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AdvanceHE

Let's talk value: How universities create value for students, staff and society

Professor Carol A Adams

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This report was commissioned by Advance HE to contribute to the debate about how universities create value, how they demonstrate the value they create and how they report on it. The report launch marks the culmination of the Advance HE project on 'Integrated Thinking and Reporting'² which was funded by UK funding agencies in 2017/18.

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² The project announcement is at <https://www.ifhe.ac.uk/en/news/index.cfm/IntegratedThinkingannouncement> and further details at https://www.ifhe.ac.uk/en/research-resources/resource-hub/integrated-thinking--reporting/index.cfm?utm_source=WS3&utm_campaign=IntegratedThinking

Contents

1 Forewords	1
2 Executive summary	3
3 Background	5
4 The potential for integrated thinking and defining value	7
5 The value creation expectations gap	10
6 The benefits of integrated thinking and reporting for universities	13
7 Critique of current reporting practice	16
7.1 Identifying who value is created for	16
7.2 Articulating the value created and (long term) strategy for value creation	17
7.3 The external environment, risks and opportunities	18
7.4 Sustainability information	18
7.5 Summary of the critique	19
8 Recommendations for universities	20
8.1 Maximising value creation through transforming multiple capitals	20
8.2 Integrated thinking and strategy to create value	21
9 Conclusion	24
10 References	25
11 Appendices	26
11.1 University annual reports reviewed	26
11.2 Additional university reports mentioned	26
11.3 Participants in the Advance HE integrated thinking and reporting project	26
11.4 Acknowledgements	27

1 Forewords

Anyone who has ever been to university or worked at one understands that they are about far more than the transaction of paying to receive an education. This report highlights the broad range of ways in which universities create value for students, staff and society. Universities undoubtedly provide learning, but they are also where young people embrace new ideas, hobbies, societies, friendships and opportunities. They are where researchers take on and develop new ideas that can make real differences to the way our world functions. They are part of a community.

Drawing on existing reporting practice and the experience of those who have taken steps towards integrated reporting, the report contends that much of the value created by universities is not made visible through current university reporting and ranking mechanisms. On leaving university, students don't just come out with a certificate, but an ability to debate, research, lead, engage and create new ideas. It is why so many prize their time spent at university.

I am delighted that through the leadership of organisations such as Advance HE, that a group of universities came together to work out how best to use developments in integrated thinking and reporting to help them tell this broader story in a way that works for the sector. Organizations as complex and multi-dimensional as universities need to be able to communicate on a wide range of factors – to tell a story of how they create value – for society, for providers of financial capital, for all of their many stakeholders.

The report's author, Professor Carol Adams, is one of a number of leading researchers considering how integrated reporting is implemented. She has worked directly with

us in the writing of reports on the Sustainable Development Goals, Integrated Thinking and the Integrated Report and the Capitals Background Paper for <IR>. In this report she brings her experience of developing integrated reports in other sectors with her knowledge of the university sector.

As a principles-based framework, the International <IR> Framework has helped over 1,600 organizations in more than 65 countries to start really thinking about what it means to create value, which resources and relationships they rely on to do so, and how they can tell this story to their core audience in a concise and meaningful way.

Peppered with quotes from universities currently on an integrated thinking and reporting journey and drawing on their annual reports, this report provides further evidence that integrated reporting is not just leading to changes in the way organisations report, but in the way they think and act. As the report highlights, there are many benefits that are emerging, both internal and external, helping everyone involved to understand the key attributes of the organization's business model.

I encourage universities that have not yet taken the steps to develop their reporting, to read this report, to learn from the research and examples included, and to take their first steps. Having spoken to many hundreds of individuals that have already started on their journey towards integrated reporting, I can assure you, you will not regret it.

**Richard Howitt, CEO,
International Integrated Reporting Council**

The value for money of a university education has been hotly debated over the past year. There is no single view of ‘value for money’ – a multitude of stakeholders, including students, politicians, and the media have their own views, based on their experiences and their own personal lenses of what constitutes value for money to them.

Research that we’ve done at UUK show for students, that key aspects of the student experience (such as high-quality teaching, feedback and learning resources) are of paramount importance in assessing value for money, as well as transparency on how the costs of their education are funded. The diversity of the student population means that the information needs of students are also incredibly diverse. One common theme that our research shows, however, is that students hugely value and trust the information that they receive directly from their university.

Which is why it is so important that universities engage with students as well as their broader audiences in providing the evidence needed to make assessments of value for money. We must ensure that students, government and other university stakeholders have access to the information that matters to them in assessing value for money, and to meet challenges and concerns on value for money head on with the relevant facts and evidence.

This means two priority areas need to be addressed. The first is universities being as transparent as possible – in explaining how they make their decisions on pricing of courses, how they use fee income and other sources to fund the overall student experience, and wherever possible tailoring this information to different groups of students to make it relevant to them.

Second, alongside the specific and tailored information we need to provide to students, we also need to celebrate how universities across the UK transform the lives of individuals, local communities and make a global impact. Universities open doors for individuals across all walks of life to learning opportunities, they undertake cutting-edge research with far-reaching effects and bring cultural, economic and social benefits to local communities.

Integrated reporting can help with both of these challenges – increased transparency and accountability from universities in providing the information that students want to see on where their fee income goes, as well as how their student experience is funded. It can also help with providing students and other stakeholders with a broader view of a university’s activities and how they contribute to the greater good of society. For while students understandably are interested in their own personal experience of university, we also need to make sure they also have a very real stake in how universities change lives at the local, national and international levels.

Universities and the higher education sector as a whole have significant opportunities to engage with the debate on value for money – but we can only do this by being better about communicating the evidence and doing as much as we can to provide the information that students and other stakeholders wish to see. This report sets out some of the issues that lie ahead. I look forward to seeing how integrated reporting can rise to the challenge and help us drive the agenda on value for money.

**Alistair Jarvis, Chief Executive
Universities UK**

2 Executive summary

Universities³ face significant challenges in trying to cut through the complexity the sector faces and articulate the value they create for their key providers of finance and other stakeholders.

This report explores the potential to change the way universities consider and describe their use of resources (not just their financial inputs) and their outcomes; and, create value for their stakeholders eg. through addressing global challenges and workforce and leadership skill needs and providing opportunities for individuals to fulfil their potential.

