

University-business engagement franchising and geographic distance:

A case study of a business leadership programme

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Abstract

This paper adapts a franchising perspective to generate a better understanding of geographic distance in university-business engagement. The study utilised an in-depth case study of a leadership and management development intervention, a programme specifically designed for small and medium-sized enterprise (SME) owner-managers (or directors) by the Institute for Entrepreneurship and Enterprise Development, within a well-respected institution, ranked in the top one percent of universities in the world. Unlike most studies, the research findings indicate that knowledge spillovers from university-business engagement can occur through replication in regions external to the university's locality.

Keywords: University-business engagement, SMEs, franchising, opportunity recognition, learning.

JEL classifications: M13

## INTRODUCTION

In many regions, universities are now viewed as core knowledge-producing entities for businesses and a new type of university has been identified, the 'engaged university', which demonstrates evidence of knowledge transfer (BOUCHER et al., 2003; HUGGINS et al., 2008; DADA and FOGG, 2014) for regional needs (UYARRA, 2010). Within this framework, university-business engagement is typically understood in terms of the knowledge transfer activities that connect universities with businesses in their locality and

regions, such that each university does its own engagement activity wherever it is located. “[This] proximity effect of knowledge transfer provides a strong clue as to why universities are increasingly seen as an essential element in the process of local and regional economic development” (BRAMWELL and WOLFE, 2008: 1177). Indeed, universities are located *in* regions and are expected to make active contributions to the development *of* those regions through engagement with the local and regional community (GODDARD and CHATTERTON, 1999). It has therefore been argued that “[u]niversity engagement needs to be understood in terms of the status and function of the university *within the locality*” (WELLS et al. 2009: 1117 emphasis added).

The ‘engaged university’ adds to the general university-industry links literature by focusing on regional involvement and contributions of universities (BOUCHER et al., 2003; HUGGINS et al., 2008). It represents an approach for universities to fulfil functions in society, addressing the criticism that universities take public support but pay no attention to the interests and concerns of the community (MAYFIELD, 2001). Factors that can steer regional engagement by universities include the significance of competition between universities; differences in international, national, regional and local orientations by type of university; the role of regional identity; and the importance of funding (BOUCHER et al., 2003).

This paper extends the literature on university-business engagement by presenting an emergent framework of engagement that goes beyond the limits of geographical proximity. It reports a case study of a successful university-business engagement activity in the North West of England that has expanded outside the region, through a framework that is conceptualised as an evolving franchising business model. The aim is to generate better understanding of geographic distance in university-business engagement by addressing: (1) *What are the underlying motivations for rolling out university-business engagement activity*

*to delivery partners outside the university's locality? (2) Who are the partners that are granted university-business engagement roll out rights? (3) Where are those partners who are granted university-business engagement roll out rights located?*

This study centres on one specific type of university-business engagement, the provision of business support to small and medium-sized enterprises (SMEs). Universities have been encouraged to engage with SMEs (COX and TAYLOR, 2006; ANDERSON, 2008) as they constitute the most common form of business in most economies. SMEs in the UK, for example, account for 99.9% of enterprises (BIS, 2011). Proximity matters when it comes to university-business collaboration, especially for SMEs, as networks cannot easily be sustained over long distances (LAMBERT, 2003). The present paper moves this research stream forward by offering explanations for a divergence from the commonly accepted geographical proximate model of university engagement with SMEs.

The major contributions of this study are towards advancing understanding of university-business engagement from a franchising perspective. Franchising allows efficient turnkey transfer of the franchisor's business model to franchisees through licensing the right to reproduce the proven business concept in dispersed geographical locations (KAUFMANN and DANT, 1996; KAUFMANN and DANT, 1999). Prior studies have examined the application of the franchising strategy virtually exclusively within the operations of the 'traditional' commercial businesses (e.g. DADA et al., 2012) and more recently within a social venture context (TRACEY and JARVIS, 2007). However, franchising is yet to be fully explored within the context of university-business engagement. This study demonstrates the applicability of an emerging franchising strategy within the context of the university's engagement with SMEs, contributing towards greater understanding of geographic distance in university-business engagement.

The paper is structured as follows. The next section provides a review of relevant prior studies on university-business engagement and franchising. This is followed with a discussion of the methodology used. Research findings are then presented. The paper concludes by highlighting implications of this study, its limitations and possible future research directions.

## UNIVERSITY-BUSINESS ENGAGEMENT

The last 10–15 years have seen an increasing number of studies examining the role of universities in stimulating regional economic development (GOLDSTEIN, 2010). We witnessed the disappearance of the historical ‘ivory towerism’ of universities and the emergence of the ‘entrepreneurial university’ wherein economic development became integrated as an additional function of universities (ETZKOWITZ, 1998; GIULIANI and RABELLOTTI, 2012). As noted by GODDARD et al. (2012), the emergence of the entrepreneurial university was driven by the need for universities to come up with new revenue streams (such as initiatives for engaging with the business community) in response to declining relative levels of state expenditure on higher education. Many universities are adapting within this changing system by becoming strategic actors in the current knowledge driven economy (DEIACO et al., 2012; GIULIANI and RABELLOTTI, 2012; MARTIN, 2012).

For universities, the notion of transformation from a social institution to a knowledge business implies universities are increasingly competing against each other as places where knowledge is reproduced, transferred, developed and applied to specific problems (DEIACO et al., 2008; KRÜCKEN, 2011). Competition in the university sector has been viewed from a modern Schumpeterian perspective which centres on theories of innovation and entrepreneurship, where successful competition means that an actor is able to innovate,

interact with the environment, and respond to changes (DEIACO et al., 2008). As a result of this, we have seen universities strategically developing significant new initiatives for engaging with business (see e.g. DODGSON and STAGGS, 2012). Such university-business engagement is something governments have promoted and sustained by means of policies (DOOLEY and KIRK, 2007).

