BRIEFING PAPER

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ACADEMIC CONSULTANCY

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SUMS Consulting
Management Consultants

Graham Tiller
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1. Introduction

This document summarises selected findings from a recent comparator study undertaken by SUMS Consulting of aspects of academic Consultancy ("Consultancy"). This work was shaped around the needs of a particular assignment. The study group comprised eight institutions with representation from Russell Group, 94 Group and Alliance universities. The comparator study points to a wide diversity of practice in operation across the HE sector with potential opportunities to enhance Consultancy practices or realign policies and practices to reflect changing institutional strategies.

The following pages explore:

- Context for Academic Consultancy
- Findings from the Comparator Study
- Strategic Considerations
- Risks

If you have any questions about Academic Consultancy please contact Graham Tiller or Claire Taylor at SUMS Consulting:

Email: g.r.tiller@reading.ac.uk or s.c.taylor@reading.ac.uk

2. Context

Sector Trends

Interest in Consultancy and Enterprise and Engagement (E&E) is growing, reasons for this include:

- Some University leadership teams may have identified academic Consultancy as a potential future source of income with uncertainties surrounding future funding scenarios for T and R. The extent to which Consultancy fee income is likely to provide additional net contribution to an institution will depend upon income allocation policies and the Consultancy growth trajectory.
- Staff remuneration is under pressure as universities seek to contain or reduce costs. Consultancy offers a route by which academic staff might top up their income.
- E&E and Consultancy are relevant to HEBCIS returns and HEIF funding; this assumes that the activity is captured and reported in the return. Consultancy demonstrates a commitment to the business and community interaction agenda.
- Consultancy can inform aspects of T and R. For some disciplines, it can help to link T and R into "real world" application.
- Consultancy can help research staff to develop external networks and contacts as pathways into potential new sources of research funding
- Adding value to the student experience is more important than ever. Consultancy can help to build linkages into external organisations and can be synergistic with employability and student enterprise initiatives.
- Some consider that Consultancy can be relevant for REF impact assessment but opinions on the extent to which it is relevant are divided.

Unsurprisingly, the motivations and experience of most academic staff have tended to be directed towards T and R. Consultancy and wider E&E are widely seen as secondary to T and R. Consultancy is an optional activity that may be viewed by academic staff to have less career value or personal interest than T and R. In the past, most academic staff have tended not to be especially financially motivated thereby making Consultancy less attractive or even seen by some as inappropriate – although there are some indications that this balance may be changing. Since academic Consultancy is optional, usually there are few, if any, dedicated staff resources ("consultants"). If a University wishes to grow Consultancy, uncertainties over availability of staff and the optionality of Consultancy can present some challenges.

3. Findings from the Comparator Study

An overarching observation from the comparator study was the wide diversity of practices applied by the comparators. Some selected findings are summarised below.

Administrative Support

Consultancy can be contracted through the University and supported and administered by the University ("Managed Consultancy") or contracted and administered by academic staff themselves ("Private"). It is common for universities to have small central administrative teams or units with specific responsibility to support academic staff with Consultancy administration. This support includes help with institutional compliance/approval and client contracting and legal issues. Usually, these central units have an important role to play in risk management. Also, by contracting through the Managed Consultancy service, staff benefit from the University's professional indemnity (PI) insurance.

Private Consultancy

Most comparators allow staff to undertake private Consultancy and some facilitate private work. Comparators have policies that require staff to declare their private Consultancy and to abide by institutional policies for private work. One institution has surveyed academic staff requiring them to declare their private work and required nil returns for the survey. Some comparators have prohibited or significantly restricted private Consultancy for their full time academic staff.

Managed Consultancy

The other summary findings (set out below) relate to Managed Consultancy rather than private Consultancy.

Use of Subsidiaries

Some comparators contract Consultancy through a subsidiary company and the income is routed through the subsidiary. Others contract through the University itself with fee income paid directly to the University. There are pros and cons for each which are beyond the scope of this summary paper.