Current approaches to measuring and reporting performance, efficiencies and outputs, often driven by rankings, accreditation and regulatory assessments are challenged. The report sets out steps that universities can take to articulate the value they create for their stakeholders and society through integrated thinking and the transformation of multiple capitals⁴.

The report draws on: academic research in integrated thinking and reporting; a sample of UK university annual reports; views of university executives involved in reporting; and, learnings from reporting on value creation and the application of integrated thinking and reporting from outside the sector. Its focus on value creation by the sector extends prior work in the sector on integrated reporting by the British Finance Directors Group (BUFDG)⁵ and the work on value, value for money and trust by Universities UK⁶ and the Office for Students⁷.

The report is a call to action to develop ways of measuring and articulating the broader outcomes of university activities and the value they create. The focus on measures of output and financial outcomes used in rankings and assessments of universities does not convey the value they create. The sector is selling itself short. There are many examples through the report demonstrating how embarking on such an approach, challenging as it is, brings significant benefits and drives strategy towards developing long term positive outcomes including unexpected financial benefits such as reduced cost of capital. Defining what value is and how it is created also brings visibility to practices which destroy value.

3 This report considers a broad range of value created by universities but is also relevant to other types of Higher Education Institutions (HEIs)

4 See <https://drcaroladams.net/integrated-reporting-and-the-six-capitals-what-does-it-all-mean/>

5 British Finance Directors Group (BUFDG)
<https://www.bufdg.ac.uk/about/value-value-reporting/integrated-reporting/>

6 Universities UK is a university membership organisation promoting the 'voice of universities'

7 The Office for Students is a regulatory and competition authority for the higher education sector in England
<https://www.officeforstudents.org.uk/>

Readers will gain insights into how to do things and tell their story differently through the text, reporting examples and quotes from university leaders.

Whilst this report is set in the context of the UK, it is relevant to the sector globally given the leadership role of UK Universities (along with South African universities) in the development of integrated reporting in the sector. It is particularly aimed at university executive teams and their colleagues who are involved in external reporting and developing strategy, and those who have a direct role in demonstrating, delivering and articulating value across their institutions.

The call to action extends to those who influence the sector. There is much to be gained from sector wide thinking on the broad value that universities create, the outcomes (as opposed to outputs) they achieve and the measures that could be used.



“Around the world, individuals, governments and society increasingly look to universities to provide answers to the toughest questions and to help people realise their aspirations. Our mission is simple: we transform lives. We do this by shaping our students’ futures and preparing them for whatever they choose to do, and by creating knowledge that provides practical solutions to real world challenges.”

Sheffield Hallam University p5

3 Background

Faced with global competition for student fee and research income, universities are closely monitored and assessed on a range of performance measures including teaching and research outcomes and value for money for students. Externally driven metrics and assessments of universities have developed in abundance, at least in part because the sector has itself not defined or measured the value it creates. These metrics and assessments appear to be a distraction from identifying and remaining focussed on the long-term value created by universities.

Outside the university sector, the annual reporting process is often a time when organisations take stock of what their competitors are doing, what key risks and opportunities their organisation and sector face, and what their stakeholders and providers of finance want from them. There is little indication in university annual reporting packages that this is a purpose of reporting. Relative to other sectors, university annual reports have historically tended to be compliance oriented, and thus largely unimaginative documents that do not follow recognised frameworks for non-financial reporting. There is a significant diversity and inconsistency in report coverage as reflected in their titles⁸.

With some notable exceptions, university annual reports cover largely backward-looking information (but see, for example, the coverage of forward looking information by Durham University⁹) and somewhat quirky reporting, an example in England being ‘Public Benefit Statements’, the purpose of which seems unclear to those writing them. The main public benefit of universities is through their research, the education they provide, and the engagement academics do with regulators, the private sector, other organisations and communities to solve problems through research. Yet many Public Benefit Statements focus on activities which are not core such as bursaries. Bangor University’s Public Benefit Statement discusses Knowledge Transfer Partnerships with industry, promotion of the Welsh language in the workplace and as a teaching medium and focuses on employability and global leadership through the curriculum. However, in general, the world changing impact of research and education provision receives little attention in Public Benefit Statements. For example, while Newcastle University’s Public Benefit Statement disclosed the number of research publications and the £ value of research income, it does not cover the social, environmental or economic impact or contribution of the research. Universities do not systematically collect and report this information – although steps by regulators in Australia and the UK to reward the broader impact of research is a step in the right direction.

⁸ See list of reports reviewed on p26.

⁹ All reports referred to in this document were published in 2017 and are listed on p26.

With a few exceptions, universities have largely ignored 20 years of developments in sustainability reporting by the multi-stakeholder Global Reporting Initiative¹⁰ whose standards are used by organisations across other sectors and geographies. Public reporting by universities on sustainability issues has tended to focus on university operations and CO₂ emissions rather than the contribution of research and teaching to addressing sustainable development issues. Yet universities have a critical role to play in the achievement of the UN Sustainable Development Goals and, in the context of national governments having agreed to them, it is quite possible that they will be held to account and expected to demonstrate a net contribution. University annual reports examined for this report include limited sustainability disclosures, despite the material contribution universities can, should and often do make to sustainable development¹¹. Section 8.2 discusses how this contribution to sustainable development and the SDGs can be linked with value creation.

¹⁰ See <https://www.globalreporting.org/standards>

¹¹ Sustainable development was defined by the Brundtland Commission (1987) as "...development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs."

4 The potential for integrated thinking and defining value

In implicit recognition of these problems a group of UK universities and other HEIs, including those involved in the Advance HE Integrated Thinking and Reporting Project, are not just thinking about integrated reporting, but making significant progress in adopting it. There is still a long way to go and the challenges of adopting an integrated approach with collaborations across disciplines and the academic versus operations/professional divide are significant. Universities are traditionally siloed into discipline-based departments, each taking pride in their achievements. Academic expertise is seldom drawn on by operational functions. In turn the service provided by operational functions to the academic endeavour is often questioned.

Jennifer Sewel, University Secretary, Durham University since 2015 has reviewed integrated reports of organisations both within and outside the university sector. Asked why she decided to move towards integrated reporting when she joined the university she noted:



“The University did not produce an Annual Report, rather it produced a set of Annual Financial Statements with limited and rather dull information on how these related to delivery of the University’s Strategy, KPIs and wider performance and contribution to the economy and society. I wanted to make it an attractive document which ‘told a story’ and which could serve a number of purposes, such as providing interesting and up to date useful information to a wider group of stakeholders. I had seen these used in other universities and sectors and considered it added value.”

