

New Challenges, New Solutions: Innovation and HR

ECC Annual Conference 3-4 March 2014

Conference Report

Contents

Key themes and learning points: the two minute summary	2
Introduction	3
HE Reform 2010 – 2015 – problems solved or problems delayed?	4
First session: The Innovative Organisation: What role can HR play? Blending Innovation and Talent: some thoughts, some observations and many questions	7
Second session: Innovation in Practice: HR and the digital organisation	10
Third Session: What are the financial pressures on HE – and what do Finance colleagues want from HR?	12
Fourth session: ECC: Where we are, and where we are going	14
Plenary	15
Closing remarks	16

Key themes and learning points: the two minute summary

Political context and forecasts: Higher Education is unlikely to be a dominant UK electoral issue, but there are major implications for Scotland and Wales that will affect the whole of the UK. Is there a potential 'ticking time-bomb' on student debt recovery?

Innovation – how HR can help create 'head-space'?: Innovation within organisations does not occur in isolation and can never be abstract. HR has a powerful role in creating the conditions for innovation to flourish.

Use of social media and digital engagement with employees: The benefits far outweigh the risks. The opportunities are very much about people and HR should drive the process and work with others, not just leave it all to colleagues in Marketing and Communications.

Cross-disciplinary collaboration: HR does not stand alone and should work alongside colleagues from other core disciplines to facilitate organisational development and change. Teesside University provides an example of effective Finance and HR collaboration.

Introduction

The ECC Annual Conference 2014: New Challenges, New Solutions was held on the evening of 3 March, and during 4 March.

Attended by a large number of ECC members from across the UK, plus representatives of partner organisations, the conference set out to:

- focus on innovation and HR
- share good practice and explore practical solutions
- encourage open exchange of experience
- bring together speakers, case studies and opinion from the HE/FE and other sectors

Speakers' presentations and briefing articles about HE developments and funding in Scotland and Wales are available on the ECC website at

<http://www.ecc.ac.uk/events/annual-conference-archive/2013-14-new-challenges-new-solutions/> .

We have also uploaded short video interviews with all the conference speakers, so you can hear the key points first hand. The AGM also took place during the conference; the minutes are available in the Members Area of our website.

We are very grateful to speakers, members and conference attendees for their positive and helpful input, and to Philip Williams for the initial draft of this report. The conference discussions and suggestions will be invaluable as we work to further improve and develop the work of the consortium in the coming months.



Nicholas Johnston

Nicholas Johnston
Chief Executive, ECC

20 March 2014

Pre-conference reception, Monday 3 March 2014

HE Reform 2010 – 2015 – problems solved or problems delayed?



Jonathan Simons, Head of Education, Policy Exchange

The pre-conference reception highlighted:

- a policy 'think-tank' perspective on the effects and implications of recent reforms in the English HE system
- a consideration of possible developments in Wales and Scotland
- the positive outcomes of recent reforms in terms of greater take-up of HE across previously under-represented groups
- some unresolved issues that are likely to haunt the sector in future

Jonathan summarised the key reforms that have taken place in English HE since the Browne report. These include the raising of tuition fees, introduction of student loans and the lifting of intake controls on AAB and ABB students. The area that has yet to 'work', Jonathan suggested, was impartial careers advice at school level.

The Scottish HE system currently remains more stable than its English counterpart. Scotland has differential fees, unlike the rest of the UK. This will be a significant independence referendum (September 2014) issue for the Scottish Nationalist Party – 'rocks will melt in the sun' before the SNP consider undifferentiated tuition fees for Scottish students.

Wales has a mixed-model HE economy and something of 'both worlds'. Consequently, Welsh Higher Education is in a state of flux with recent institutional mergers and the likelihood of more to come. Wales is also experiencing a 'brain-drain' of Welsh students to English universities with the result that the Welsh tax payer is subsidising Higher Education outside the country.

Sir Ian Diamond will produce a report on Welsh HE but it will not be available until 2016 – after the National Assembly for Wales election and the next General Election.

Problems solved?

