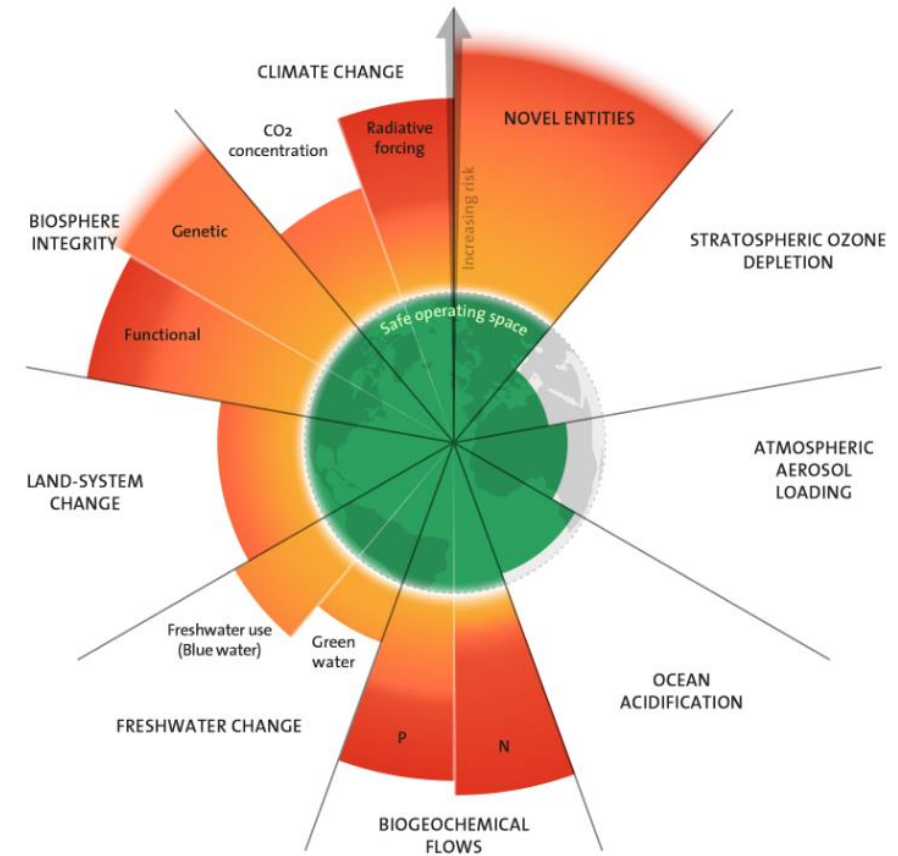
Source: CISL, Integrating Nature: The case for action on nature-related financial risks (2022)

Where is this taking us?