Integrated thinking and reporting facilitates a more holistic approach. Development of integrated reporting requires a commitment to integrated thinking – which can be considered to be whole-of-organisation thinking which recognises how the parts of the organisation and multiple capitals contribute to value creation in the context of the environment in which the organisation operates. This generally exists to some degree prior to embarking on integrated reporting but is always facilitated by it. Professor Julie Sanders, Deputy Vice-Chancellor, Newcastle University who participated in the Advance HE Integrated Thinking and Reporting project notes:

“Personally, for me, as a very new DVC, working with my Finance Director and his wider team as well as the Director of Strategic Planning on Integrated Reporting has been a significant relationship builder, one which ensures that our decision making at the executive level is holistic and joined up. That’s a really great thing to be able to say.”

Whilst only ten HEIs took part in the Advance HE project¹², which builds on the work of the British Universities Finance Directors Group (BUFDG), we can expect it to influence thinking and reporting in the sector more widely in the coming years. Research demonstrates that

¹² The project was commenced by the Leadership Foundation in Higher Education (LFHE) now known as Advance HE.

reporting practice considered to be leading spreads across sectors and geographical boundaries¹³. An example of the diffusion of integrated reporting practices beyond those universities explicitly attempting to adopt them is provided by the University of Bristol's coverage of its 'value model', external environment factors impacting on its business, risks and opportunities, strategy and how sustainability is integrated into research and teaching. Similarly, the London School of Economics (LSE) includes information on strategy and the external environment influencing it.



“The political debate that is taking place on university financing in the UK is focussing on crude economic inputs and outputs such as class contact time and graduate salary levels. It is currently a very narrow discussion that does not attempt to measure the value of a UK university education to the individual and the society in which they live. A degree is not just a route to high paid employment opportunities. Integrated reporting is an opportunity to discuss the wider value of universities using examples of the comprehensive contribution they make beyond the education of undergraduate students. What we learned from the Advance HE Integrated Thinking and Reporting Project is that we were already engaged in integrated thinking but we did not communicate this effectively in our annual report and accounts. Integrated Reporting (<IR>) is therefore our chance to broaden the political debate on university financing to communicate to wider stakeholders the important and broad contribution made by the Higher Education sector.”

**Neil Marriott, Deputy Vice-Chancellor,
University of Winchester**

¹³ For example, reports of multinational companies examined over a five-year period leading up to the publication of the International <IR> Framework (IIRC, 2013) by Adams et al (2016) found an increased connection between (reporting on) social impact activities, strategy and value creation regardless of whether reporters set out to follow development in integrated reporting.

The challenge for universities will be to draw on best practice outside the sector rather than create their own version of integrated reporting. There is some evidence from the annual reports examined that universities are not fully rising to the challenges of integrated reporting as set out by the IIRC (2013). For example, none of the annual reports examined for this report provide a succinct and meaningful articulation of the value they create, referring instead to their vision and mission statements. Many of the benefits of integrated reporting and the contents of an integrated report flow from this definition so it is critically important. For this reason, the Advance HE Integrated Thinking and Reporting project participants spent some time discussing what value creation means for the sector and their individual institutions. As a result, we can expect to see a clearer articulation of value created in their annual integrated reports for the 2017/8 academic year.

Key features of an integrated report

An integrated report:

- + demonstrates how an organisation creates value for its 'providers of finance' and other stakeholders
- + considers long term value creation in addition to shorter term value creation
- + recognises that other 'capitals' are needed to create value in addition to financial capital
- + discusses how capitals are transformed to create value
- + discusses the external environment and risks and opportunities impacting on an organisation's ability to create value
- + sets out its strategy to create value
- + is concise

5 The value creation expectations gap

The term value creation expectations gap is used here to refer to the gap between what stakeholders want from universities and what they perceive they get. This section considers: how the value creation expectations gap is exacerbated by rankings and measurements that don't reflect the value universities create; the importance of consulting stakeholders to define value; and, the role of reporting and governing bodies in achieving it.

A goal of many of our universities – written or unwritten – is to improve, or at least maintain, their position in the numerous global rankings and national assessments. Rankings influence the number and quality of students who apply, the fees that can be charged, the quality of academics attracted and their ability to attract research funding.

Assessments by government agencies of education, student satisfaction, research and research impact also influence funding and attractiveness to staff and students. The extent of government 'carrot and stick' style regulation is significant and perhaps underscores the mystique about how the sector and individual universities create value. On top of that there are assessments by professional and business school accreditation bodies of education, research, graduate destinations etc. These too are influential as a significant proportion of university fee income in some countries is earned in business schools.

The measures used in rankings, assessments and accreditations are not linked to value created. It could be argued that they are surrogates developed because universities have hitherto failed to identify

and articulate the value they create and for whom. They are measures of quantity, quality, efficiency and volume developed without reference to what is of value. They have come to determine what is valued by institutions. For example, researchers are assessed on grant income rather than world-changing outcomes of grant funded projects. Rankings and assessments use measures of output linked to financial capital. They don't tell us how our universities are transforming multiple capitals to create value. The task is not simple and calls for innovation and experimentation. The significance of the challenge is apparent from Durham University's long-term targets for 2027¹⁴ which are measures of inputs and outputs rather than outcomes and value created.



“Rankings are created by organisations that have a particular objective in mind. The criteria they use will inevitably be biased by the mission that is driving the organiser/publisher of this data. It is not an exact science as is evident from the changes to criteria and criteria weighting that happens each year. The rankings reflect criteria for which universities are well known (eg. research publications, staff/student ratios) but the impact that the research has or that graduates have on society in general and on local and global communities in particular, is harder to measure and therefore will be less attractive to ranking agencies for inclusion in their criteria.”

Phil McNaull, Director of Finance at the University of Edinburgh

¹⁴ See <https://www.dur.ac.uk/strategy2027/performance/>

Universities contribute to solving the world's challenges and improving future workforce skills.