Although research universities have distinctive characteristics, they are a long way from homogenous in their engagement (LAWTON SMITH and BAGCHI-SEN, 2012). The empirical literature has shown many facets of university-business engagement (TATARI et al., 2012) and it is impossible for any university to operate in all domains of activities (BOUCHER et al., 2003; HUGGINS et al., 2008; WILSON, 2012). In the UK, for example, university's engagement with businesses includes differing activities such as consultancy, technology transfer, knowledge transfer partnerships (KTPs) and European Regional Development Fund (ERDF) funded schemes (ROSE et al., 2012). As highlighted by GIBB (2012: 5), "key manifestations of engagement include: the level of business research grants; the number of active partnerships in development from research and problem solving; levels of consultancy; business active (as opposed to notional) engagement in the governance of the university; business engagement with the teaching of the university; joint degrees with individual businesses or groups of businesses; levels of graduate placement with companies; university 'extra-mural' programmes focused on management and/or business development; as well as levels of knowledge exchange and transfer activity".

Our focus is specifically on university engagement in the area of provision of business support for SMEs. This research focus is timely as recent evidence suggests that most small firms do not engage with universities (COSH and HUGHES, 2010; HUGGINS et al., 2012). This is because SMEs often find it difficult to access knowledge from universities as these firms often do not come into contact with this actor type in their normal operational

circumstances, relative to the contacts they have with for example suppliers and customers (HOWELLS et al., 2012). It has been argued that the probability of engaging with universities increases with firm size (HANEL and ST-PIERRE, 2006). This has been corroborated by prior studies which have found that compared to smaller firms, larger firms are more likely to draw and use knowledge from universities (COHEN et al., 2002; LAURSEN and SALTER, 2004; HOWELLS et al., 2012). This suggests that firm size might be a reason why organisations engage with universities.<sup>1</sup> Nevertheless, considerable attention continues to focus on initiatives which encourage universities to engage in business development programmes designed for SMEs as these firms constitute the dominant form of business in most countries.

A crucial and growing function of universities' business support for SMEs is the provision of executive education programmes. Many universities' business and management schools are increasingly designing executive education programmes specifically in entrepreneurial and leadership development for SMEs, as these firms are realising that they too can benefit substantially from executive education like larger organisations (ANDERSON, 2008). Various tailored executive programmes created to assist SMEs have appeared in recent years, such as the (i) Imperial College London Tanaka Business School's SME-focused custom programmes, (ii) Design London – a collaborative partnership between Tanaka, Imperial College's Faculty of Engineering and the Royal College of Art – focused on smaller businesses, and (iii) Babson College US Dealership Executive Education Programme which concentrates on personal leadership (ANDERSON, 2008). Generally, there has been a growing realisation that executive education could be employed as interventions for developing key organisational competencies (CONGER and XIN, 2000). Many universities especially target SMEs that are situated within their locality with these programmes, as part of their third mission to contribute to regional development.

Within the engaged university model, universities typically develop collaborations with businesses in their local or regional communities. This is because “[a]s an anchor institution in its community, there is a fundamental obligation for the university to support its local business community” (WILSON, 2012: 76), in particular the SME sector. As highlighted in the Lambert Review of university-business collaboration (2003: 71):

Proximity is especially important for SMEs, which do not have the time or knowledge to identify relevant expertise a long way from home. So it is important that SMEs around the country should continue to have close access to research departments which are generating valuable ideas for the regional economy. Some high-technology SMEs look to world-class university departments for their collaborations, but even these will choose universities in their region wherever possible.

Since JAFFE’s (1989) study showed that university research appears to have an indirect effect on local innovation by inducing industrial R&D spending, a substantial body of literature has examined the role of geographical proximity to universities in the interactions between industry and university (see D’ESTE and IAMMARINO, 2010; and PETRUZZELLI, 2011). Firms located close to universities are more likely to collaborate frequently with universities and to benefit from knowledge spillovers (D’ESTE and IAMMARINO, 2010). HEWITT-DUNDAS (2012) also argued that the spillover effect of university research is spatially confined largely to the region in which the research takes place.

The literature suggests that the importance of geographical proximity on university-business engagement may vary depending on the type of knowledge acquired by firms from the university. As noted by ARUNDEL and GEUNA (2004), there has been an academic

debate on how tacit and codified knowledge can mediate the effect of distance on knowledge sourcing. ARUNDEL and GEUNA (2004) argued that the importance of proximity decreases when knowledge to be acquired is in a codified form (such as patents and publications), and increases when knowledge to be acquired is only available in tacit form (thus requiring personal contacts). Their results confirmed that firms that seek codified knowledge were less likely to find geographical proximity of importance; on the other hand, geographical proximity was considered important when there was a need to acquire tacit knowledge. This finding has been corroborated by recent arguments (e.g. HEWITT-DUNDAS, 2012) that tacit knowledge is facilitated by personal interactions and is sensitive to increasing distance. HUGGINS et al. (2012) also noted that spatial proximity to a relevant university knowledge source may be an important factor in the propensity to access knowledge from that source, with respect to more tacit forms of knowledge, where a shared ‘codebook’, or language and customs, and the existence of a trusting relationship between parties facilitate the absorption of knowledge.

The importance of geographical proximity in the likelihood that firms will collaborate with universities has been found to be contingent on the quality of the university in the firm’s local area (LAURSEN et al., 2011). LAURSEN et al. (2011) found firms prefer to engage in collaborative arrangements with first-tier universities because these universities offer the most valuable resources and capabilities. More specifically, their findings demonstrate that being located close to a lower-tier university decreases the tendency for firms to collaborate locally, while co-location with top-tier universities encourages collaboration. LAURSEN et al. (2011) also found that if faced with the choice, high-research and development intensive firms particularly tend to prefer the research quality of the university over geographical closeness.

