Submissions Abstract Book - All Papers (All Submissions)

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The impact of the financialisation and privatisation of UK higher education on creativity and innovation.

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Abstract: To be creative and innovative, organisations must be willing to accept calculated risks of failure or unexpected outcomes. Universities in the UK are subject to the twin dynamics of privatisation and financialisation. Risk taking in pursuit of creativity/innovation and processes of privatisation/financialisation are not mutually exclusive – as many successful tech firms demonstrate. However, not all successful, profit-seeking firms can be characterised as creative and innovative risk-takers – some build success on doing what they have always done, perhaps with incremental change. Privatisation and financialisation do not inherently facilitate creativity and innovation – this is contingent on the specific nature of the organisation.

This paper explains the nature of the privatisation/financialisation of research and teaching in UK universities. Through the overlapping vectors of financing, HR policies and national policy/practice, it explores the extent to which the configuration of privatised/financialised UK universities is likely to enable creative and innovative practices in teaching and research.

Paper: The impact of the financialisation and privatisation of UK higher education on creativity and innovation.

This paper considers the impact of the ongoing twin processes of privatisation and financialisation on the ability of higher education institutions to act as creative and innovative producers of useful research and teaching knowledge.

I first define notions of creativity and innovation, especially open innovation (Chesbrough and Vanhaverbeke 2006), discussing the precursor conditions that have been identified for them to be enabled in higher education. These include funding, cooperation, academic capacity and resources (Boden and Epstein 2006), and academic freedom (Boden and Epstein 2011).

I then define and discuss (in the context of higher education) the concepts of *privatisation, financialisation* and *risk-taking.* Privatisation is an amorphous concept that this paper construes as the partial or entire shift in the mode of operation of an organisation from the public, not-for-profit, sphere to the private market. Privatisation of higher education in the UK has occurred through three principal routes.

1. The unbundling of university services such as cleaning, catering, student accommodation or preparatory courses.
2. Either the formal transfer of institutions to the private sector or, more frequently, the increasing financialisation of existing not-for-profit institutions such that, despite being formally not-for-profit, they in nearly every sense emulate for-profit competitors.
3. The establishment and development of numerous for-profit private providers.

Financialisation is taken here to refer to 'the growing power of financial systems to shape and direct the production of goods and services in the so-called 'real economy'. More radically, financialisation can be conceptualised as financial activity itself becoming the economy' (Boden 2019:204). Financialisation of universities, it follows, is a process whereby the primary strategic objective of such institutions is not to teach and generate new knowledge through research, but to make money through undertaking teaching and research.

The effects of privatisation and financialisation on innovation and creativity need to be considered in the context of organisations' appetite for risk. Some for-profit corporations are both very profitable and highly creative and innovative – for example, Apple or Google. These are inherently risk-taking organisations, utilising investors' cash to take calculated risks in pursuit of profit in untried and unknown areas. This drives their innovation and creativity because they live or die by their performance. The possibility of failure is an accepted part of their modus operandi. The obverse of such firms are those that seek financial sustainability by being more risk-averse, doing only tried-and-tested things with, perhaps, incremental development rather than major innovation fuelled by creativity. The level of organisations' risk appetite is hard-wired into them, determined by their, cultures, strategic decision-making, budgeting and financial decisions, and their human resource policies. It is therefore important to consider the extent to which universities are or can be risk-taking organisations as opposed to more risk-averse ones. I posit that, if they tend towards risk-aversion, they are less likely to be creative and innovative in teaching and research.

The entry of private, for-profit providers into the provision of formerly state-run services such as education, and the increasing unbundling of not-for-profit institutions are accelerating global phenomena. These phenomena are currently particularly marked in the UK. There is evidence of a creeping privatisation of higher education as institutions adopt the imperatives of the market. Simultaneously, UK higher education is becoming increasingly financialised. Since the 1985 Jarrett Report (CVCP 1985), UK universities have been placed under increasing demands to be efficient, cost-effective, accountable, and demonstrate value for money, and suffered under austerity. This, I argue of necessity has shifted financial considerations to the centre stage in university decision-making.

This paper maps and analyses the dynamics of privatisation and financialisation in the UK. I argue that the principal enabler of privatisation is the financialisation of the sector – the finance tail is now wagging the university dog. Aspects of financialisation include increasing funding pressures combined with the auditing of performance against targets, and the marketisation of teaching via the routing of funding for teaching via the student fees system. Significant regulatory and policy reform has enabled and facilitated this financialisation process. Privatisation and financialisation shape organisations' risk cultures heterogeneously according to how they are configured.

I then evaluate the extent to which UK universities in the current climate have the potential to embrace risk and thereby maximise their creative and innovative potential. This I do via a series of vectors. First, the funding arrangements for universities: the absence of an investor community (in either for-profit or not-for-profit universities) with an appetite for risk-taking; grant requirements that researchers 'stand in advance' of their findings; student fee systems that promote safe tried-and-tested education offerings signified by past student 'success', and; management accounting systems of universities that both embody short term, risk-averse thinking and drive decision-making. Second, human resource policies that may: fail to represent an investment in creative individuals who may be both 'maverick' and 'challenging'; work practices and requirements that militate against the freedom to be creative; encourage compliance and complicity with short term corporate objectives, and; embody rewards strategies which prioritise financial over intellectual performance. Third, a sector-wide culture/environment of audit and competition, which encourages short-termism and compliance with hegemonic norms. The paper concludes that the current financialised/privatised configuration of funding mechanisms, human resources and HE sector policy/practice militate against the creativity and innovativeness of universities.

The paper draws extensively on publicly available evidence of unbundling, institutional transition and new formations. It also reflects on available data on student participation, debt, teaching practices, academic identities funding regimes and the developing disciplinary profiles of universities.

Overall, the paper seeks to provide a conceptually nuanced comprehensive overview of how these complex changes are occurring and to reflect on how they may be affecting the capacity of higher education institutions to fulfil a primary social and economic need that they be both creative and innovative.

References

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