At a time when people and planet face challenges from digitisation, over population, climate change, deforestation, urbanisation, poverty, governance failures, threats to food, energy and water security, etc, these are important contributions. But few university strategies explicitly incorporate many, if any, of these considerations in their strategy or report on their outcomes. An exception is the University of Glasgow which sets out how “academics responded to real-life challenges with intelligent solutions” (p 6). Attempts to address future workforce skills needs through Business Schools have been led by the Globally Responsible Leadership Initiative (GRLI)¹⁵ which is supported by business school accreditation bodies (AACSB International and EFMD), the UN Global Compact and the Principles of Responsible Management Education (PRME)¹⁶ supported by the UN.

Strikingly, the obsession with journal rankings by our elite universities (in turn driven by university rankings), is at odds with fulfilling the value creation aspirations through research of those concerned about global challenges and the workforce skills needed to address them.

Preparing an integrated report involves succinctly (in a few sentences and sometimes with visual aids) describing how you create value for your ‘providers of finance’. Universities have multiple, significant providers of finance (students, their parents, governments, alumni, philanthropists, corporate donors, grant awarding bodies, etc), but it might be reasonable to expect considerable overlap in their views on value. Other than through the Advance HE Integrated Thinking and Reporting project, the author is not aware of attempts to identify what is of value – as opposed to measurements of what should be of value – and this is something that might be examined on a sector wide basis.

The lack of visibility of value creating outcomes in university annual reports also applies to issues which destroy value. Those that have been in the public eye in different countries include: the casualisation of the workforce¹⁷; bullying and a ‘rape culture’¹⁸; and, a low proportion of women and ethnic minority staff at higher levels. Thinking and reporting about value creation brings into focus areas where ‘efficiencies’ and monitoring of outputs can have a negative impact.

Some universities provide good practice examples of who their stakeholders are and how they engage with them (see, for example, the annual report of Newcastle University), but stop short of articulating the value created by their

¹⁷ See for example <https://www.smh.com.au/education/casualisation-of-university-workforce-is-a-national-disgrace-20180803-p4zvcm.html> and <https://www.telegraph.co.uk/education/educationopinion/10810953/Students-suffer-under-culture-of-casualisation.html>

¹⁸ See for example <http://theconversation.com/hazing-and-sexual-violence-in-australian-universities-we-need-to-address-mens-cultures-92685> and <https://www.timeshighereducation.com/features/we-cant-run-away-from-rape>

¹⁵ <https://grii.org/>

¹⁶ <http://www.unprme.org/index.php>

activities. Newcastle University sets out its 'value shared' with different stakeholders which, for students is: *"We reinvest in our teaching and learning facilities for current and future generations of students."* (p 17). But what value does this create? More to the point, what value does their education create for students, future generations, our economy and society? This is difficult to identify and measure and Newcastle University is appropriately turning to its stakeholders for their input:

"At Newcastle we undertook a stakeholder analysis as part of our Integrated Report for 2016/17 with the aim of identifying the different ways in which value is created. It is something we will review as part of our new Vision and Strategy where people, culture and values are placed at the heart of our thinking."
Professor Julie Sanders, Deputy Vice-Chancellor, Newcastle University

Alistair Jarvis, CEO of Universities UK has said:



*"We need to respond to reputational challenges, robustly, with evidence, promoting our values, promoting our impact and engaging with a diverse range of audiences. Now is the time to demonstrate the huge value and a positive impact of universities."*¹⁹

Adams (2017a) demonstrates that ideas of what value is and how it is created have changed significantly over the last few years and environmental, social and broader sustainable development risks and opportunities are now recognised as being central to achieving long term value. Furthermore, the research, involving interviews with Board Directors, demonstrates that reporting and governance practices have an important role in long term value creation. The research finds reporting frameworks (which emphasise broad value creation over the long term) and involvement of the governing body in the process of reporting is key to driving change. The involvement of university governing bodies in determining what goes in integrated reports (particularly the strategy component and elements that influence strategy) is critical to developing integrated thinking and maximising value creation. In contrast a lack of involvement serves to exacerbate the value creation expectations gap and leads to short term focus on improving positions in rankings and government assessments.

If universities can't articulate how they create value, they can't identify risks and opportunities to doing so, or develop a strategy to get there.

¹⁹ See <https://www.universitiesuk.ac.uk/news/Pages/New-Universities-UK-Chief-Executive-urges-universities-to-fight-back-against-misconceptions-and-m.aspx>

6 The benefits of integrated thinking and reporting for universities

The benefits of integrated thinking and reporting for universities relate to the information content they provide to stakeholders and their ability to change internal thinking and strategy to focus on broad value creation and the resources needed to achieve it.

The process of developing an integrated report inevitably leads to changes in: decision making processes; informal and formal communication processes; materiality and risk identification processes amongst others. The emphasis on the long term, on the focus on creating value across a range of capitals leads to better outcomes for a range of stakeholders.

Professor Julie Sanders, Deputy Vice-Chancellor, Newcastle University spoke of the benefits of integrated thinking and reporting to academic strategy, noting in particular that a focus on value creation leads to inter-disciplinary working – undoubtedly due to its greater ability to solve real world complex problems:

“As the academic DVC at Newcastle, I am particularly interested in how integrated thinking and reporting can promote a long-term sustainable approach to strategic decision-making. It has already placed increased emphasis on collaboration and inter-disciplinary working and the importance of joined-up thinking both across the Newcastle city campus and its associated sites as well as between academic and professional services teams. Integrated reporting is for me a significant enabler of the integrated thinking that will ensure our new Vision and Strategy lives and breathes across the whole organisation as a tangible and meaningful set of ideas, actions and aspirations.”

Jennifer Sewel, University Secretary, Durham University explained her decision to move towards integrated reporting in terms of its influence on strategy:

“To tell an up-to-date, coherent, interesting and informative story of the university in a single attractive document. Its development also provides a useful internal reflection of strategy delivery success and impactfulness.”

There is also some hope that a focus on value creation through the integrated reporting framework can change government perceptions of universities.



“Universities face a difficult challenge in terms of government, and indeed public, perceptions of “value”. The new regulator has chosen (student) value for money as one of its key priorities, but it’s also clear that value is perceived in terms of taxpayer funding via student loans. I hope that integrated thinking and reporting can help change the external perception of how universities operate and the value they create for different stakeholder groups – including “UK plc” in a global context. It feels viable to articulate the public good and civic mission of British Universities through integrated reporting not as a “nice to have” or third mission which stands in relationship to a core but rather as intrinsically connected to everything we do across our education and research portfolios.”