Recent findings by HONG and SU (2013) support prior studies that geographic distance hinders university-industry collaboration. However, they found that in addition to university prestige, multiple forms of proximity (namely, organisational, institutional and social proximities) could intervene to lessen the negative effect caused by long distance on university-industry collaboration. HONG and SU (2013), in particular, revealed the importance of studying potential mediating measures that can reduce the negative effect of geographic distance on university-business engagement. The present study explores the case of franchising as a potential mediating measure for offsetting the constraints associated with geographic distance and the widening of university-business engagement beyond a university's locality and region.

## FRANCHISING

This paper focuses on business format franchising, which “occurs when a firm (the franchisor) sells the right to use its trade name, operating systems, and product[/service] specifications to another firm (the franchisee)” (CASTROGIOVANNI et al., 2006: 27-28). A franchisor gains the opportunity to develop its organisation rapidly because new outlets that make use of its brand name are funded, managed and operated by franchisees rather than by the franchisor (COMBS, KETCHEN, SHOOK, and SHORT, 2011). Franchisees also gain the opportunity to own their own business, particularly under the umbrella of a tried-and-tested business concept (COMBS, KETCHEN, SHOOK, and SHORT, 2011). Given these advantages, it is not surprising that franchising has become very popular (COMBS, KETCHEN, SHOOK, and SHORT, 2011) with over 2.1 million franchised outlets operating worldwide (European Franchise Federation, 2010).

The majority of franchising studies have focused on two key theories – resource scarcity and agency – to explain why a firm chooses to adopt the franchise model (ELANGO

and FRIED, 1997; COMBS, MICHAEL and CASTROGIOVANNI, 2004). Resource scarcity explanations suggest that firms use franchising to leverage franchisees' capital and managerial and local knowledge (COMBS, KETCHEN, SHOOK, and SHORT, 2011). While acquiring access to franchisees' resources is an important advantage of franchising, the fact that franchising continues once resource scarcities are eliminated suggests that there must be other important reasons for franchising (COMBS, KETCHEN, SHOOK, and SHORT, 2011). This leads to the second dominant argument for franchising – agency theory – which has been noted as the main alternative to resource scarcity explanations for franchising (COMBS, KETCHEN, SHOOK, and SHORT, 2011). Agency theory addresses the choice of contractual arrangement that will be made whenever one party (i.e. the principal) delegates authority to another (i.e., the agent) (COMBS, KETCHEN, SHOOK, and SHORT, 2011). In the context of franchising, the franchisor is the principal and the franchisee is the agent. Agency theorists argue that franchising is an organisational form that minimises organisational costs – monitoring costs in particular – given that franchisees are rewarded with profits because of their role as both a sole proprietor and manager of their outlets (SORIANO, 2005). In spite of the dominance of resource scarcity and agency theories in explaining franchising decisions, recent studies have suggested theoretical perspectives in the franchising literature be expanded beyond these two historical theories (COMBS et al., 2009; COMBS, KETCHEN, SHOOK, and SHORT, 2011). The present study examines whether motivations for the conceptualised model of university-business engagement franchising are consistent with the two dominant franchising theories or alternate theoretical perspectives.

Although most prior studies have focused on franchising in the business world, elements of franchising have become evident within the university context (YORKE, 1993; HEALEY, 2013). University franchising has become particularly apparent through the franchising of academic programmes or degrees to foreign providers (ALTBACH and

KNIGHT, 2007). This has tended to follow the organisational and legal format used in business corporations like McDonald's (BENNELL and PEARCE, 2003). Despite the use of franchising in higher education there has been very limited work exploring this and the reasons for using this business format (YORKE, 1993; HEALEY, 2013).

Our focus is on exploring franchising within the domain of the university's third mission, which contrasts with most previous studies that have centred on university franchising from the perspective of the university's teaching mission. We argue that franchising offers opportunities to explore the widening of university engagement activity with businesses outside the university's region. We address the following questions: (1) *What are the underlying motivations for rolling out university-business engagement activity to delivery partners outside the university's locality?* (2) *Who are the partners that are granted university-business engagement roll out rights?* (3) *Where are those partners who are granted university-business engagement roll out rights located?* By exploring these questions, this paper addresses the gap in the literature on the geography of university-SME engagement which has largely concentrated on engagement with businesses in the university's local and regional communities. Although the foregoing literature has been mainly positioned as a regional concentration of engagement activities, because of the associated proximity requirements and benefits, the franchising literature addresses how to overcome limitations to geographic expansion of business operations. Franchising studies provide insights on how universities can draw on external partners to replicate the university's established, tried-and-tested business engagement concept, in diverse regions. This body of literature helps to address the external growth ambitions (i.e. the potential for expansion to external regions) that might be present in university-SME engagement.

## METHODOLOGY

To deepen understanding, a case study research strategy was employed. It has been argued that “carrying out intensive case studies of selected examples, incidents or decision making processes is a useful method when the area of research is relatively less known” (GHAURI and GRØNHAUG, 2002: 88–89). Case studies are therefore particularly useful for building novel theories in new research areas, or for current research areas where existing theory appears inadequate (EISENHARDT, 1989; VOSS et al., 2002), as in the present study.

For this research, a specific case has been purposefully selected where the key issues of interest are transparently observable (EISENHARDT, 1989). Purposive case selection can provide vital contributions to the inferential process as it enables researchers to choose the most appropriate cases for specific research questions (SEAWRIGHT and GERRING, 2008). This study was based on a single in-depth case of the Leading Enterprise and Development (LEAD) programme, a leadership and management development intervention specifically designed for SME owner-managers (or directors) by the Lancaster University Management School’s Institute for Entrepreneurship and Enterprise Development, UK. Lancaster University is a well-respected research-led institution, ranked in the top one percent of universities in the world.

The use of a single case was appropriate because it made it possible to obtain new theoretical insights (DYER and WILKINS, 1991; PIEKKARI et al., 2009). DYER and WILKINS (1991) provided several examples to show that some of the more important studies that have advanced knowledge of organisations and social systems in management are based on a single case (or just two cases). The use of the LEAD programme was appropriate because, compared to established theory, it is unique and has something special to reveal (ROWLEY, 2002).