There has been a consistent rise in student numbers in all parts of the UK and student satisfaction levels are high. There has been a notable rise in HE entrance from previously under-represented groups throughout the UK.

Problems delayed?

There are already calls for increased funding from some 'top' institutions. The £9,000 cap is unsustainable according to some elite universities.

Labour's Liam Byrne has been talking in terms of a 'graduate tax'.

We have seen a substantial decline in part-time study at HE level and a squeeze on postgraduate numbers due to perceptions of increased student debt.

Will the student debt ever be recovered?

The Student Loan Company is working on the basis of a recovery rate of £35bn against an estimated level of debt of £46bn. In context, this is half what the UK spends on the NHS. David Willetts estimates that 40% may never be recovered but there are some estimates that the percentage may be as high as 50%.

Due to compound interest on the outstanding debt, the amount an individual needs to repay will be highest for those earning £28,000, with the total debt decreasing dramatically for earners above this level.

It is a deliberate policy decision, but is the current level sustainable?

Jonathan used the analogy of funding for school Academies – if there is a short-fall, the Academies have to bear the brunt of the costs.

As numbers have risen across all the home countries of the UK, it begs the question whether subsidies are required to current levels.

This will have clear implications for Scotland. If Scotland votes 'yes' to independence then there are questions about the sustainability of pensions, the legality of the differential fees system, and future student and staff movements between an independent Scotland and the rest of the British Isles.

The implications for Wales may include the end of the tuition fee subsidy for Welsh students and further mergers and acquisitions.

The positions of the main parties

Jonathan forecasts a 'conspiracy of silence' as the next General Election will not be an 'HE Election' like the one in 2010.

He predicts that there will not be a great deal of clarity from any of the parties before 2015. The key question is whether a future government will continue to fund the 'asset bubble' that Higher Education has become.

Questions and discussion

Q: *Could HEIs sell debt to the banks?*

A: It would depend on the price they can get and whether the banks would be able to get it back. The Scottish Government could take on the debt in order to bail out universities. The Royal Mail is a good analogy, in the way it took on the pension debt. But would a potential £10bn debt be too large for the Scottish Government?

Q: *How can HR practitioners prepare to meet these challenges?*

A: Be agile and prepare to innovate. There have been some examples in contractual terms with mergers and acquisitions, and the way that some universities have managed contracts for wholly-owned subsidiaries. Coventry University has set up a degree route through Coventry College where students can obtain a degree for £6,000 a year instead of £9,000 by concentrating on study without the sports/leisure facilities and 'student-life' aspects.

There are opportunities to innovate but changes happen slowly. It has taken Pearson Education, a major FTSE 100 company, many years to penetrate HE. Nevertheless, they are embedding themselves into the landscape and we are likely to see contractual changes across the board. The rise of 'MOOCS' brings implications for staff terms and conditions and we will see more of the SERCO model with a move towards lower staff costs, fractional and seasonal contracts.

Some universities will expand massively and others will shrink considerably. There will also be major HR issues across the sector.

Q: *What are the implications for international students and recruitment?*

A: It depends which government is in power. A future Labour Government would put less pressure on visas. The Conservatives still foresee difficulties, although David Willetts claims that the issue of immigration in connection with international students has been resolved.

Jonathan believes that there is no longer a 'visa issue' but a 'perception issue' and that this could have a negative influence on how the UK is regarded as an international student destination. We could lose out heavily to our competitors at a time when UK Higher Education is one of our major global strengths.

Overall he predicts that international student numbers will remain stable. It would not be prudent to project an increase in international students nor to budget for more.

Q: *Can you comment on the growth of transnational partners, the delivery of UK HE on the ground in other countries?*

A: This has been a major growth area. Hong Kong has around 70 UK universities delivering programmes in one form or other – and not only those institutions 'you would expect'. The Observatory research company has done some major work charting the growth and size of exported UK HE. It has taken some of the private providers – such as Pearson – a good while to get into this market – and they are partnering with Royal Holloway internationally – but it is an area where there is considerable potential and growth.