Professor Julie Sanders, Deputy Vice-Chancellor, Newcastle University

Phil McNaull (McNaull, 2018), Director of Finance at the University of Edinburgh, was told by one fund manager that the University's integrated report helped him come to a quick decision about taking up a debt issue because it clearly articulated the university's risks and business model.

One of the challenges is to find ways to report or measure the intangible value created which is important information for providers of finance. This remains a challenge for universities including those involved in the Advance HE project.



“I believe that one of the solutions (to government intervention) is for the sector to adopt a coordinated approach to defining and communicating its value creation model, through Integrated Reporting, to better explain to its stakeholders, and in particular to government, the broad and deep value added over long periods of time to society. Universities in the UK have a fantastic record of graduating students who go on to make very significant contributions to industry, society and of course their own personal development and the UK HE system is one of the best in the world that overseas graduates strive to access. Research outputs are the envy of the world over a long period of time and their discoveries mean that universities can justifiably claim to help solve world problems and make the world a better place. Universities are major employers, with all of the tax and economic benefits for society associated with that.”

Phil McNaull, Director of Finance at the University of Edinburgh.



“Universities have for too long worked away quietly and not ‘shouted’ sufficiently about the enormous contribution they make to UK Plc nationally and internationally resulting in this being largely unknown by the general public. The UK has a world leading Higher Education sector, which brings enormous benefit in terms of attracting international students who add significant value both financially and socially to the UK. It punches way above its size and weight in producing world leading research and the development of intellectual property which has transformed lives, industry and society. It has hitherto been taken for granted and not sufficiently celebrated. The time has come for universities to be more proactive in redressing this.”

**Jennifer Sewel, University Secretary,
Durham University.**

Benefits of integrated reporting to universities

The benefits of integrated reporting to universities include:

- + highlighting what’s important – as opposed to what is covered in university rankings
- + being an attractive means of communication – tells the university’s value creation story
- + providing information which is of value to students, staff and prospective students and staff in making decisions about where to study and work
- + highlighting important inputs often ignored in reporting and receiving insufficient attention in strategy
- + involving, identifying and engaging with key stakeholders in a meaningful way
- + focussing attention on material risks and opportunities
- + underscoring the importance of cross-disciplinary work, engagement between academics and operational functions and stakeholder relationships
- + making access to finance easier and cheaper
- + building confidence in the sector and reducing the need for government intervention.

7 Critique of current reporting practice

This section provides a critique of reporting to date in the context of global reporting trends and the issues discussed in previous sections in order to highlight how universities can reduce the value creation expectations gap outlined above.

It is not the purpose of this publication to score reports using the content elements of the International <IR> Framework (but see BUFDG, 2016 for an approach to doing this). Rather, a sample of annual reports have been reviewed to highlight current reporting trends. They include: five from universities the author has knowledge of as a student or employee – Stirling, London School of Economics (LSE), West London, Glasgow and Durham; five that have been working towards integrated reporting – Abertay, Bangor, Edinburgh, Newcastle and Winchester; and Bristol. These reports have been used to illustrate some areas of best practice, and some areas for improvement.

7.1 Identifying who value is created for

Leading reporting organisations (for example those who are winning reporting awards) outside the university sector identify who their key stakeholders are, what their stake in the organisation is and how they engage with them. Such engagement is critical to identifying risks and opportunities facing the organisation. Some integrated reports go a step further setting out how they create value for key stakeholder groups (such as customers, staff, business/industry partners, community, governments, NGOs) and how those stakeholder groups in turn create value for the organisation.

In contrast, the university reports examined tend not to explain their intended audience or who they create value for (see below). Universities engage with staff and students through annual or termly surveys and ad hoc fora, but the results are rarely discussed in annual reports, or otherwise made publicly available outside the institution (other than surveys conducted by government bodies). Consideration of what the results mean for value creation and how that value creation is realised would, over time, build trust with these stakeholders and lead to a more positive engagement. The same applies to university partnerships with external organisations. You wouldn't necessarily know when picking up the report of University X whether a major partnership with Company Y or Government Department Z existed – even if that partnership was translating research into major practice or policy innovations for Y and Z. Such partnerships are becoming increasingly material to value creation and are encouraged through the assessment of Impact Case Studies by the UK Government's Research Excellence Framework. The integrated reporting framework (or International <IR> Framework) (IIRC, 2013) requires articulation of matters material to value creation – including consideration of major partnerships and the value they create. The concept of multiple capitals in integrated reporting facilitates the capturing of such activities and their contribution. This is an example of the social and relationship capital facilitating the development of intellectual capital and creating outcomes for stakeholders.

Who do universities create value for?

Universities create value for:

- + students, their employers and society through knowledge and critical thinking skills
- + students and their current and future families (through the incomes that students go on to generate)
- + employers of students, the economy, communities and society (through the skills that universities develop in students)
- + academics through providing an environment to stimulate thinking and world changing research endeavour
- + governments, industries, individual organisations, the environment, communities and society (through the outcomes of research and research partnerships).

7.2 Articulating the value created and (long term) strategy for value creation

Articulating what value means to an organisation and how value is created is a step towards maximising long-term value creation. It provides a focus for activities and strategy. Few university reports explicitly articulate value created (see above) through their activities and the measures used in rankings and government assessments don't encapsulate it.

The University of Bristol makes no claim to follow the International <IR> Framework and was not part of the Advance HE project but makes an attempt to set out how its academic activities *“help individuals and society fulfil their potential”* (p 10). This gives some indication of what value

means to the university ('fulfilling potential') and whom value is created for ('individuals and society') albeit somewhat vague and hence difficult to incorporate into strategy. As mentioned earlier with reference to Adams et al (2016) diffusion of good practice through the adoption of parts of International <IR> framework is a step forward.

Refreshingly, some universities are setting out how their research creates impact rather than just reporting the number of journal publications or £s grant income received. The University of Stirling's report notes: *“Academics at Stirling carry out agenda-setting research that addresses key societal issues and has a positive impact on communities globally.”* (p8) Leeds Beckett University's report notes: *“Much of our research activity is focused on addressing critical issues facing our industries, and upon improving the health and wellbeing of individuals in the UK and beyond.”* (p14)

Durham University seeks to be a strong institution where *“world-leading and world-changing research and engagement is created and sustained”* (p12) and seeks to produce *“critically and socially engaged graduates of the highest calibre who enrich society through their employability and role as global citizens.”* (p14) The report also sets out its strategy to achieve this.