To enable triangulation, theory building requires collection of data from multiple sources (EISENHARDT, 1989; ROWLEY, 2002). Triangulation is important in case research as it enhances reliability and validity (VOSS et al., 2002). Data were collected using (1) Participant observation, (2) Document analysis of programme materials (including literatures and evaluation reports), (3) Field notes from a focused seminar and talk, and (4) In-depth interviews with key informants comprising five individuals who have been influential in the design, development and/or roll out of the programme. These consisted of individuals in the following positions in Lancaster University Management School's Institute for Entrepreneurship and Enterprise Development at the time of writing this paper: the Head of Department, the founding Director of the LEAD programme, the Head of Strategic Partnerships, the LEAD programme's current Director, and the Institute for Entrepreneurship and Enterprise Development's first Entrepreneur in Residence. Open-ended questions (with probes) were used for interviews. Qualitative content analysis i.e., "the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns" (HSIEH and SHANNON, 2005: 1278) was utilised to analyse data. This meant we started data analysis by reading all texts repeatedly to achieve immersion and make sense of the data as a whole (HSIEH and SHANNON, 2005). Then data was read word by word to develop codes, by first highlighting precisely the words from the text that appeared to capture key thoughts or concepts. Codes were then organised into categories, depending on how different codes were related and linked. These emergent categories enabled us to organise and group the codes into meaningful clusters. Finally, we developed definitions for each category and code.

IN THE BEGINNING:  
THE CREATION OF THE LEAD PROGRAMME

Knowledgeline (1998-2002) explored approaches to stimulating SME owner-managers to engage with their development as leaders, and with a university as a locus for development support. Hitherto, these had been considered intractable issues. Knowledgeline informed development of the LEAD programme, a leadership development intervention for SME owner-managers conceived in 2003 and piloted in 2004 in the Lancaster University Management School's Institute for Entrepreneurship and Enterprise Development. The pilot was funded by the former Northwest Regional Development Agency (NWDA).<sup>2</sup>

The LEAD programme runs over a period of ten months for each cohort of participants. It aims at improving performance and growth of SMEs and focuses on two core areas: the business itself and the development of the owner-manager. The programme utilises a syllabus that promotes self-confidence, critical thinking and reflections to address real life business challenges. The syllabus combines various broad elements namely, masterclasses; business shadowing and exchanges; coaching; action learning; and experiential events.

In general, the SME client base was known to have its own idiosyncrasies, not least of which was its enormous diversity and dispersed nature. To address this, specific principles for recruitment and programme management were established. An idealised candidate for the initial LEAD programme cohort was described and the candidate's credentials were shared with the team at the former Business Link (a government-funded network of local business advice centres for SMEs in England (BENNETT et al., 2001)), who were asked to assist in recruitment from their extensive client base. The perfect clients were defined in the following terms:

1. Sole or main owner of their business.

2. Business was an independent SME.
3. Employed (led) not less than five employees.
4. Been trading profitably for ideally five years plus.
5. Had earlier corporate or large organisation experience.
6. Could express a growth-orientation, i.e. explain in their own words a desire to grow.

Referrals from Business Link and other sources led to written applications, which were followed by individual interviews. Through this rigorous selection process, initial cohort members were recruited and inducted into the programme. The following two years saw 67 delegates, from 65 companies, take part in the programme pilot. A contract was arranged between Lancaster University and academics at Newcastle University, who were commissioned to conduct an arms-length econometric evaluation of the pilot programme. Following the pilot, this evaluation and an accompanying anonymous full narrative report revealed the extent and ways in which the LEAD programme had produced positive benefits to participants. Appendix 1 provides details on the Impact of the programme.

#### THE LEAD PROGRAMME:

##### POST-PILOT AND ROLL OUT

Following the pilot, provision of the programme has continued with up to two cohorts launched each year with participants recruited from all business sectors. They become members of a specific cohort, with each cohort comprising 15-25 SME owner-managers/directors from a wide variety of backgrounds, professions and market niches. This results in audiences typified by extensive practical experience, who are also mature and engaged learners. The programme is run by the knowledge exchange team– which comprises mainly non-academic staff– in Lancaster University Management School’s Institute for

Entrepreneurship and Enterprise Development. The team implements the programme syllabus in a manner that enables SMEs to learn from invited academics, practitioners and policy makers. The programme fits with government policies to promote knowledge exchange and university interactions with SMEs.

As discussed below, the LEAD programme has also been rolled out to external providers on a sizeable scale in Wales, UK; North West Region of England; South West Region of England; London, England, with further planned roll out. Firms involved are typically located in regions where the programme is being run.

#### *The LEAD programme in Runshaw*

Runshaw College, near Chorley, Lancashire (North West, England) was identified as an interesting pilot for roll out, as it had an established and distinct SME client base. Runshaw College was established as a sixth form college in the 1970s which grew to meet the needs of learners of all ages and has a business centre that provides training and development programmes to hundreds of businesses across the North West. The roll out of the programme to Runshaw College enabled the first cohort of the programme to be delivered outside Lancaster University. This pilot operation aligned with what will be expected in franchising where a franchisor has to pilot-test the business concept as a franchise before marketing it to prospective franchisees (MENDELSON, 1993). Franchising is based on replicating a tried-and-tested business format. In line with this, Runshaw College became the first non-Lancaster University institution to run the programme. It did so by adopting the proven format used by Lancaster University, with support (for example, in quality control) from the LEAD programme team in Lancaster University. Runshaw College was well established into the local business community through its apprentice and other training provision. This provided a client base of businesses amenable to deeper interaction with an educational

institution, making recruitment feasible. In addition, Runshaw staff had personal working relationships with the Lancaster University staff and a director-level manager at Runshaw College was a frequent collaborator with Lancaster University.