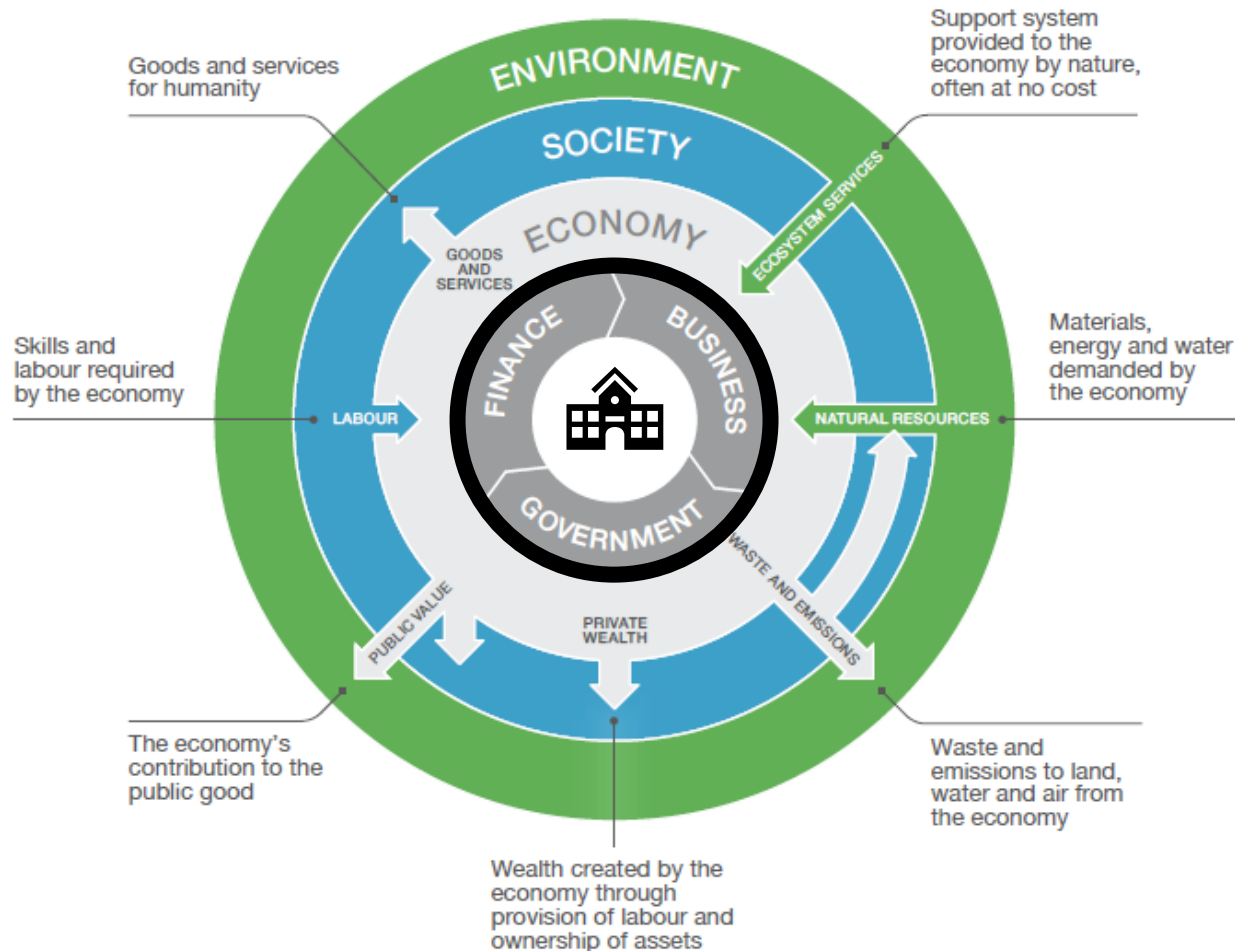
Source: Berkeley Earth, Global Temperature Report 2019

- Climate change is just one of nine planetary boundaries which we cross at great risk.
- At the same time, inequality increases and human development stalls.



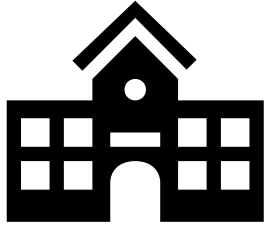
Source: Stockholm Resilience Centre

The shared mission



- The SDG literature, Paris Agreement etc are all clear that all sectors of the economy need contribute towards creating a sustainable future.
- Mazzucato refers to this shared endeavour as the “**mission economy**”.
- **So where do universities fit in?**

Universities and value



Have assets

But no market valuation

Need margin to invest for the future

But are not profit-making

Produce intellectual capital

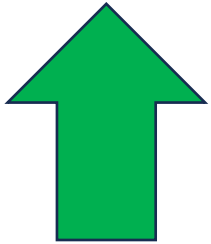
But most of it is not IP

Do not operate in a (true) market

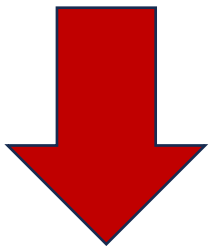
But create value in many forms...

How effectively do we account for what universities do?