Very few universities discuss how they are transforming multiple capitals to create value. An important capital for universities is “human capital”, more often thought of as their people and particularly their researchers, teachers and professional staff employed to support and channel endeavours to build intellectual capital. Universities build (or deplete) their people talent through appointment processes, the nature of

staff contracts (ongoing, fixed term or casual) rewards and training. Whilst the LSE says it is: *“Building a core faculty committed to both education and research”* (p 6) it doesn’t go on to say how. Durham University’s report stands out in articulating the key components of its ‘People Strategy’.

Buildings and spaces (manufactured capital in integrated reporting terms) are important to the process of value creation by universities and a considerable amount of time and expertise (human and intellectual capital) and financial capital is put into their design. However, there is no indication of a systematic analysis of their contribution to value creation, in part because that value is undefined. If value were defined, for example, as developing future leaders able to solve complex problems, consideration could be given to how teaching spaces could be designed to contribute to the process. If developing links with community was considered a value adding activity, the conversation about space utilisation and design would be different.

7.3 The external environment, risks and opportunities

Identifying trends and issues in the external environment which impact on the activities of a university is critical to identifying risks and opportunities to value creation. Whilst these issues, along with associated risks and opportunities, receive limited coverage in university reports they are an important content element in the International <IR> Framework (IIRC, 2013) and their inclusion facilitates an integrated thinking approach to the development of strategy. Good examples of such coverage include, Abertay University’s report which

discusses the impact of Brexit, but more unusually goes on to discuss other global and national influences on Scottish universities and how they are funded. Durham University’s report goes further than most in not only identifying key risks, but stating what measures are in place to mitigate them. This is common practice in reports outside the university sector. The University annual reports examined in the development of this report do not systematically consider sustainable development issues relevant to their external environment and the risks and opportunities they bring.

7.4 Sustainability information

In other sectors integrated reports address sustainable development issues or social and environmental issues which are material to an organisations’ ability to create value.

In many universities sustainable development issues drive a significant proportion of their research endeavours (although not many would know to what extent because the information is not collected). Given the complexity and significance of global challenges resulting from climate change, poverty and a range of other sustainability issues, it is surprising that university annual reports contain little information on their contribution to solving them or their impact of them. In addition, information on CO₂ emissions and targets and the steps taken to change behaviour of the large numbers of young people in our higher education institutions whilst existing in internal documents and websites receive limited coverage in annual reports. Further, and more difficult, university annual reports contain little or no information on how education provision is being adapted to equip the next generation of leaders to address the sustainable development

challenges faced by society – which requires a particular type of leader (Adams et al, 2011). Many university academics are endeavouring to equip graduates with critical and sustainability thinking skills they can apply to global problems, but those outcomes are often not captured or told.



“We learned the value of the hidden curriculum. It is one thing to learn about climate change in the classroom and a quality education can influence, directly or indirectly, all of the SDGs. However, if your university is living its values then it will be deploying resources from sustainable sources and managing ethically. For example, zero waste to landfill, recycling or upcycling resources, reducing carbon footprint, increasing use of renewable energy, etc. These direct actions have a subliminal impact on the values and actions of students that can be powerful and life changing but not a direct part of their classroom-based education.”

**Neil Marriott, Deputy Vice-Chancellor,
University of Winchester.**

University reports reflect the fact that university sustainability initiatives rarely come under the purview of a senior leader crossing the academic and operational domains, are often led by the buildings and grounds function, and are fragmented. Few universities adopt a whole-of-institution approach which occurs in other sectors (see Adams, 2013). Integrated reporting should facilitate that.

None of the university reports examined set out how they were contributing to the achievement of the United Nations Sustainable Development Goals (SDGs) which governments around the world have committed to. Clearly universities are critical to their achievement and this is an obvious area where universities could demonstrate that they are creating value and contributing to the goals of their national governments. Adams (2017b) sets out an approach to doing this requiring integrated thinking and linked with the integrated reporting process.

7.5 Summary of the critique

This complexity facing the sector is significant and increasing. The annual reports examined for this report reveal that their structure and content vary enormously giving the impression that the sector collectively is failing to ‘see the wood for the trees’. The articulation of value is indeed a major challenge. Whilst many sectors face competing demands of multiple stakeholders, in the university sector this is perhaps magnified by the institutionalisation and authority of their interventions.

It is in this context that university annual reports around the world stand out in not conforming to global trends in best practice reporting. The reports examined indicate limited consensus on what they should cover or who their audience is. They do not appear to be regarded as an important communication tool or a means of communicating with stakeholders.

The next section considers how universities can adopt integrated thinking and reporting to reap the benefits set out in section 6 above.

8 Recommendations for universities

Two essential resources for universities seeking to better tell their value creation story are *The International <IR> Framework* (IIRC, 2013) and the integrated reporting examples database²⁰. It is particularly important that universities look to best practice examples in other sectors and the examples database allows searching by content element and guiding principle. Two areas which universities have found particularly challenging are discussed briefly below.

8.1 Maximising value creation through transforming multiple capitals

A first step to developing an integrated report would be to determine who the university creates value for and what that value is. The content of each section of the report would be guided by the value creation statement. Figure 1 sets out the steps to conveying value created by a university.

8.1.1 Preparing the value creation statement

This involves considering:

- + Who are the key providers of finance and other key stakeholders of a university? How does the university create value for them?²¹ What value (beyond financial considerations such as value for money) do they seek and add?
- + How do the 'characteristics' and 'values' and the vision and mission or aims of the university and its core activities create value to key stakeholders?
- + What role does heritage play in enriching society?

²⁰ <http://examples.integratedreporting.org/home>

²¹ See <https://drCarolAdams.net/linking-stakeholder-engagement-and-strategy-in-universities/>

The statement itself should be succinct so that staff, students and governing bodies can associate with it. Some excellent examples of how universities create value are provided on the Universities UK website ²².

Example value creation statement:
University X creates value for students, governments, economies and society through: enabling research which addresses global challenges and contributes to the achievement of the UN Sustainable Development Goals; building partnerships with industry and government; and, providing an education designed to equip the next generation of leaders with the skills to solve them.

