

BUSINESS SCHOOLS SUPPORTING SMALL BUSINESSES AND LOCAL ECONOMIES: **A MANIFESTO FOR GROWTH**



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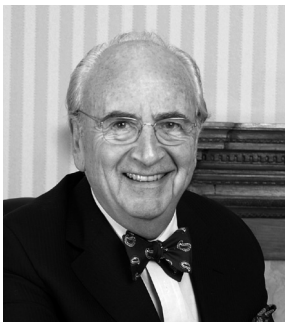




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A MANIFESTO FOR GROWTH

Business schools contribute £3.25billion to the UK economy. Their students represent 1 in 5 post graduates, and 1 in 7 under graduates, attending university. We know that business schools are very well placed geographically, and in terms of expertise and knowledge, to support businesses – 43% of businesses use business schools to develop their staff - as well as provide start-up incubation, consultancy and professional development to students and entrepreneurs alike. This makes business schools uniquely placed and resourced to play a key role in the growth of their local economies. Whilst business schools can, and want to, do more to support small business growth directly, the government can introduce measures to release the potential contained within local business schools.

We want an incoming government to pledge to take three steps to further enable small businesses to benefit from what business schools have to offer:

- **Recognise business and management education and research in STEMM**
- **Include business schools in local growth policies and business support initiatives**
- **Remove international students from net migration targets**

To support our Manifesto for Growth, we've provided three articles to back-up the case for each pledge.

FROM STEM TO STEMM

PROFESSOR ANGUS LAING

CHAIR, ASSOCIATION OF BUSINESS SCHOOLS

In seeking to rebalance the economy, to enhance Britain's competitiveness and to provide a platform for sustainable development, policy makers across the political spectrum have elevated Science, Technology, Engineering and Mathematics to virtually totemic status as the key academic bases through which to achieve such objectives. The emphasis on STEM is part of a global trend across both developed economies and the rapidly emerging economic powerhouses of Asia. Investment in STEM capacity has been one of the outstanding features of the efforts of many of these emerging economic powers to develop their universities.

There is no doubt that developing STEM capacity is an important element of providing countries with the type of skilled workforce required in advanced knowledge intensive economies. Similarly, STEM capacity plays a highly significant role in generating the discoveries and inventions that can radically alter the world in which we live. However, while these disciplines are necessary preconditions for innovation, for a flourishing knowledge based economy, they are in themselves far from sufficient preconditions for innovation. Britain has a proud research tradition in STEM disciplines and we unquestionably punch above our weight in terms of scientific breakthroughs and inventions. Yet in terms of commercialising inventions, in business development, in building global scale industry leaders and brands we lag behind rivals.

Addressing this issue in an American context, the Association for the Advancement of the Collegiate Schools of Business (AACSB) – the largest business school accrediting organisation globally – in their Innovation Report published in 2011 argued that the focus on STEM represented:

“... a new form of techno-nationalism in which policy makers compare innovative capacity based on input measures, such as the number of scientists and patents generated, without accounting for the ability to convert invention into value”

Ultimately innovation, and in turn business development and economic growth, is as much about enterprise, finance, leadership and management as it is about science and technology. Enterprise, finance, leadership and management are the natural domain of business schools.

Realising the goals of rebalancing the British economy, of enhancing our competitiveness requires investment in STEM. But it also requires investing in that capacity which translates invention into innovation, which transforms a groundbreaking discovery into a world-beating business. There is a need to move from investment narrowly focused on STEM to being about investment in STEMM where Management is as core to the policy discourse as Science and Engineering. Rebalancing this discourse is critical to rebalancing the economy of the future.

Britain's business schools offer an outstanding resource to support innovation and economic growth. Our best business schools compare with the best in the world. We draw outstanding academics and students from around the world to create business schools which are at the cutting edge of thinking and practice. We have more internationally accredited and recognised business schools than anywhere outside of the United States and develop business leaders from across the globe. Yet we can do more, far more, to enhance Britain's competitiveness and lay the foundations for Britain's economic success in the 21st century.

To realise this potential it is critical that the role of business schools as translators of invention, as societal innovation generators, is recognised and that the incoming government takes steps to invest in the necessary capability. That requires investment in research, both blue-sky and applied research. That requires investment in developing the business academics of the future. The narrow focus on STEM has witnessed a decline in the funding available through the Economic and Social Research Council. Whilst research funding for IT-related subject areas has grown by 26.1% since 2007-2008, business and management research funding fell by 4.7% over the same period. **If the trend of declining funding continues, the forthcoming academic year may be the first in over a decade that UK government sources will contribute less than 50% of total research income for business and management studies.** Competition with our international rivals is also hampered by our inability to compete on the salaries available to the best talent.