ECC Annual Conference: Tuesday 4 March

First session: The Innovative Organisation: What role can HR play? Blending Innovation and Talent - some thoughts, some observations and many questions



David Cleeton-Watkins, Roffey Park Institute

David discussed innovation in the work-place – how employers can create space for people to innovate and introduce improvements. Innovation has to be concrete – it is not ‘blue-skies’ thinking but the application of thought and effort to real problems and processes.

David gave a brief outline of current management theory on innovation. It is no longer seen as the preserve of the lone genius but a team effort. The idea of lone specialists coming out with ideas in a vacuum is a romantic and outmoded one. Both Darwin and Einstein were working with ideas and theories that already existed.

The key contextual element to innovation is *core competency* – and this is why it becomes an HR issue as well as a production or general management one.

Google is seen as innovative and exciting – yet it pioneered a working model whereby staff were given one day a week off to do what they liked. How many organisations would be prepared to take that risk?

In the 1950s management thinkers at Lockheed in the USA came up with the concept of ‘skunk working’ – the observation that influential people within organisations set aside part of their budget to explore particular ideas or developments without first obtaining permission from their superiors. They found that the process of involving senior managers and obtaining permission was so complicated that they preferred to work ‘around’ the system by setting elements of budget aside to fund hunches and experiments. Through fear of failure we adopt defensive strategies to cover ourselves. How often do we ‘recruit for innovation’?

When W. Edwards Deming came up with his ideas on ‘total quality management’ they were not well received in the US and the West in general. People thought it would ‘disempower’ management. So he took his ideas to Japan, and Toyota was the result.

‘Survival is an option’ – but an ambiguous one...we can choose not to survive.

The UK can choose to play to its strengths and be a niche player in the world rather than attempting to do everything. We should decide what kind of nation we want to be.

David sees retention of talent as one of the top HR challenges for the next five years. Some 50% of managers are said to be considering a move in the near future. Some of this is down to 'burn out' or the desire to do something completely different.

An American book on 'micro iniquities' charts the slow build up of resentment that leads to people wanting to leave their posts. Staff engagement surveys do not tend to pick up that level of granularity.

What is needed is the re-creation of 'head room' – space to think. People are expected to innovate but to do their jobs at the same time. Innovation needs room to grow. There are also concerns about ethics and fairness and also about having purposeful and meaningful jobs.

David's impression is that universities do not only always provide jobs with a clear output and purpose so it can be difficult to provide employees with a sense of vocation or achievement.

Trust and ethics are key requirements when creating a climate of innovation. To what extent do these exist across our organisations?

In a Roffey Park survey (The Management Agenda 2014), a high proportion of managers reported endemic misconduct within their organisations – but in only 5 out of 15 cases was this deemed to be 'serious misconduct.' Minor instances of misconduct generally goes unreported or passed 'up the line' to senior managers. There is generally a conspiracy of silence at the minor level of misconduct – and there was broad agreement on this point.

Characteristics of innovation

David suggested that there are two main characteristics of innovation – and both have to be taken into account.

1. Randomness – the apparent 'inspirational' aspect. It just happens. The thought occurred to me as I crossed the car park etc.
2. Something that emerges from practice – '10,000 hours of practice' – as Mozart put it. Edison made 800 attempts to invent the light-bulb before he finally succeeded.

David posited that a culture of 'that's how we've always done things around here' can curb innovation and that HR can bear the blame for helping to inculcate a culture of this kind. One of the roles of HR should be to retain and develop talent by helping create a culture where innovation can thrive.

'Innovation is not a competitive sport' – it depends on teamwork to flourish and succeed.

Questions and discussion

Q: *The presentation raises some interesting dichotomies. In the case of some of the problems that have beset the financial services sector – Northern Rock for instance – did innovation outstrip the pace of change? Was it a kind of deregulated innovation that led to unacceptable risks and levels of borrowing?*

A: In the case of Northern Rock and Royal Bank of Scotland the Board took unwarranted risks. This isn't real innovation. One of the key factors of innovation is that it works ... if something doesn't work then it is not true innovation.