8.1.2 Identifying the key activities which contribute to value creation

Examples of key activities leading to value creation include:

- + Supporting multi-disciplinary research institutes to address real world problems
- + Developing and nurturing significant partnerships with key companies and policy influencers to maximise research impact
- + Offering cross discipline courses to develop student's ability to critically analyse global challenges
- + Building and maintaining relationships with alumni

²² See <https://www.universitiesuk.ac.uk/facts-and-stats/Pages/impact-of-higher-education.aspx>

8.1.3 Identifying the capitals²³ transformed in the value creation processes

The focus on output measures related to financial capital and efficiencies by key stakeholders means that universities are struggling to identify outcomes in terms of the capitals. This involves considering questions like:

- + What do we do to build relationships with key stakeholders and partners (social and relationship capital)?
- + How do we provide an environment where staff can flourish (human capital)?
- + How do our support services and processes help us achieve value as we've defined it (intellectual capital)?
- + How are university facilities and buildings used to create value for local communities (manufactured capital)?

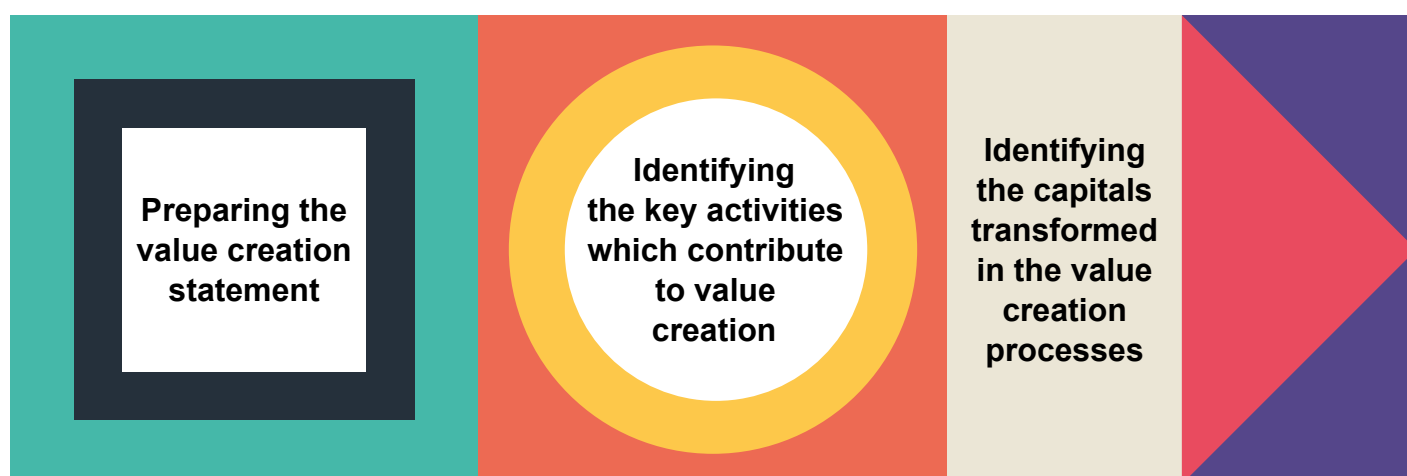
8.2 Integrated thinking and strategy to create value

The steps discussed in 8.1 and set out in Figure 1 involve developing integrated thinking. Strategy should address the issues discussed in the previous section.

Strategy begins with identifying the external environment trends, risks and opportunities impacting on ability to create value. Relevant considerations include international and national trends impacting on higher education and research, regulatory interventions, demographics, competition, movement of international students, etc. These steps are set out in Figure 2 with more detail in Adams (2017b).

Sustainable development issues are a critically important external environment consideration for universities conducting research and providing education with long term impacts. National governments will undoubtedly be interested in

Figure 1: Steps to conveying value created



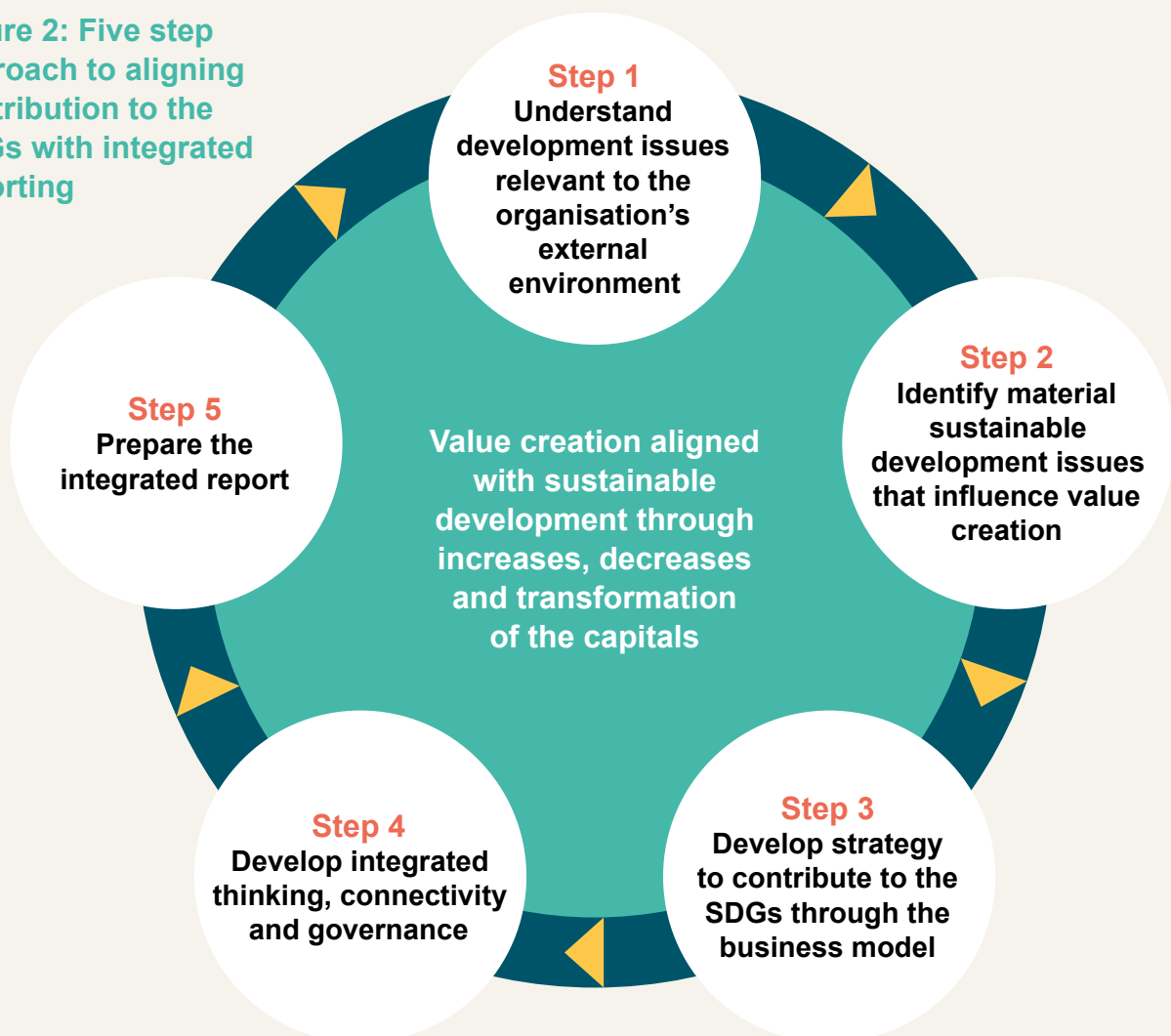
²³ See <https://drCarolAdams.net/integrated-reporting-and-the-six-capitals-what-does-it-all-mean/>