### *The LEAD programme in Wales*

An individual who had former links with Lancaster University later expressed an interest in running the LEAD programme in Wales. Correspondingly, Welsh Assembly Government (WAG) officials tasked with economic development were anxious to address leadership development issues within the predominantly SME-based Welsh business community. A plan was developed to bring the LEAD programme to Wales, and a memorandum of understanding (MoU) was signed between Lancaster University and the University of Wales. This was to give the LEAD programme its first proper roll out. The presence of a MoU provides confirmation of the agreement between the parties involved, consistent with a franchise agreement that binds the franchisor and the franchisee. Through much hard work the LEAD programme in Wales was agreed, with the WAG allocating funding to the project. The LEAD programme Wales' project was to run over a six-year period and deliver to 700 SMEs or social enterprises in the nation. Having a specified period of time was in accordance with franchising, where a franchisor customarily grants the franchisee the right, or privilege, to undertake business in a precise location and in a prescribed manner over a certain period of time (VAUGHN, 1979). The Lancaster University team did paid training for a new Wales team, who were subsequently augmented by colleagues from a second University in Wales who had been brought in to give the Wales programme more sub-national coverage. Training was in line with the training of the franchisee by the franchisor, within the franchising context. The team in Lancaster University has an on-going arm's length relationship with the

team in Wales, where the two Universities in Wales are now delivering the programme (see [www.leadwales.co.uk](http://www.leadwales.co.uk)).

### *The LEAD programme in the North West Region*

While the above was taking place, the LEAD programme evaluation report drew further attention to the efficacy of the programme model back in the North West of England. During 2008 and 2009, staff from Lancaster University consulted with the former NWDA to develop and finalise plans for what became the LEAD the Northwest Region (LTNWR) programme. This programme was named in the draft NWDA Corporate Plan for 2008-11, which specified “rolling out a major programme based on the successful LEAD programme model”.

Formally launched in January 2008, LTNWR had two aims. The first was to deliver the programme to 1,250 regional SMEs. The second was to build regional capacity for delivery of the programme by developing a network of skilled providers. A total of 13 provider institutions were granted contracts to deliver the programme cohorts, in what became a large scale roll out. The provider institutions included Lancaster University and Runshaw, the only institutions to have had experience of the programme. Lancaster University was retained as trainer, and tasked to inculcate the LEAD programme ethos and content among all providers.

The LEAD programme team in Lancaster University, working in conjunction with the NWDA project management team, produced a comprehensive provider manual. Known internally as the ‘LEADipaedia’, this manual attempted to codify the entirety of the LEAD programme process, including the extensive body of tacit knowledge that had developed in the preceding four years of delivering the programme (i.e. from when the programme was piloted in 2004 to when LTNWR was launched in 2008). The foregoing was congruent to the franchise manual that is prepared by the franchisor in order to transfer all required

information and knowledge for correctly operating the franchised business to the franchisee (MENDELSON, 1993).

By September 2009 all new providers had had their LEAD programme team staff trained by the team in Lancaster University. Drawing on the pre-existing client bases, and aided by Business Link, recruitment to the programme was underway and initial cohorts for all provider institutions were launched by October 2009. Under the direct guidance and monitoring of the programme team in Lancaster University, the programme was rolled out across the North West Regions between 2009 and 2012 via a network of provider institutions.

All the programme roll outs explained above were based on the pioneering LEAD programme intellectual property equally owned by Lancaster University and the NWDA. Following the termination of the NWDA, Lancaster University unhesitatingly elected to continue the LEAD programme. Lancaster University has now developed the LEAD programme® (with a purple colored logo to replace the initial green colored logo), which they continue to roll out as explained in the following sub-sections. The LEAD programme team in Lancaster University also continues to deliver the programme to suitable SMEs in the North West.

#### *The LEAD programme in the South West Region*

The programme has now been rolled out to the South West of England. A commercial organisation, QuoLux LLP, is providing the programme across this region after training from Lancaster University Management School's Institute for Entrepreneurship and Enterprise Development (see [www.quolux.co.uk](http://www.quolux.co.uk)). QuoLux received comprehensive training in all facets of the programme and documents to do the programme from the Lancaster University team. In particular, the founding director of the programme in Lancaster University attended a lot of the programme events held in the South West in order to help them develop. This ongoing

support is frequently seen in franchising arrangements where the franchisor provides various forms of support for franchisees.

The founder of QuoLux was a Lancaster University Management School alumnus and an occasional contributor to the School's business support programmes, so well acquainted with the design and implementation of the programme. He approached the Management School seeking permission to deliver the programme in the South West. QuoLux drew on extensive business connections in the South West to support its launch and secured regional economic development funds to support the initial cohort.

#### *The LEAD programme in London*

Training for the programme in London commenced at the time of writing this paper, and in September 2013, the first cohort started at the Work Foundation, London. The Work Foundation is "a leading provider of research-based analysis, knowledge exchange and policy advice in the UK and beyond" ([www.theworkfoundation.com](http://www.theworkfoundation.com)). It was established over ten years ago and in 2010 formed an alliance with Lancaster University, allowing both organisations to boost their impact.

The programme (including process, documents and framework) was introduced to London by the Lancaster University team. As the Work Foundation in London is now part of Lancaster University, the programme in London can be seen as a company-owned outlet of the LEAD programme in Lancaster University. A business development manager was appointed for the programme in London. A key characteristic of most franchise systems is that they simultaneously use a mix of both franchised and company-owned outlets (BÜRKLE and POSSELT, 2008; BARTHÉLEMY, 2008, 2009), a governance structure commonly referred to as the 'plural form' (BRADACH, 1997). The franchise system is thus made up of outlets franchised to local operators and outlets owned by the franchisor, with both types

operating the same production/service process and selling under the same trademark (MICHAEL, 1996).