Income Allocation Models

Various practices are applied to allocate the gross margin (fee income after deduction of direct costs) between institutions and their academic staff. For the institution, cost recovery and contribution to central overhead is important. Some have devolved responsibility for cost recovery to academic units but within guidelines. In these institutions Heads of Schools or Heads of Departments determine how much is retained from income to recover central and academic units' costs. Others apply centrally determined formulae but with considerable flexibility built in. One comparator applies all income to departments (i.e. no income to staff) but linked to a workload and reward model that allocates some income to departmental development accounts in accordance with the model - funds in these accounts are reserved to fund future academic initiatives.

In an attempt to try to classify the wide diversity of income allocation practices, SUMS has characterised them into theoretical groupings (Types) but in practice there are significant overlaps between these groupings. The Types are summarised below and in the table thereafter.

Type 1 – Income to the institution (no company), allocation between staff and academic units is determined by institutional policies or a standard model. Although none of the comparators' arrangements could be precisely described by this grouping, one had some features that were similar.

Type 2 – Income to the institution (no company), allocation between staff and academic units is determined by various academic unit policies or models. Some comparators had some features of this grouping.

Type 3 – Income to the institution (no company), allocation between staff and academic units is determined by various academic units' workload and/or reward models. Some comparators had some features of this grouping.

Type 4 – Income to the institution (no company), allocation between staff and academic units is determined by an institutional workload and/or reward model. Some comparators had some features of this grouping.

Type 5 – Income to a subsidiary company, allocation between staff and academic units is determined by internal contracts or agreements with the subsidiary company. Some comparators had some features of this grouping.

Type 6 – Income to a subsidiary company, allocation between staff and academic units is determined by various other models. Some comparators had some features of this grouping.

Groupings	Type 1	Type 2	Type 3	Type 4	Type 5	Type 6
Income Allocation	✓	✓	✓	✓		
Income to institution (no company)					✓	✓
Income to subsidiary company						
Allocation determined by institutional policy or standard model	✓					
Allocation determined by various academic units' policies or models		✓				
Allocation determined by institutional workload and/or reward model				✓		
Allocation determined by various academic units' workload and/or reward models			✓			
Allocation determined by internal contracts between staff/academic units and the subsidiary company					✓	
Allocation determined by various other models or approaches						✓

Table 1 – Income Allocation

Management Fees

Some comparators retain a management fee from income specifically to cover the cost of their central Consultancy administrative support unit. Others do not levy a fee - they fund their central unit through overhead charges allocated to the academic units in a similar manner to other central costs such as research administration. Others consider that their central unit is funded from an allocation from HEIF funds or a mix of a fee and HEIF.

Pricing

Most comparators consider their pricing arrangements for Consultancy to be "market based" and, for some, linked to staff expertise and/or grade. Some undertake costing to check that fee rates are set at least at a minimum threshold (commonly linked to FEC) i.e. the costing informs the pricing. Others link their pricing to FEC i.e. cost plus. For some, there appeared to be some blurring at the edges between market based pricing and costing. Value based pricing can be challenging. Some comparators felt that most academic staff are not trained/experienced consultants and that this should be recognised and made transparent to clients to manage expectations; however, many have world leading expertise and knowledge which is highly valued by commercial clients. Some clients are charities. These are some of the complexities of pricing.

Project Accounting

Most comparators apply project accounting practices to Consultancy which are similar to practices applied to their research project accounting but with some adaptations. These adaptations reflect differences in the nature of Consultancy projects. Some variations between comparators were found to depend, in part, on the functionality or configuration of information systems. Some institutions' systems can support Consultancy with modest modifications whilst others require more extensive use of spreadsheets to generate reports that are better suited to Consultancy. High quality management information was noted as being very important by some comparators. Frequency was also noted as important - for example to ensure that project accounts are reliably updated during the year.