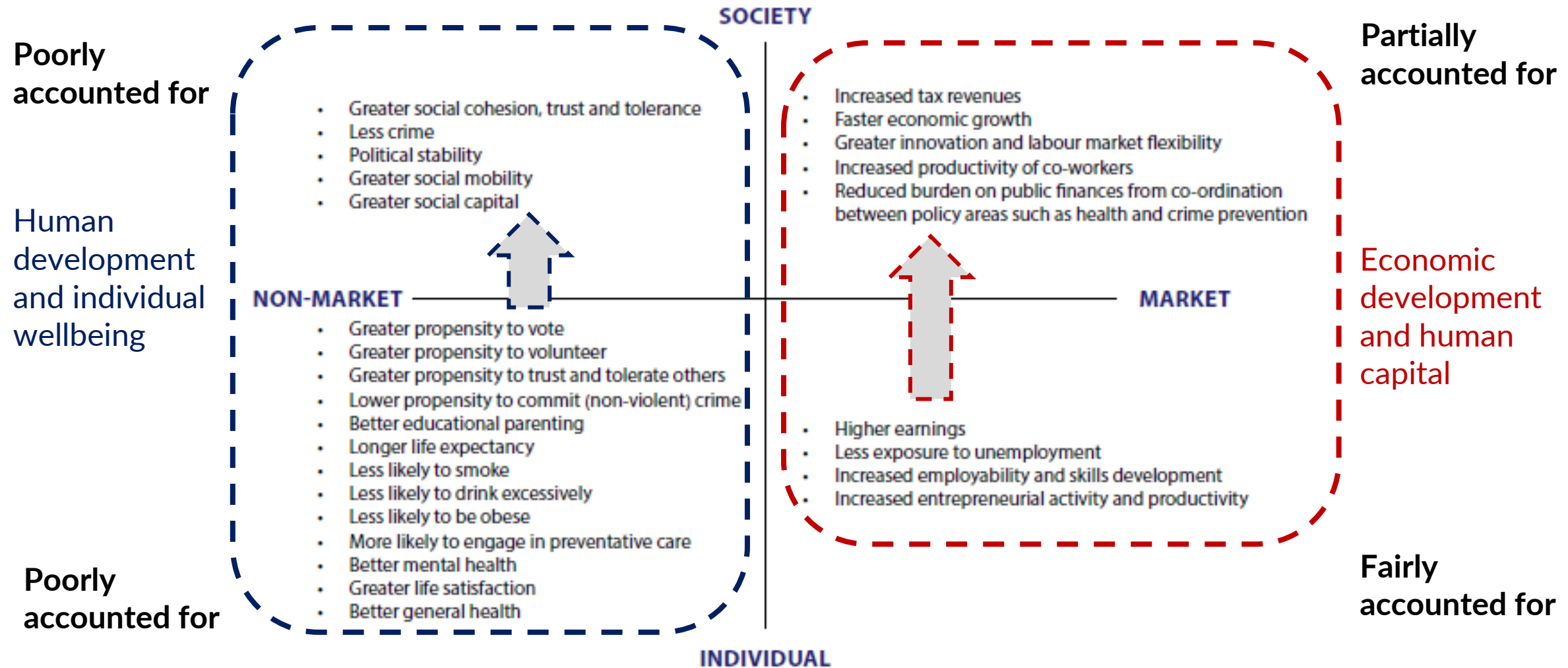
	Monetary value	Non-monetary value
Value created		



Value destroyed



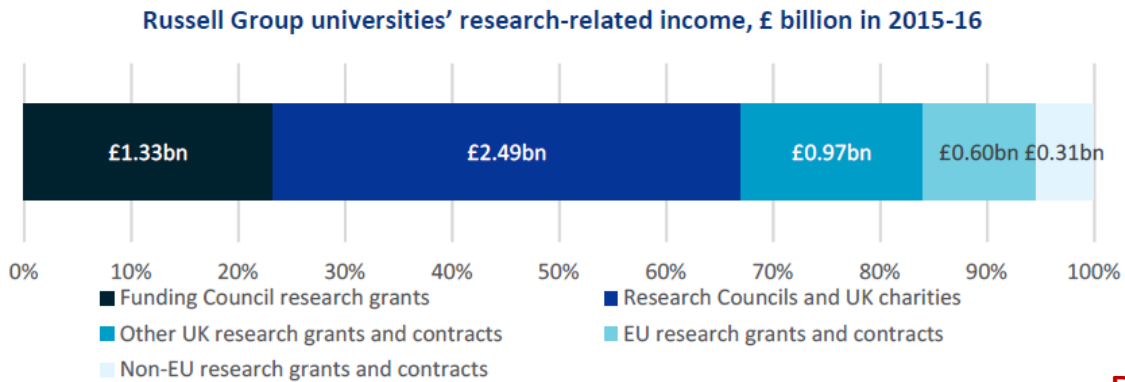
Education



Extracted from *The benefits of higher education for individuals and society*
(Department for Business, Innovation and Skills, 2013)