Q: *Are virtual teams effective as an innovative way of working?*

A: Nicholas Johnston outlined how ECC is beginning to consider remote ways of working and conferencing. David felt that these models can work but can depersonalise relationships and keep interaction at a distance. They were best considering for interactions and transactions where the personal element was less important.

Delegates discussed the issues raised. Points raised included:

- In some university HR departments up to 50% of staff do not have a professional HR background but are general administrative staff who have migrated into HR at some point. There is still a need to provide 'depth' in terms of grounding staff in the technical aspects of HR as well as HR finding a platform to address the strategic and work-culture issues.
- Is HR brave enough yet to recommend bringing non-academics in to manage academic areas? There was a suggestion that this has begun to happen in some areas.

Second session: Innovation in Practice - HR and the digital organisation



Dean Royles, Chief Executive NHS Employers

This was a lively presentation on how the NHS has 'grasped the nettle' in using social media to engage with patients. The benefits, Dean argues, far outweigh the risks involved.

The NHS is not 'an organisation' but a group of separate organisations. Yet sometimes it tries to impose solutions as though it was a single, monolithic organisation. Is it actually a system? Or an industry?

The NHS is highly diverse and with a high proportion of women (77%; up to 80% for nursing staff) and people from ethnic minority backgrounds. Around 15% of staff are from ethnic minority backgrounds including 36% of hospital Consultants.

Higher Education is not 'an organisation' either – it's made up of hundreds of separate institutions. Yet they all have collective bargaining power – like the NHS.

A simple, top-down approach no longer works for all communications. A few years ago, when hygiene was an issue and simple hand-washing the answer, all it took was for a centralised, standard approach with notices and posters distributed to remind staff and visitors to wash their hands before entering clinical areas.

IT solutions do not work as a simple, top-down approach as the NHS isn't a single organisation. There are also increasing numbers of people using the system with an increase of 3-4% in 999 calls alone each year.

The NHS spends £110bn per year, 70% of it on pay costs. There is an efficiency challenge to save £20bn by 2015. NHS income will stay flat in real terms but demand will continue to rise and costs continue to increase.

A great deal of academic work has been done to improve staff engagement and to link this with improving patient outcomes – particularly in encouraging staff to 'go the extra mile', for example by welcoming people or helping them if they appear lost inside the building.

In an NHS staff survey published last week, 21 out of the 28 performance indicators for staff engagement had improved.

There is a clear correlation between staff engagement and patient satisfaction. The problems at Mid-Staffordshire Hospital occurred when these indicators were in the lower decile.

The higher the level of staff engagement, the lower the average level of mortality at NHS hospitals (compared to the expected level of mortality).

Use and potential of social media

In Dean's view neither the health service nor Higher Education use social media enough to engage staff, patients or students.

In the NHS, many staff do not have access to IT at their workstations – but they do own their own mobile phones and iPads. There has been a growth in communicating with staff outside working hours or during their commute. This has been shown to drive traffic to the NHS Employers website with the volume of hits increasing by 70-80%.

One example of a successful social media campaign was encouraging a conversation about flu jabs for NHS staff on a specific Twitter account. Before the campaign, only 22% of NHS staff received inoculation against flu. The campaign uncovered the fact that workers could not get to the clinic during current opening times so the times were amended. Now 54% of staff have flu jabs.

Another example is 'Do OD' (Do Operational Development) – a corporate Twitter account *@NHSE_DoOD* and related podcasts which are busiest at weekends. The Twitter account conveys a sense of personality where the values shine through.

HR should be leading the development of staff engagement through social media and not leaving it to Marketing or the communications specialists. By all means HR should use Marketing and PR's expertise, but the agenda should be set by HR in the interests of staff engagement.

It requires an integrated approach. Currently, Instagram is the fastest growing social media channel yet no public sector organisation is using it. Twitter and LinkedIn can be used together with links to job boards and other resources.

Third Session: What are the financial pressures on HE – and what do Finance colleagues want from HR?



Diane Howie, Deputy Director of Finance, Teesside University

Financial and HR departments can make uneasy bedfellows but they work well together at Teesside. Diane Howie outlined the main features of the relationship between Finance and HR at her university.