Income Waived by Staff

Several comparators confirmed that they apply year end zeroing to project accounts for their Consultancy projects completed prior to the year end. Most carry forward balances on live projects into the following year and until completion. Most have developed solutions to enable surpluses to be retained by Schools or Departments for use in future financial years where these surpluses have arisen from income that has been waived by academic staff to the staff member's academic unit. Often, these surpluses are retained in special accounts to fund various academic activities and initiatives. These accounts are typically characterised as "strategic reserve accounts". There are potential accounting, financial control, taxation and audit issues to address. It can be a contentious area and a disincentive for academic staff if they donate income to their academic unit only to see it vanish into what they perceive to be a "black hole" caused by "policies from the Centre".

Consultancy in Promotion Criteria

Unsurprisingly, Consultancy was found to be secondary within institutions' staff promotion criteria when compared with T and R. But perhaps more interestingly, it appears that several institutions have not integrated Consultancy into wider HR strategies or staff promotion frameworks. Some may not be inclined to do so - perhaps for strategic reasons or due to issues and challenges that might arise, or for other reasons.

Workload Models

Most comparators acknowledged the relevance to Consultancy of institutional workload models but few have made significant progress towards integrating Consultancy into their workload model(s). Workload models are relevant since they set a framework for how academic staff time is deployed and Consultancy is critically dependent upon deployment of time (resource). But workload models, taken in isolation, are insufficient determinants of the quality and quantity of Consultancy. Other factors such as expertise, Q/A, remuneration and broader incentives are also important.

Business Model and Staffing

Comparators acknowledged that academic Consultancy can present a potentially complex business due to its optional nature. The importance of this issue depends on an institution's approach to, and plans for, Consultancy. It can be challenging to develop and grow a business with no assurance that key resources will be willing or available to undertake the work.

Time Recording

Comparators requirements for staff to complete detailed project by project Consultancy timesheets are limited. Timesheets are required for TRAC and, occasionally, for some types of research contracts but these differ from the timesheets normally used by commercial consultancy organisations to monitor and control their projects. Based on comments made by comparators, it appears that, for some, estimated project time is set at the outset but is not tracked. Perhaps detailed time recording against projects is felt to be unnecessary and/or too complicated. But some exceptions were noted; for example, one comparator uses data capture forms that are prepared and submitted to the central support unit and used by key members of staff to monitor project time.

Business Development

Some comparators have staff working in roles to promote E&E activities. Sometimes these posts are funded from HEIF funding. These roles may be known as "Business Development Coordinators" or "Business Development Officers" or similar titles. A key aim is to increase E&E activities (including Consultancy) by developing contacts, networks and relationships but emphasising internal networks. Often, these roles are predominantly inward focused. It is intended that a virtual resource base of

academic consultants will grow through networks and relationships rather than through formal roles or employment contracts since the number of staff employed as consultants is small or nil. Some comparators consider that an externally focused business development role, like a similar role in a commercial consultancy organisation, would be risky since there is no guaranteed resource base to offer to potential clients. In the main, Consultancy opportunities are generated by the academic staff. Nonetheless, some institutions seem to value an internal facilitation role to develop and grow the overall activity.

The status of Account Management and use of CRM systems to support academic consultancy varies but for most comparators it was found to be embryonic or under development or limited in scope. Some are developing CRM systems to support wider E&E activities and Consultancy is part of the wider development. One comparator reported that CRM for E&E (including Consultancy) is being rolled out across the institution.

Strategic Objectives

Most comparators felt that their institution would like to grow Consultancy and most consider Consultancy to have at least some relevance to REF impact assessment although comparators opinions on the extent to which it is relevant varied.

Incentives and Disincentives

Most comparators cited the following as important incentives for staff to undertake Consultancy, to:

- Build networks and contacts that might potentially open up new sources of research funding
- Inform teaching and research activities
- Augment annual income (personal financial gain).

Most felt the key reason why staff may not wish to undertake consultancy is the higher priority of T and R and increasing time pressures that reduce the residual time available for Consultancy.