Research

Fairly accounted for

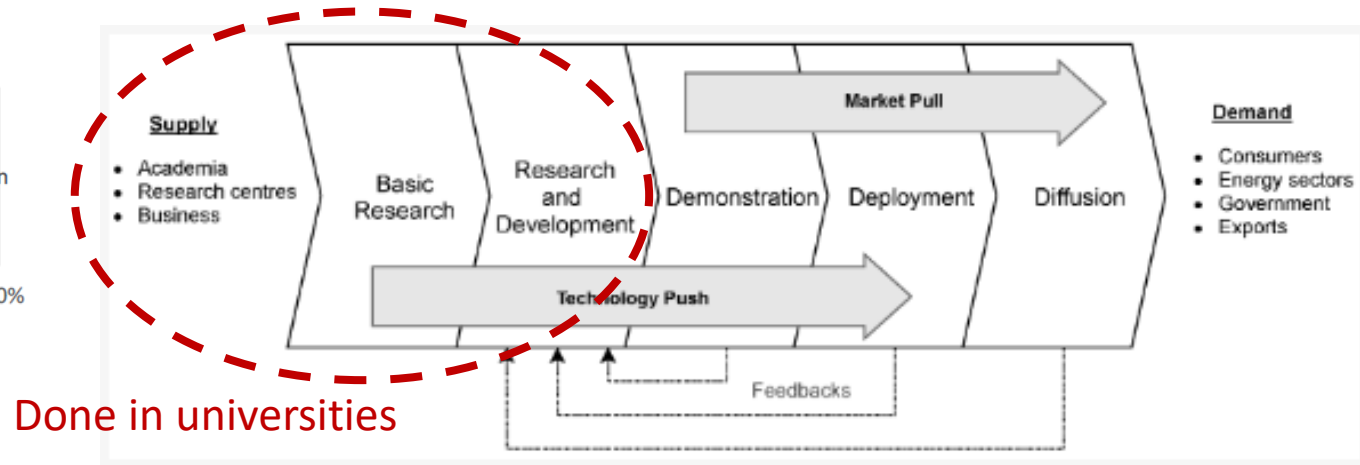


Note: All estimates are presented in 2015-16 prices. Source: London Economics' analysis of HESA data

Source: London Economics, *The Economic Impact of Russell Group Universities* (2017)

Direct economic impact

Poorly accounted for



Extracted from *Implementing Radical Innovation in Renewable Energy Experience Curves* (Kerr et al, 2021)