The University has opened a Darlington Campus to augment its Middlesborough base and has partnership arrangements with regional, national and international colleges. Teesside has 1,800 staff, evenly divided between academic and administrative / technical. The University has commercialised some services and this now accounts for between 5% and 8% of turnover and a high cash balance.

In common with other universities, the student tuition fee system puts cash-flow pressures on the institution – with 25% of fees paid in October, 25% in February and the balance in May. Teesside has also lost £14m in revenue due to the reduction in the teaching grant and the impact of increased tuition fees over the last four years.

There are also significant operational challenges. Teesside now processes 30,000 fee transactions per year as a result of the introduction of tuition fees, and the Student Loan Company requires these details to match their records exactly. The University is also raising its tuition fee tariff. Originally, it was £7,450 then rose this current year to £7,950 for some programmes and £8,450 for the most expensive courses. From next year the University is standardising an overall £9,000 fee.

To manage and administer fee transactions, the University has created one large department – Finance and Student Records. It is an unusual move to have Student Records within Finance rather than Admissions or Registry. The Department of Finance and Student Records is one of the largest in the University with 89 staff. It has a senior management team of five with 12 people on payroll, three full-time equivalents and some part-time. The University operates a monthly and weekly payroll system and the Payroll service is based in Accounts, not in HR.

Teesside is in the fortunate position of being able to fund developments from its reserves. It has no capital grants and needs to generate adequate surpluses. This is no mean feat and the University has been able to meet the 8% of turnover required to fund developments. Over 20 universities failed to meet their 5% of turnover

targets last year. By funding from reserves the University avoids interest rate payments on borrowings.

The emphasis at Teesside is on the quality of the student experience and substantial reserves enable the University to deliver continual improvements.

What do Finance Colleagues want from HR?

Most of all, Finance requires legal advice from HR alongside staff data for annual forecasts and accounts. At Teesside, HR managers are specifically allocated to schools and departments. They are involved in finance meetings and inform Finance of forthcoming vacancies. This fosters good working relationships and mutual understanding.

As staffing contracts are becoming more generic and working patterns more flexible, Finance are heavily reliant on HR for expertise on framing job descriptions and weightings. An example from Teesside comes in the form of a seasonal working pattern for student admissions staff. They move from admissions to invoicing tuition fees at key times of year so their contracts have to reflect that change and flexibility. Middlesborough College is now a partner of the University and Teesside provides a payroll bureau service to the College. There is also an increasing trend towards home working in some areas and contractual arrangements have to reflect this. All these involve input from HR and are reliant on HR expertise.

Questions and discussion

Q: *How did Teesside manage the change and how does the system work now?*

A: We held monthly budget meetings and HR attends two budget meetings a month. This helps inform Finance and University senior management on what is happening in terms of appointments and also develops good working relationships. The staff in the respective departments have got to know one another and keep in touch on developments.

Q: *How does it feed into the three and five year plans?*

A: It all feeds into development teams known as 'Star Chambers' where the Director of Finance and the Director of HR as well as the Director of External Relations and other areas all represent their particular service. There is always a lot of conversation and general business planning at these meetings. It adds to the sense of what the department is trying to achieve. There is also plenty of information on staffing issues and forecasts too. The example of Teesside demonstrates that the key to organisational issues is not to try to solve them on your own but to share them with others.

Fourth session: ECC: Where we are, and where we are going



Geoff Foster, ECC Chair and Nicholas Johnston, ECC Chief Executive

The redevelopment of the HERA/FEDRA software is the key issue at the moment (there are no plans to change the scoring scheme). There is some rationalisation planned of guidance notes and the intention is to issue a master set with 'tracked changes' so that members can clearly and compare with earlier iterations.

The benefits of the new software will be an up-to-date, modern looking, easy to use product which will operate across different platforms. It will be under development over the summer with dialogue with all 125 ECC members, and implementation is planned for early 2015. Picking up on Dean Royles' challenge ECC is looking at setting up a blog or Twitter account to keep people abreast of developments.