## TOWARD AN EVOLUTION OF UNIVERSITY-BUSINESS ENGAGEMENT

### FRANCHISING

The above discussions demonstrate licensing of university-business engagement roll out that can be conceptualised as an evolving franchising model. “Franchise arrangements, in the widest commercial use of the word, are those transactions in which one person [or an organisation] grants rights to another to exploit an intellectual property right involving, perhaps, trade names [and] trademarks” (MENDELSON, 1993: 37). The programme roll out partners had been granted rights to exploit the programme’s intellectual property. As an interviewee explained, “Yes it [the roll out] should be... [The roll out] you should say that it is a franchise”. Another interviewee expressed that: “It [the roll out] was effectively franchising it [the LEAD programme]. So, we train people [the programme’s roll out partners] to go through the process that we have done in Lancaster University”.

In addition to various features of franchising reflected in the university-business engagement roll out discussed above, roll out partners operate in diverse regions that can be conceptualised as their allocated ‘territories’ for executing the programme. In franchising, the franchisor grants unto every franchisee an exclusive territory for the implementation of the franchise concept, a process which facilitates expansion of the franchisor’s business to various regions.

The rest of this section explores the theoretical explanations for evolving university-business engagement franchising. An important feature of theory building is comparing emergent concepts or theory with existing literature, asking questions about similarities, contradictions and why – this process enhances internal validity, generalisability and theory building from case study research (EISENHARDT, 1989). The preceding discussions

demonstrates that motivations for rolling out this university-business engagement activity via an evolving franchising model were not because of resource constraints and agency explanations, as suggested by the two dominant franchising theories. On the contrary, implicit in the earlier discussions is a strong premise suggesting that two key theoretical perspectives – opportunity recognition and learning – have driven this extensive roll out, explanations further highlighted during the interviews. For example, one interviewee stressed that the theoretical explanation was “opportunity recognition .... making our [Lancaster University’s LEAD programme] presence known, access to more businesses through partners, [and to] extend Lancaster University’s reach”.

Opportunity recognition has been defined as “the ability to identify a good idea and transform it into a business concept that adds value and generates revenues” (LUMPKIN and LICHTENSTEIN, 2005: 457). The notion of opportunity recognition as a research topic has its origins in the classic entrepreneurship literature, where a large part of this early literature attempted to explain the process of new firm creation and growth (PARK, 2005). Two dominant perspectives of the opportunity construct have been identified – the first views opportunities as *discovered* i.e. are “out there” waiting to be found; the second views opportunities as *created* i.e. a function of enacted actions that take place during entrepreneurial processes (SHORT et al., 2010). The programme roll out demonstrates a case of opportunity discovery by the team at Lancaster University. This was facilitated by the knowledge the roll out partners had about the programme, demonstrating the influence of a learning theoretical perspective on opportunity discovery. As an interviewee explained, “It is people who understand about the LEAD programme that have taken it elsewhere”.

As noted by SHORT et al. (2010), a number of studies have demonstrated learning theories can enhance understanding of how opportunities are developed. Learning has been defined as “the manner in which individuals transform their experiences, expertise, and prior

knowledge into new insights and new knowledge” (CORBETT, 2005: 486). From an individual learning perspective, CORBETT (2005) argued that there are differences in the ways individuals learn and these differences are important with regard to who identifies what opportunities. From an organisational learning perspective, LUMPKIN and LICHTENSTEIN (2005) argued that organisational learning can strengthen a firm’s ability to recognise opportunities and it can help equip firms to effectively pursue new ventures. The LEAD programme roll out adds to our knowledge about the important role of individual and organisational learning in opportunity recognition within the under-explored area of university-business engagement franchising. It is therefore proposed that:

*Proposition 1:* Opportunity recognition is a mediator between individual and organisational learning and university-business engagement franchising. In other words, individual and organisational learning will influence university-business engagement franchising through opportunity recognition.

*Proposition 2:* Individuals and organisations with knowledge of the university’s engagement with businesses are likely to become roll out partners for university-business engagement franchising.

The evolving model of university-business engagement franchising could be seen as an extension of the new business model that now characterise many universities (see MILLER et al., 2014). This new business model has mostly been used to broaden the traditional mission of teaching to a global environment by extending academic programmes or degrees to foreign providers. Present findings however introduce the use of a non-geographically proximate model to the university’s third mission. While university franchising in the case of academic

programmes and degrees is often found in international environments, in the case of engagement with businesses it is presently found within a national environment. Theoretically, the present findings contribute to knowledge by demonstrating that universities seem to be realising new (competitive) opportunities for extending their missions outside their locality through the use of business models that are less restricted to their home regions. Hence, it is proposed that:

*Proposition 3:* The roll out of university-business engagement will occur through partners who are geographically spread within a national context.

## DISCUSSION

The evidence presented in this study demonstrates how engagement activities with SMEs can extend outside the university's region through the use of an evolving franchise model. Franchising has become a key organisational form amongst service organisations and it is likely to be a permanent feature of modern economies (COMBS, MICHAEL and CASTROGIOVANNI, 2004). Despite the huge body of franchising literature, and the increasing use of franchising in diverse industry sectors, there appears to have been limited work looking at the emergence of franchising within the context of university-business engagement.

### *Research implications*

This study furthers understanding of geographic distance in university's engagement with SMEs based on the franchising framework. There is an established body of literature suggesting that the knowledge spillovers from universities are spatially concentrated (PETRUZZELLI, 2011; HEWITT-DUNDAS, 2012; HUGGINS et al., 2012). Unlike other

academic studies, we argue that university-business engagement does not necessarily have to be studied in terms of activities that are bounded within the university's locality. We show that knowledge spillovers from university-business engagement can occur via replication in other regions.

We have also contributed to the franchising literature by providing empirical evidence on additional theoretical perspectives – opportunity recognition and learning – that can be further explored to explain franchising decisions, beyond resource scarcity and agency theories. More broadly, we examined the concept of franchising in a previously under-explored research area (university-business engagement) to show the mergence of these two research streams.