Spillovers

Unintended consequences

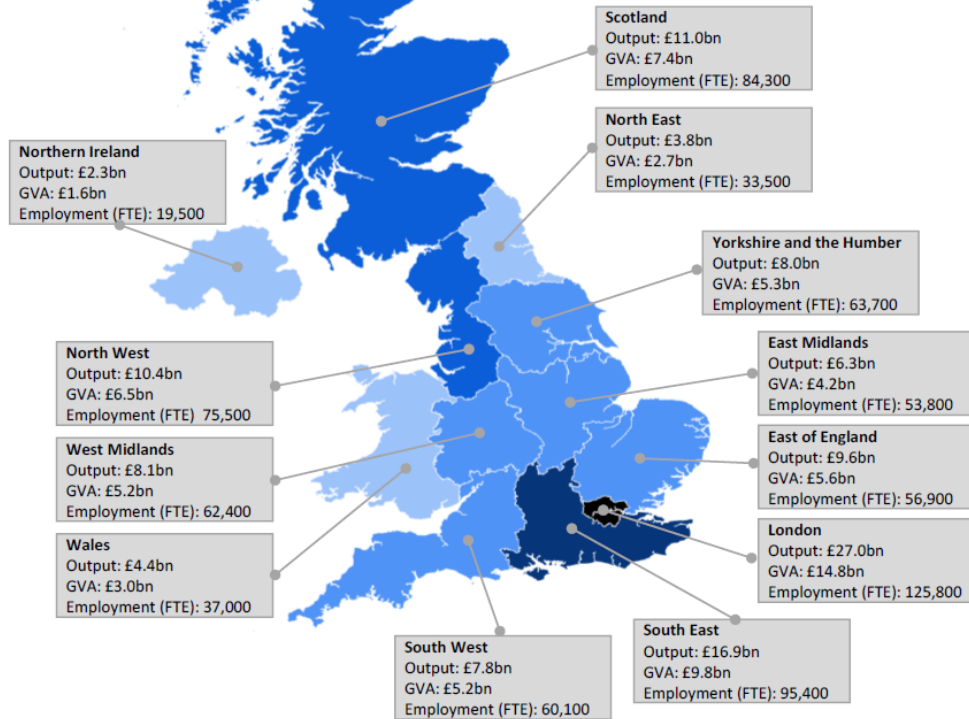
Fairly accounted for

Total impact of the HE sector in 2021-22, by region or nation of impact

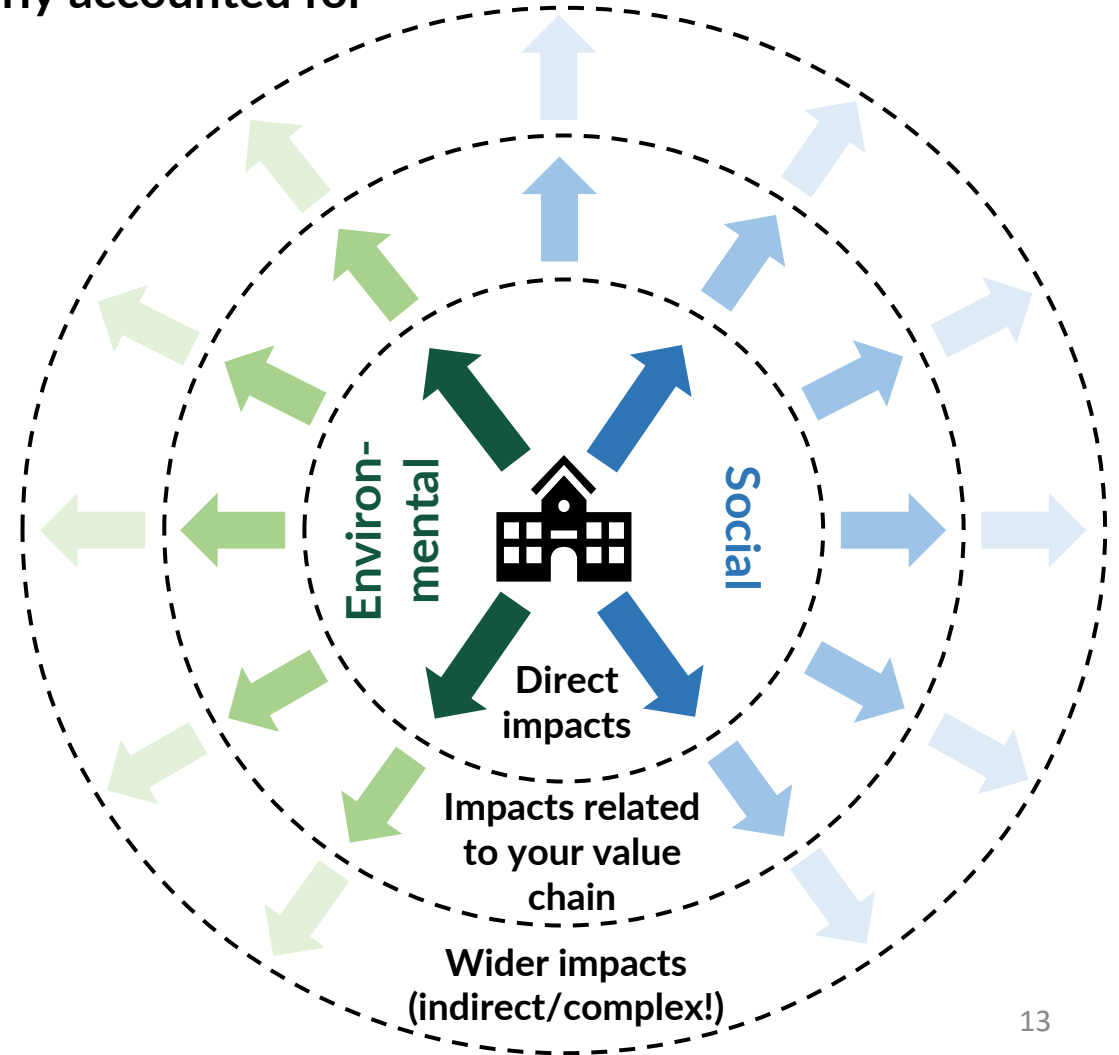
Economic impact on each region in 2021-22



Economic



Poorly accounted for



Value creation and destruction of universities: a working ledger



Education

Research

Operational impacts

Why is understanding value important for universities?