Questions and discussion

Q: *What will happen in terms of ongoing software support?*

A: The first line of support will come from ECC, with more support available from the software developer when necessary. Day to day issues like password resets and general updates will be dealt with by the in-house ECC support team. The main difference is that ECC will own the system outright. It will be wholly ECC's and it will be much easier to improve and evolve the product over time.

Q: *What will members need to do or think about before the introduction of the new system?*

A: One of the key issues is data migration. The new supplier will carry out a dummy migration exercise early in the build so that we know from the outset what the landscape looks like and where the greatest effort needs to be made. We will consult individual members well in advance of any actual migration of their live data.

Q: *Are you planning to audit the databases of the 125 members and will local structures inform future development?*

A: We do not yet know the full extent to which local variations affect how data is managed within each member organisation. Some of this audit can be done remotely but we will have dialogue with members to determine this in detail.

Q: *Will there be functionality in the new software to carry out audits?*

A: Yes, the reporting function within the software will enable members to check the consistency of their data and scoring.

After a light-hearted ECC Dragons' Den exercise, the Conference moved to its Plenary and close.

Plenary



Delegates worked in groups to discuss issues that had emerged from the presentations and discussions. How might member organisations implement some of the ideas? How might ECC best support members in addressing these issues?

Encouraging innovation

Members discussed the innovation challenge and how to create space and time for people to develop ideas and to work in teams rather than in isolation. Building on one of the Dragons Den ideas, could there be an ECC award for innovation and enterprise? Suggestions could be collected and presented at the ECC Annual Conference for consideration.

New technology and social media

There was much consideration of the use of social media and how to set boundaries for appropriate use. There were concerns about dealing with people who abuse the system, and delegates identified a need for guidance on social media. People also noted the need to address changes to working patterns and the impact of new technology.

Member networking

Could ECC facilitate collaborative working in the south of England along the lines that seem to be working for universities in the north and Scotland? Could there be working groups to map career progression and performance? These would consider promotion and its effects on job grade. Issues discussed included creative performance pay and rewards; contribution and excellence; and the alignment of HERA competencies with academic promotion criteria. Others wanted a forum to share experience and concerns – things have moved on over the last 12 years and the issues faced in various user groups originally are now very different.

Senior reward

Although some members have successfully addressed senior pay and reward by building on their use of HERA, others remain concerned that a HERA-based approach may not currently include market supplements or weighting for senior roles. ECC has set up a project group to explore how to best support members in addressing senior pay issues. This is likely to include clear examples and guidance on applying a HERA-based approach to the determination of reward for senior roles. Members are invited to get more involved in this project during the year.

Total reward

Delegates noted that there is more to working at university than grades and salaries. There were calls to share suggestions on how members could improve presentation

and content of total reward packages. Is there good practice on how to motivate and develop a wider benefits package?

ECC service development

Some members would like to match roles to generic profiles – either manually or through other systems – to see how they fit. The turnover of staff can affect the passing on of knowledge on how the HERA database work, so ECC consultants can assist in providing continuity of expertise. Delegates discussed performance management and the implications of contribution points towards final reward packages and performance related pay. Some asked whether the ECC competency framework could be revised and refreshed.

ECC communications

Suggestions were made for ECC to communicate membership benefits to managers, perhaps by targeted newsletters with a focus on rewards and management of change. There could be social media communications about reward and job evaluation aimed at all university contacts.

Procurement

There was discussion about how ECC could further use its buying power as an organisation to benefit members, eg. in relation to recruitment advertising or discounts for 'change consultants'. Can we use the buying power of ECC members to negotiate national discounts for staff to enhance benefits of working for university? These could be added to local reward packages eg. discounts on holidays.

Closing remarks

ECC's Chief Executive, Nicholas Johnston, thanked members and speakers for attending and participating in what had been a very successful conference. Nicholas felt that ECC is only as good as the ongoing engagement with members. The ECC team will review all the Conference discussions and points raised, build these into plans, and share progress with members during the year.

There are big challenges for HE ahead, but ECC will continue to work with members across the UK to address them. In March next year we all hope to celebrate the successful implementation of the new HERA / FEDRA software!