how universities can help them fulfil their commitments to the UN Sustainable Development Goals and university could consider which SDGs they contribute to through their strategy to create value locally and globally for current and future generations. Adams (2017b) sets out an approach to aligning strategy to contribute to the SDGs with the university's overall strategy to create value. The International <IR> Framework with its multiple capital concept and business model approach provide a useful framework for developing and integrating

a university's approach to sustainable development across all aspects of strategy.

In a university, following these steps would lead to: identification of opportunities for research, research partnerships, education, the broader student experience and enhancing operations aligned with both sustainable development and value creation; and, articulating that contribution along with any material negative impact and risks. Further, there would be more emphasis on long term strategy and targets for outcomes.

Figure 2: Five step approach to aligning contribution to the SDGs with integrated reporting



Adapted from Adams (2017b)

Many organisations outside the sector are explaining their business models visually, identifying the key inputs, outputs (for a university primarily education and research) and outcomes (how the multiple capitals are transformed) to create value.

Strategies should identify KPIs which measure value as defined and set short, medium and long-term targets.

Of course, this is an iterative process and strategy won't be aligned with the reporting framework first time round. Gaps in integrated thinking will be identified. Professor Julie Sanders, Deputy Vice-Chancellor, Newcastle University explained the integrated reporting process made to strategic planning for research and teaching at Newcastle as follows:

“Our new Vision and Strategy has been developed in the context of our work on integrated thinking and reporting. Underpinning this vision we have aligned the six ‘capitals’ of integrated reporting to our strategic enablers. In this sense, we have begun to use integrated reporting in our strategic decision making, and I expect this to continue in the coming years. I also think it is helping to promote a really nuanced and engaged discussion about KPIs, challenging assumptions about what works and avoiding a narrow interpretation of metrics and reporting. I think this is meaningful for our staff and students and helps the broader academic

community connect to and own, rather than simply feel directed and guided by, the strategy. Of course, IR won't achieve this in isolation; it has to be part of a wider effort around organisational storytelling to ensure that the narratives we tell are real and meaningful for colleagues. Working with my HR team and in particular our Organisational Development leads is essential in this respect... Council approved, and strongly supported, our first Integrated Annual Report and is already commenting on the significant impact this work is having in key areas of activity such as estates. In that context, projects where integrated thinking has ensured that the needs of our students and staff in the context of the education strategy (digital, social, spatial), alongside environmental sustainability issues and life-cycle costings and the development of an innovative set of interdisciplinary research contact zones or encounter spaces have all come together into a compelling whole have been praised by members of Council. In this way, as DVC, I can see genuine changes for the better in everyday practice and process that for me have been in part shaped by the integrated reporting initiative.”

The sort of changes occurring at Newcastle, and in other universities that participated in the Advance HE project, will lead to better reporting through the iterative process of integrated thinking and reporting.

9 Conclusion

The university sector is not unique in facing complexity and challenges. It is perhaps unique in the range of interested parties able to exert pressure and influence the HEI agenda. Current university reporting approaches are disparate without a clear and consistent aim or audience.

Defining value creation, and striving to achieve it through transformation of multiple capitals and integrated thinking offers universities an opportunity to set their own agenda. Articulating how they do so in the annual (integrated) report informs key stakeholders of the significant and broad value they create so they can gain greater control over the value they pursue. It also draws attention to practices which do not add value.

Participants in the Advance HE Integrated Thinking and Reporting project have taken a step in the right direction and subsequent annual reports of this group will show significant development against the ones identified here. These pioneering universities have carved out a head start in developing strategy cognisant of the role of multiple capitals in value creation. They are taking a different approach to thinking about strategy up to their governing bodies.

The report is a call to action to develop ways of measuring and articulating the broader outcomes of university activities and the value they create – both at the individual university level and sector wide.

The institutions that influence and regulate universities could play a part in this shift by rethinking their approach to measuring and assessing their activities shifting to outcomes rather than outputs and efficiency based approaches.

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11 Appendices

11.1 University annual reports reviewed

Abertay University, Integrated Report, 2017.

Bangor University, Financial Statements, year ended 31 July 2017.

Durham University, Annual Report and Financial Statements, for the year ended 31 July 2017.

London School of Economics and Political Science (LSE) Financial Statements, for the year ending 31 July 2017.

Newcastle University, Integrated Annual Report, 2016-17.

University of Bristol, Annual Report and Financial Statements, 2017.

University of Edinburgh, Annual report and accounts for the year to 31 July 2017.

University of Glasgow, Annual Review, 2017.

University of Stirling, 2017 Annual Review.

University of West London, Annual Report and Financial Statements, year ended 31 July 2017.

University of Winchester, Financial Statements for the year ended July 2017.

11.2 Additional university reports mentioned

Leeds Beckett University, Financial Statements for the year ended 31 July 2017.

Sheffield Hallam University, Transforming Lives.

11.3 Participants in the Advance HE integrated thinking and reporting project

Abertay University

City, University of London

Leeds Beckett University

Newcastle University

Royal Welsh College of Music and Drama

Sheffield Hallam University

SOAS, University of London

University of Exeter

University of West London

University of Winchester

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