- It helps with **defining and sharpening mission**.
- It helps with **understanding what is contributing to and detracting from mission**.
- It helps with understanding universities' contribution, and creating a **clear and confident narrative** around it – with benefits for **advocacy, position** and **access to finance**.
- It helps highlight **opportunities to work and partner** with business, government and other sectors towards shared prosperity and sustainability.

What can universities offer other sectors?



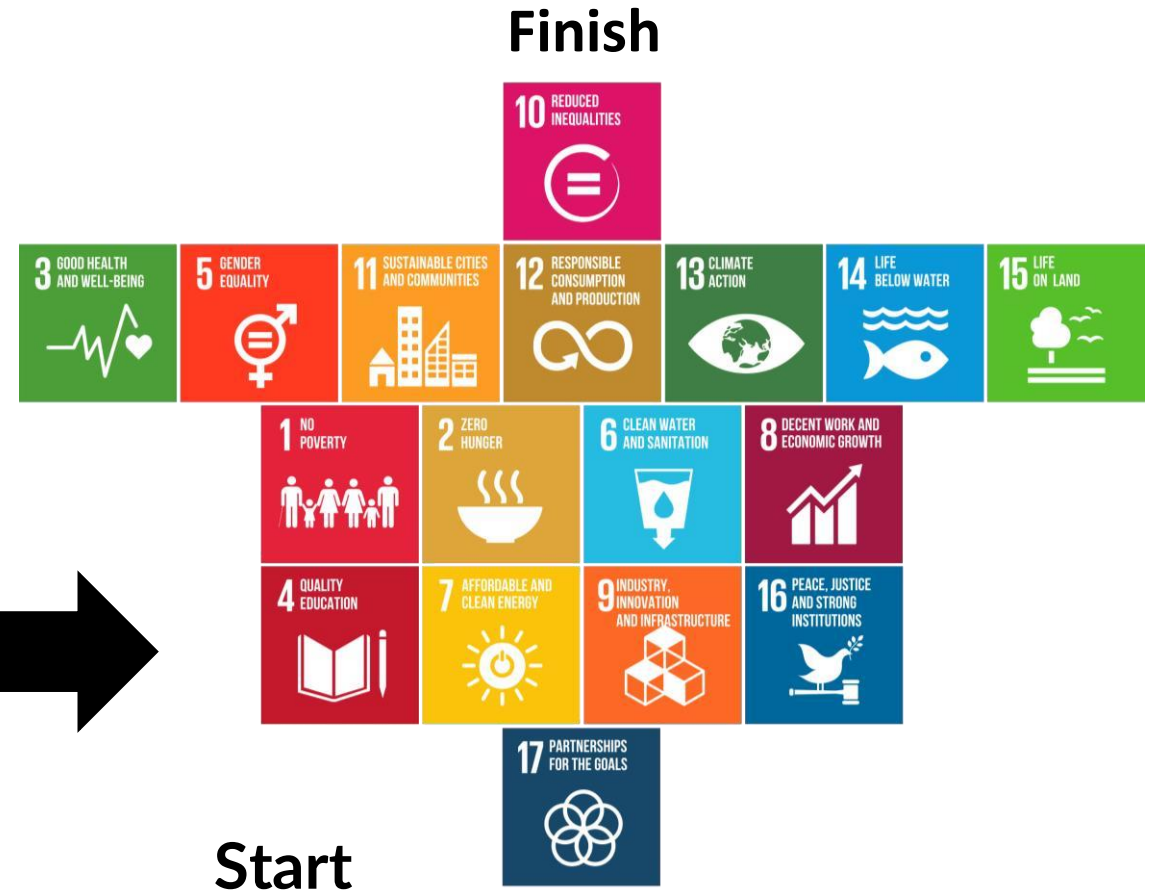
- Universities have always been **purpose-driven organisations**, many businesses are newer in this territory.
- Universities have always juggled **multiple drivers** and determiners of success.
- Universities have been working with complex **non-financial indicators** for a long time.
- A lot of the value that universities create is available and used by other sectors as **public goods**.
- **What have I missed?**

What can other sectors offer universities?