In the process of data collection, we identified various complexities associated with a formalised endorsement of the 'franchising' terminology. The evidence reported indicates that the programme roll out clearly demonstrates the existence of a franchising framework. While the term "LEAD franchise" tends to feature in discussions/seminars about the programme, there is no official document affirming that the roll out is a franchise. The interviewees provided explanations for the lack of an official labelling of the LEAD programme as a franchise, as one interviewee explained: "The biggest problem is that we at Lancaster University don't know what we mean by roll out.... . we are afraid ... because the University is not in the place of a mass education and this [roll out] is a mass education. But we teach about 12,000 students which is mass education. But we don't see that as our role in terms of business.... it is all shrouded in a bit of the fog". Additionally, this interviewee explained that "it is just because it is a bit scary because we have not done it before. But we have to take a chance". This interviewee stressed "the LEAD programme has the potential to become a successful franchise model. You can almost taste it that it has the potential to be franchised and to be global...There have been interests from different sources....It [the

LEAD programme roll out] is a franchise waiting to happen. We don't know how to let it develop...But again it comes back to the problem of 'is the university in education or business'? It is that fear of commercialisation". Similar views were expressed by virtually all other interviewees.

### *Practitioner and policy implications*

Findings from this study offer implications for universities, SMEs and policy makers. First, university-business engagement franchising can strengthen the university's competitiveness as strategic actors in the knowledge economy (DEIACO et al., 2012). Franchising proven university-business engagement programmes can influence university reputation because of the accompanying intensity of collaboration with businesses. Indeed, universities that engage with businesses are better placed to gain access to private funding for research and other initiatives (BIS, 2012a). There are also opportunities for representatives from the businesses that universities engage with to act as mentors for student entrepreneurs, as well as a potential employer and provider of work placements and internships for their students and graduates (BIS, 2012a). These can enable universities to maintain their world-class status (BIS, 2012a). Furthermore, the element on 'impact' of research beyond academia in the Research Excellence Framework (REF), the system for assessing UK universities' research, aims to reward research departments that engage with business ([www.ref.ac.uk](http://www.ref.ac.uk)). The creation of a franchising framework for university-business engagement could yield great impact for universities given the scale of businesses that can benefit from such initiatives.

Second, it has been reported that there are so many businesses that are not benefitting from university engagement (BIS, 2012a). COSH and HUGHES' (2010) demonstrated that universities are ranked relatively low in frequency of use as a direct source of knowledge by small firms. Drawing on prior studies, HUGGINS et al. (2012) stressed that in spite of the

growing recognition that universities are major actors in realising economic transformation, universities are usually under-utilised, and the perceptions of many small firms is that minimal benefits are derived from engaging with universities. Evidence from this study reinforces the influence of university-business engagement on the performance and growth of SMEs (see Appendix 1 for independent evaluations of the programme). By further incorporating a franchising model into the framework of university-business engagement, SMEs are more likely to gain from already proven engagement activities.

Third, interactions between universities and businesses have received considerable policy interest because there is an increasing expectation that university knowledge should have economic impact (GERTNER et al., 2011). In 2012, plans to make the UK the best place in the world for business-university collaboration were announced by government (BIS, 2012b). These plans included supporting the Council for Industry and Higher Education (CIHE) in creating a National Centre for Universities and Business whose aim will be to reinforce partnerships between universities and business to influence economic growth and recovery (BIS, 2012b). The findings from this study indicate that governments should consider franchising as a mechanism for strengthening the linkages between universities and business. Franchising is a prevalent organisational form used successfully in many industry sectors (COMBS, KETCHEN, SHOOK, and SHORT, 2011) and one of the fastest growing ways of doing business (DIPIETRO et al., 2007) worldwide. Our findings indicate the roll out of the LEAD programme is largely demand driven, implying that there is a need for university-business engagement franchising. Policy makers may focus on encouraging proven local or regional university engagement activities to be developed into franchise-based initiatives that can be rolled out nationally. These initiatives may benefit SMEs significantly and will enable them to collaborate with universities whose engagement activities with businesses have been tried, tested and proven. As one interviewee stated “It [the LEAD

programme] has been proven to work ... so you want to replicate something that has proven to work well for a wider audience, for wider benefits". Additionally, it has been established that SMEs are likely to develop links with local (regional) universities rather than travel to acquire knowledge transfer activities (HEWITT-DUNDAS, 2012).<sup>3</sup> So, encouraging university-business engagement franchising will allow more SMEs to engage with institutions/providers in their local or regional communities; their local or regional institutions/providers will be drawing engagement activities established elsewhere into the region.

Furthermore, the independent review for the UK Department for Business, Innovation and Skills by WILSON (2012) noted that collaboration between universities in meeting the needs of business will benefit the university sector as a whole. Hence, WILSON (2012) recommends universities reflect upon the benefits of collaborative advantage in meeting business needs. Evidence of collaborative links between universities and business can be seen in the case of the reported LEAD programme rolled out to universities in another region (Wales) by granting them rights to use the programme to support SMEs in Wales. Governments may focus on initiatives that encourage collaboration within the university sector to see this engagement.

#### *Limitations and future research directions*

While this study documented the case of a successful university-business engagement roll out, the evidence presented was based on a single case study, limiting generalisations. Nevertheless, this research design was appropriate as our interest was in providing in-depth understanding of the research issues.

Future studies could explore additional theoretical propositions to explain university-business engagement franchising. As new theory emerges it will be developed over time as

research to generate understanding is extended to other cases (DOOLEY, 2002). In particular, future research can develop understanding as to what type(s) of university-business engagement activities may be franchised.

Furthermore, since the focus of this study was on providing explanations for a divergence from the commonly accepted geographically proximate model of university-business engagement, the findings from this study were based on the “concept originator’s” perspective (i.e. the LEAD programme concept owner). Future studies can explore university-business engagement roll out from the perspective of the external roll out partners to provide further insights. It would also be interesting to see quantitative studies designed to test the propositions in this study, especially in relation to university-business engagement, opportunity recognition, learning and new business models in different contexts.