That the business school community is committed to enhancing Britain's economic performance is unquestionable. Initiatives in conjunction with the government such as the Small Business Charter as well as the work of the Association of Business Schools recent Innovation Taskforce highlight such commitment. To take this further, to realise the latent potential requires that the strategic place of business schools in delivering those key translators of innovation, enterprise, leadership and management is recognised and appropriately supported.

BACKING BUSINESS SCHOOLS TO SUPPORT LOCAL ECONOMIC GROWTH

RT HON LORD YOUNG OF
GRAFFHAM DL

PRIME MINISTER'S ADVISOR ON ENTERPRISE

The launch of the Small Business Charter a few months ago marked an evolution in the development of business schools in our country. It was recognition of the very real changes that have taken place in our economy with the result that nineteen out of twenty companies in the UK employ fewer than ten people. Today far more people work in small firms than work in our large companies, more people than ever before work for themselves and the skills required for both are very different from those required for large companies.

This is not to say that we should ignore the skills required by large companies. They are, after all, the main producers of wealth in our nation and it is vital to our economy that we have well-trained executives in our large companies but they are, no longer, the main employers in the land. This was the thinking behind the creation of the Small Business Charter with its accent on business schools working with local small firms and I am delighted that the first twenty schools have been awarded, and I hope, with many more to come. It is my ambition that, in the fullness of time, nearly all business schools will be members of the Charter and will be contributing considerably to the local economy. It has long been a complaint that the management of our small firms sector needs up-skilling and here is a real opportunity for business schools to play their part.

My hope is that the business school will become the focal point for all small firms in their immediate neighbourhood. Government has many programmes designed to assist small firms, Growth Vouchers and Growth Accelerators are two examples, which will bring together the knowledge and experience of the business school to the benefit of the local economy.

But the Small Business Charter is only part of the story. Whilst it is of advantage to have entrepreneurial business schools working with small firms in their area, there remains the rest of the university. There were a number of proposals in my latest report **“Enterprise for All”** which concerned universities. One, I had proposed the creation of a start-up program that would cover all students, undergraduate and postgraduate, in any university which has an enterprise society. This would give the opportunity of a start-up loan to any student who would like to start their own business whilst still at university. This would involve a co-operation between the business school and the Enterprise Society to the benefit of both.

Secondly we announced the creation of the Enterprise E-Star award, under the patronage of HRH the Duke of York. This is to be run by the National Business Awards (NBA) with the first gold award to be made at their November 2015 awards ceremony. All universities will be judged on their approach to enterprise across the campus. Do they have an elective enterprise module? Do they offer student, of all disciplines, start-up support? How effective is its relationship with its own business school? Does the university have incubator units? These are some of the questions that will be asked. Professor Sir Malcolm Grant has agreed to chair the judging panel.

Finally there is a new program known as Future Education and Employment Record (FEER). We hope to begin publishing, next year, earnings, suitably anonymised, for every course in every university in England. This will, of course, include courses available via business schools as well as the rest of the university and would give an opportunity for every school leaver to judge whether or not he or she should go to any particular university, take any particular course, or even go at all. At the present time we are asking many school leavers to make the biggest economic decision they will have to take until they buy their first home, without giving them any indication whether or not this would be to their benefit. It will, of course, show how many graduates go on to work for themselves, as well as how well they progress in later life, and I can see this being an important indicator for many.

I hope that all these programmes, taken together, will give us the entrepreneurial business schools that the economy needs to take us into the testing decades ahead.

INTERNATIONAL BUSINESS STUDENTS' VALUE TO THE UK ECONOMY AND SOCIETY: THE CASE FOR CHANGING UK IMMIGRATION LEGISLATION

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The UK government has committed itself to reducing net immigration to below 100,000 annually by 2015. Unfortunately for United Kingdom higher education, international students remaining in the UK for longer than 12 months are officially counted as migrants. One of the reasons that immigration is positioned as such a political hot topic in the UK is that there are frequent claims about migrants taking jobs that British youth and school leavers could fill. However, like most charged topics, the picture is much more nuanced and complex than many of the political and media commentaries lead us to believe, particularly when it comes to business school students.