- **Connectivity** and **reach** to a range of stakeholder groups.
- Opportunities to **scale impact**.
- Opportunities to **leverage finance** and **share risk**.
- Insights around **deploying innovative practice** inside the organisation itself.
- **What have I missed?**

Purpose, Partnerships and the Public Good (Social Value)



Start
with collaboration

Adrian taking
over from
here

Outward facing 'public good' HE strategy



Respond to the challenges of society by establishing a strategy based on:

Purpose

- A clear articulation of our 'Purpose'

Partnerships

- An open and listening approach to dialogue, alliances & collaborative working

The Public Good = Social Value / Impact

- Rise to the challenges of CABS Report 'Business Schools and the Public Good'
 - **Lead not follow**

The Principles for Responsible Management Education



Purpose



Values



Method



Research



Partnership



Dialogue



RRBM Network: position



- The current system is falling short of fulfilling our collective potential. The goal for researchers and their institutions should include **business and societal impact**.
- Responsible research feeds into responsible teaching and preparation of responsible managers. Our current ecosystem is reinforcing research that is **narrow, outdated and insulated from the real world**.
- We encourage increasing the diversity of topics, methods, disciplinary perspectives, and dissemination methods. Diversity should be a central part of our research vision, with **societal impact as a central goal** of responsible research.
- The research ecosystem has a web of interrelated players. Each has a role to play in encouraging and supporting efforts to **move the current citation-based publication-oriented ecosystem to one that supports the principles associated with responsible research**.

RRBM 2030 Vision



- In 2030, business and management schools worldwide are widely admired for their **contributions to societal well-being**.
- Research is **timely and cutting edge**, producing well-grounded knowledge on pressing problems.
- It has helped **students, organisations, and communities** of all kinds to develop effective systems leading to high and responsible economic performance, great innovations, positive employee and customer well-being, a thriving natural environment, and strong communities.
- Schools and scholars are **committed to the principles of responsible research**, which are embedded in the core curriculum of how students at all levels are educated.
- Standards of excellence are attuned to the **needs of surrounding communities**.
- Business leaders and government and civic officials are frequent guests in business and management schools, **seeking advice on policies and offering support for research** on issues that need understanding.