## CONCLUSION

Universities worldwide can be categorised into different types, including research-led and post-1992 universities in the UK, and US Ivy League universities. Based on a research-led UK university, this study provided explanations for moving beyond the prevalent geographical proximate model of university-business engagement by looking at use of the franchising business model. The evolving franchising model of university-business engagement reported here might be applicable to different types of universities because of the intensity with which Higher Education Institutions (HEIs) are now engaging with business. In all, findings from this study reveal that opportunity recognition and organisational and individual learning provide explanations for university-business engagement franchising. Individuals and organisations with prior knowledge of such engagement comprised roll out partners for the associated franchising model. The model occurs through partners who are geographically spread within a national context.

## ENDNOTES

1. Additional reasons why firms engage with universities have been linked to the firms' structural factors. In addition to larger firm size, LAURSEN and SALTER (2004) found that firms characterised by higher R&D intensity and firms in machinery and chemical industries are more likely to draw knowledge from universities. HOWELLS et al. (2012) found that manufacturing firms are more likely to rate universities in high regard as important knowledge sources than service-related firms. Organisations that are more open in the way they search for new ideas for innovation were also found to be more likely to draw knowledge from universities (LAURSEN and SALTER, 2004).
2. In the UK, the Regional Development Agencies (now abolished) viewed universities as centres of regional development (GIBB, 2012). The Northwest Regional Development Agency (NWDA) was the body responsible for promoting economic development in the North West of England. The agency was abolished in 2012 and replaced with the Local Enterprise Partnerships (LEPs). Although the LEPs have no involvement with the LEAD programme, the abolition of the NWDA had no negative impact on the LEAD programme as would be seen in the later discussions.
3. Looking at the Community Innovation Survey (CIS), the Lambert Review of Business-University Collaboration (2003: 71) argued that the evidence points to the importance of proximity to firms of all sizes. For example, the results of the CIS data on UK-based firms that collaborate with universities demonstrate that "firms with local markets chose to work with a local university in almost 90 per cent of their collaborations. Firms with regional or national markets chose to collaborate with their local universities between a third and a half of the time. Even companies with

international markets work with their local universities in a quarter of their collaborations”.

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## APPENDIX 1:

### THE LEAD PROGRAMME IMPACT

LEAD programme alumni have exceeded 1,600 SME owner-managers and directors across England and Wales. Independent evaluations of the programme were undertaken by WREN and JONES (2006, 2012) from Newcastle University, UK.

In their ex-post evaluation of the programme, WREN and JONES (2006: 2) focused on “the business effects of the LEAD programme on the operations and outcomes of participant firms”. Evaluations showed “the LEAD programme has had substantial effects on business outcomes ... and that these outcomes have been induced by changes to business operations, which are due to the programme ... the overall conclusion is that the programme has been successful in achieving its objective of promoting business development and growth” (2006: 3).

WREN and JONES’s (2012) latest quantitative evaluation of the programme ran in Lancaster University between 2004 and 2011 was based on analysis of ex-ante and ex-post questionnaire surveys of participants. This also included analysis of baseline data gathered when participants joined the programme and in 2011. Amongst key findings were the business outcomes – “Around half of the survey respondents indicate an increase in sales

turnover since joining the LEAD programme, and likewise employment, while three-quarters say their labour productivity has improved ...” (2012: 43). “For those experiencing an increase in sales turnover, the mean sales increase is about £360,000 a year, of which ...37.5% is attributable to the LEAD programme” (2012: 3). Overall, since commencing participation in the programme, 55% of businesses have seen an increase in sales turnover, 48% of businesses have had increased employment, and 65% of businesses have seen an increase in their productivity (i.e. their average sales turnover per employee).

Responding to enthusiasm by some SMEs to carry on their contact with Lancaster University on completion of the programme, the Institute for Entrepreneurship and Enterprise Development have, from the pilot onwards, consistently offered a post-LEAD programme forum. After some early versions, this has now evolved into the Graduates of LEAD Development (GOLD) programme. GOLD combines an annual overnight experiential event, regular plenary masterclasses and a non-executive director and board simulation. More recently, the Top Team programme and a network of 29 Entrepreneurs in Residence have also sprung up from LEAD (see [www.lums.lancs.ac.uk/departments/Entrep/Projects/](http://www.lums.lancs.ac.uk/departments/Entrep/Projects/)).

The Institute for Entrepreneurship and Enterprise Development received awards/recognitions for the impact of the LEAD programme. These include awards/recognitions from the UK’s Economic and Social Research Council (ESRC), and the European Foundation for Management Development (EFMD). In 2012, the programme was central in the bid that led to Lancaster University Management School winning the Times Higher Education Business School of the Year award (GEORGE, 2013).

The LEAD programme was submitted as an impact case study for the 2014 Research Excellence Framework (REF). The ESRC has also featured the programme as one of their Impact Case Studies.

## APPENDIX 2:

### COST AND FUNDING OF THE LEAD PROGRAMME

The LEAD programme pilot (2004-2006) was funded via the NWDA. Delegates on the pilot cohorts received fully subsidised places. However, each was required to sign a declaration which acknowledged their obligation to reimburse the programme team if they failed to attend sessions or dropped out. This undertaking was treated as a quasi-bond to the value of £10,000 per delegate. Due to near one hundred per cent attendance the mechanism was never invoked.

Following the pilot Lancaster University continued to run and develop the programme. Cohort costs were met by a portfolio of funds, including SME contributions of £2,000 per delegate and a mix of government funding and university money. The decision by the NWDA to roll out the programme across North West England released £12m of public funds to subsidise attendance by 1,250 SME owner-managers, each contributing £2,000 from their own funds.

The programme in Wales benefitted from £8m from the Welsh Assembly Government, which provided fully-funded places for participants. More recent delivery by Lancaster University, in the South West and in London, has been based upon a greater ratio of private sector cash contribution. This cash contribution has varied geographically, with each provider setting its own levels based upon perceptions of the ability of participating businesses to invest in leadership development.