In a recent report by British Future and Universities UK, international students were said to bring in £7 billion into the economy through fees and living expenses. **Within the HE sector, no single discipline is more affected than business schools whose international students are worth approximately £2 billion to the UK economy.** Business schools have historically been the subject area that has consistently recruited high numbers of international students - nearly one in three according to the last Higher Education Statistical Agency (HESA) tables. Furthermore, forty percent of taught post-graduate students in business schools are international students. With 138 Business Schools in the UK today, many of them are sustainable due to international students who help ensure a wider variety of course offerings by their presence. Consequently, it is essential that Business Schools weigh-in on this important debate on immigration and the UK landscape.

In the past two governments, we have seen the introduction of numerous changes to policies around higher education institutions sponsoring Tier 4 students and the point based immigration and visa system. This stream of new policies has meant that many business schools have found themselves on a rollercoaster when attempting to accurately forecast and sustain international student recruitment and numbers. Some business schools have had to close some post-graduate courses. Yet, in spite of these changes many business schools have proven quite resilient by doing what business does best – adapting and pushing forward with new and innovative ways with which to sustain income streams and students. Business schools across the UK have adapted their programme offerings in an attempt to allow international students the maximum chance for enrolment. Two examples of innovations in this area can be seen with changes in the academic calendar and the emerging significance of London locations. Where traditionally the norm has been to have students join a programme of study once or twice as maximum in a year, a number of business schools now operate year-round teaching and some have moved to block delivery of modules. The hope is that by having more opportunities for international students to join a programme, they can combat the issue over delays applicants face in securing UK student visas from embassies that are backlogged with applicants. Another example is the increasing number of business schools that are locating away from their main regional campus and setting up a London based facility. The government has made it more difficult for post-graduates to secure post-study work opportunities so that business schools now look to build such work experiences into their curriculum and London is a much more attractive setting for international students to gain work experience as part of their programme.

Yet, there are key international recruitment markets that have declined at an unprecedented rate in spite of these proactive responses by many business schools. In spite of an almost doubling of international students to business and management programmes between 2002/3 and 2012/13 according to HESA tables, we are now seeing a decline. There is a significant decline in numbers of students from Pakistan, India and Bangladesh respectively between 2011/12 and 2012/13. Chinese students who have historically made up an estimated 40% forty percent of all international students in business and management also started to see a drop in 2012/13.

Although not all business schools are affected equally, these changes have impacted the composition and size of many incoming classes. **Conversely, this situation has not only meant that business schools are using different business models to maintain their student numbers, but that many have been forced to shut down programmes that many UK students also benefited from.** In addition many Business Schools have moved to offer fewer optional modules particularly on post-graduate programmes. The consolidation of business programmes and international students in London has also had a negative impact on main campus sites and local economies, which is at odds with the local growth agenda which business schools are well placed to support. The cumulative impact of these tactics does not necessarily bode well for a country that has been seen as offering the best not only in business education, but in business research and consultancy historically.

We need to be careful as a society not to get so burdened by the numbers game that we forget what the mission of UK Business Schools has been and can continue to be. The UK still has a number of world ranked business schools. We are still only second to the United States in the number of international students we attract each year. This soft power has all kinds of spill over effects not only for educating the world on UK business practices and approaches, but in terms of ensuring that British business schools are cosmopolitan places through a student body made up of students from all over the world. One of the reasons international students want to do a MBA in the UK is because of the significantly enhanced networking opportunities they gain. A business school student in the UK truly walks away from the classroom into business with a global perspective and a global address book.

A globalised business education platform for the UK must in turn lead to improved productivity and growth which comes back to Britain in terms of increased exports, tourism and use of our services. We have recently cheated ourselves of another positive impact by effectively making post-study work opportunities harder to come by. Although there are those who worry those international students who stay on after their post-graduate education will take jobs from British citizens, it is simply not true. Allowing them to stay and work here means that they increase the productivity

and growth of the British economy. This situation has a multiplier effect in terms of increasing our gross domestic product as well as expanding our economy often in areas that we would not have had a competitive advantage without this international labour pool. This situation means that international students don't just take jobs, but they create jobs that can be filled by qualified individuals legally able to work in the UK.

International business students are worth more than just the value of their tuition and their place at University. They are an important part of ensuring a future not only for themselves, but for the economy and British society as well.

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