RRBM Responsible Research
in Business & Management

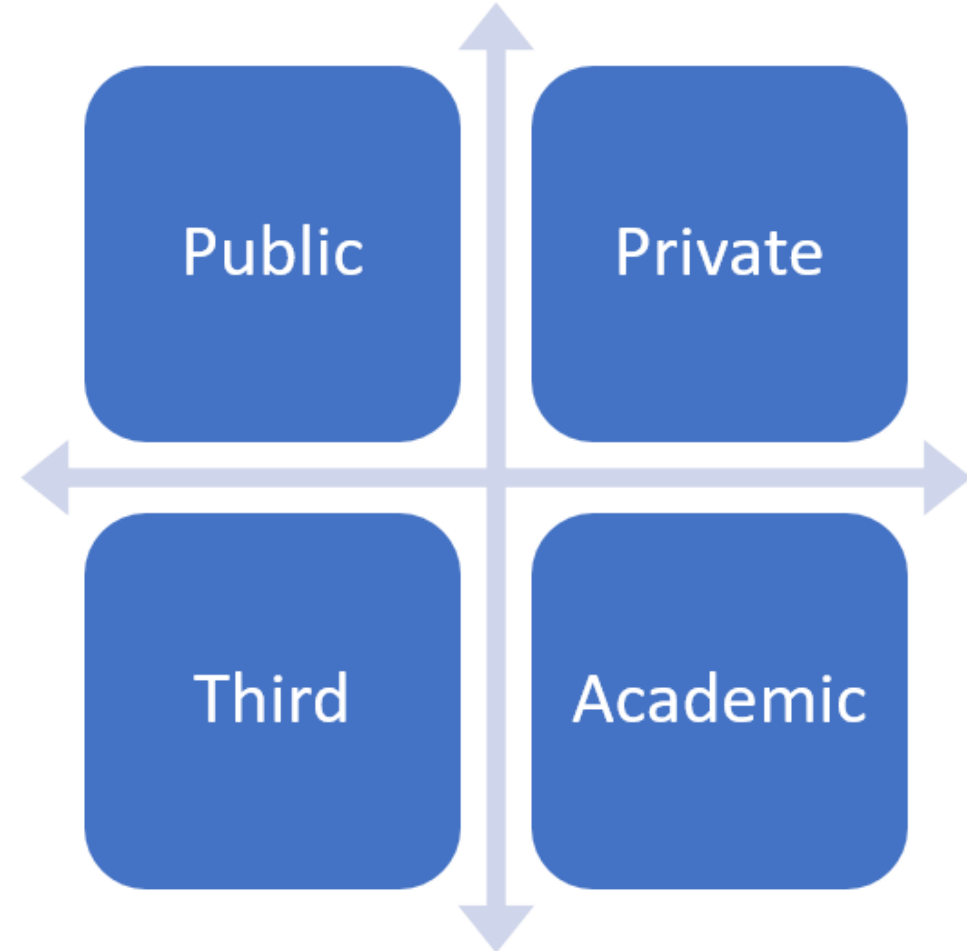
Cross-Sector working

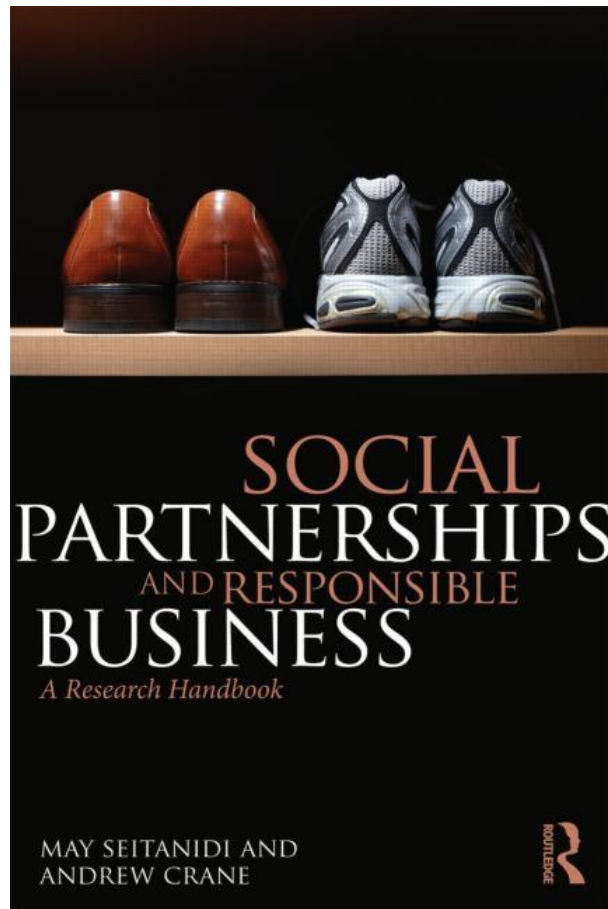
Involves:

- Code switching
- Different timelines
- Different language.

Therefore:

- Not for everyone
- Not everyone can do it.





We would like you to reflect and discuss

Education	
Value created	Graduate earnings premium Value to the exchequer <i>Public good due to human capital</i> <i>Public good due to human development</i>
Less value destroyed	-
Research	
Value created	(Direct) economic impacts <i>Spillovers</i> Non-monetary impacts
Less value destroyed	<i>Unintended consequences? ("Grimpect")</i>
Operational impacts	
Value created	Economic impacts Social value
Less value destroyed	<i>Uncosted negative environmental impacts</i> <i>"Un-costable" negative environmental impacts</i>
The bottom line:	We can't say precisely at present



- Does this cohere to you?
- What is missing? What is badly assigned?



Back to Tom

Discussion point 2

- Thinking of “Business as usual” work and/or specific initiatives at your organisation, what kinds of value do you feel are created?
- Is that value properly valued and accounted for?
- Who generates the value and who keeps it?
- Is the value you’re thinking of a stock or a flow?



Wrap-up: Some of SUMS' focus in this space

- **Materiality assessment** to help institutions understand their linkages with their operating environment, value creation and sustainability
- **Social value and responsible procurement** (with SUPC)
- Working through approaches for **true pricing** including natural capital, carbon pricing
- **Foresight** and future modelling
- Maximising the effectiveness of **core university activities that create value** (education, research...)
- Maximising the effectiveness of **functions that deploy universities' work externally** (knowledge exchange, public and policy engagement, partnerships, internationalisation, civic engagement...)

If you're interested in discussing any of these further, come and have a word afterwards or feel free to get in touch.



Thomas Owen-Smith, PhD
Strategy | Sustainability | Impact | Value || Higher Education



ADRIAN PRYCE DL (Associate Professor) · 1
Strategist - Educator - Consultant - NED / Chair - Podcaster.
Specialisms: Strategy, CSR-ESG & Sustainability, China, Charities.

<https://www.linkedin.com/in/adrian-pryce-dl-associate-professor-32b9b39/>

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