4. Strategic Considerations

The comparator study highlighted the importance of a clear strategy and clear strategic objectives for academic Consultancy. Internal inconsistencies and confusion about priorities can cause tensions. Objectives to grow Consultancy will have wider ramifications. Important strategic questions include:

1. How should Consultancy be positioned within the University in relation to the strategies for T and R and wider E&E?
2. By how much does the University wish to grow Consultancy (if at all)?
3. How much institutional realignment is considered to be acceptable to meet the growth targets?

A strategy for consultancy should be integrated with the institutional corporate strategy and the strategy for E&E. There are potential linkages to corporate strategy through Consultancy informing aspects of T and R. There are potential linkages into an E&E strategy through synergies between Consultancy and knowledge transfer and employer engagement and student enterprise initiatives. Integration between the institutional strategy and its sub-strategies is important if a University wishes to elevate Consultancy beyond a peripheral ("side line") activity.

In addition to the fit of Consultancy within the broader strategy, there are particular issues that may need to be addressed - these include:

Institutional Culture

Consultancy strategy should take account of the culture of the institution – particularly for the implementation of a strategic change.

Potential Requirement for Staff Transformation

Depending upon the scale of growth envisaged, it may be necessary to change roles and time allocations or possibly even recruit some new staff in different roles with different objectives.

Time Allocations

To evaluate how Consultancy (as part of wider E&E) should be melded with broader time commitments. This might be linked into an institution's academic workload model.

Incentives and Potential Disincentives

Objectives to grow Consultancy will need to be supported by an appropriate framework of incentives to make Consultancy an attractive activity. Incentives would most likely be broader than financial incentives and might include flexibility, career paths, promotion criteria and peer group recognition. SUMS has explored some illustrative broader incentives for Consultancy linked to various hypothetical objectives and strategies – this illustrative framework can be provided to SUMS members upon request.

Private Consultancy

A University will need to consider its policies for private Consultancy and whether prohibition would be appropriate or whether further restrictions or further support are needed.

Risks for the University and the Risk Management Framework

Effective risk management arrangements will be an important feature of wider arrangements for Consultancy. The specifics of the risk management framework will depend upon the strategy. For example, a strategy with ambitious growth objectives will need to consider corresponding resources. The University's reputation is at risk where client expectations are raised that cannot subsequently be met.

Existing Consultancy Brands

A University may have some valuable Consultancy brands within its academic units or institutes or subsidiaries. The future role and ambitions of these brands and their teams within a broader strategy will be important. Some units might ultimately evolve into sustainable spin-out companies.

Financial

Additional income including potential impact on HEIF and REF (if relevant) might be part of a business case to grow Consultancy.

5. Risks

There are risks associated with Consultancy - these include:

- Staff unfamiliar with institutional policies including project approval requirements, contracting and IP status
- The risk of unsuccessful projects and/or inadequate quality control. This can lead to loss of future Consultancy work or, in extreme cases, litigation.
- The University and its staff face potential reputational risk if Consultancy projects are not seen as successful and especially if this becomes more widely known - for example, through the media
- The University may face risks by association that could potentially arise from private work undertaken by staff and these staff may be unaware of their own potential risks
- Potential tax issues – if not understood or not managed with advice from professional tax advisors.

6. Summary

This paper is a “tip of the iceberg” summary of selected aspects of Consultancy. There are other important elements some of which were found to be broadly established across comparators. These included structured and formalised policies for project approval, contracting and sign-off procedures. This is a basic risk management requirement that most universities have established through their Consultancy support teams often with input from legal advisors.

SUMS is familiar with many of the detailed issues and some bear traps associated with academic Consultancy. We can combine this with our HE knowledge and experience in other linked areas such as Finance, Research & Enterprise and CRM and the extensive commercial consultancy experience within the SUMS team. This capability places us in a unique position to help our members to review and formulate their approach to Consultancy and its associated support and administration activities.