# HOW BEING EMBEDDED IN YOUR REGION HELPS GROWTH

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EXPLAINS HOW THE UNIVERSITY OF ST GALLEN USED THE NEW BUSINESS SCHOOL IMPACT SURVEY TO CONSOLIDATE AND BUILD ON ITS LOCAL ROOTS

Imagine you are the chief executive of an airport whose customers are rather dispersed. Some of them live up to 100 miles away, which is true of a minimum of 40% of hub transfer passengers.

Your main concern is your airport's international positioning against the major hubs and their worldwide competition. Your main markets are international transfer passengers and international airlines. You therefore recruit top staff and specialists from an increasingly competitive international labour market.

However, access to local resources is key for the expansion of your airport, the local labour market, rail and road access, subsidies for those public services that your airport delivers and the development of neighbouring businesses.

Simultaneously, the regional environment sees the negative impacts, such as direct externalities like noise; and many locals regard indirect externalities, such as the role of the airport as a representation of globalisation, as a threat.

Many companies with operations fixed to a specific location face similar challenges. They compete in international markets but have to combine their international reach – even their global reach – with their local and regional roots. They rely on local resources and regional and national laws regulate them.

The same is true of business schools – not just traditional, campus schools but also multi-campus universities and virtual business schools offering pure e-learning products. All of them need to nurture their local roots. For example, they need at least a legal local base to ensure accreditation. Further, they draw on the brand and image of their home base.

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Compared to other institutions of higher education, business schools face a specific challenge regarding caring about this local "embeddedness" because:

- their graduates work for global companies and not for the regional economy and society as do most medical doctors, lawyers and teachers that traditional comprehensive universities produce
- to achieve their global ambition, they rely on the professors and leadership that the global faculty market provides
- from the public's point of view they are often those responsible for bad management practices and are even the source of economic crises. This is most predominant in respect of the best business schools in a country with a dominant market share. Many view these schools as embodying an ever-present risk that their alumni will feature in tomorrow's negative headlines about incompetent managers.

All of the above are reasons why the University of St Gallen in Switzerland has undertaken the Business School Impact Survey (BSIS) assessment process offered by EFMD Global Network and FNEGE (French National Foundation for Management Education).

The University of St Gallen's vision is to establish and further its position in the worldwide university landscape. However, 20% of its overall financial budget originates from its region, the Canton of St Gallen, while only 10% of its students do.

As one of 10 state universities in Switzerland, it is the only specialised university whose graduates, unlike those of the universities of Basel and Zurich, leave the region, with only a small minority remaining. Sixty-four per cent of its faculty are non-Swiss and only 5% originate directly from from the Canton of St.Gallen.

**40%**

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**20%**

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Moreover, in the aftermath of the global financial crises, St Gallen – like all the leading business schools in Europe – is perceived in terms of the failure of a few of its thousands of graduates in leading management positions. The university is thus criticised as one of those mainly responsible for the economic problems during the crisis years.

By producing an extensive self-evaluation report as part of the BSIS process the university not only clarified the impact measurement criteria but also developed them further. The clear structure of the report template has allowed a thorough internal review of the university's goals and strategy.

More importantly, the two-day onsite BSIS peer review allowed reflection on the entire embeddedness management process. Interviews with local stakeholders provided an independent review of all of the university's links, which allowed new ideas for actions and strategic adjustments to emerge.

Embeddedness is defined as "the way in which organisations or actors become tied into the local business and institutional environment" (see Alderman 2004 in Kern-Ulmer 2011 p26).

Embeddedness not only encompasses different layers of links and processes (social, political, economic; see Hayter 2004), but also of logistical/technical processes. However, this embeddedness cannot be delegated to political lobbies. Integration into regional value networks is as important as the visibility and the integration of a school's representatives, its leadership and its professors in the region's social networks.

Multi-campus operations have to take the different cultural and institutional contexts (see North 1990, ...humanly devised constraints that shape human interaction) into account, since the type and level of integration expected need to vary. Most importantly, the various stakeholders, who mostly represent local resources, must also be acknowledged.

For business schools these stakeholders could comprise regional/national regulation and accreditation authorities, the regional student market (students act as multipliers to the broader society), civil interest groups, public authorities in charge of infrastructure such as transport and construction authorities, the regional labour market, local suppliers and service partners, and location marketing associations.

Embeddedness and strategies related to it are important moderators of the value creation processes (see Kern-Ulmer 2011). Like any strategic activity, embeddedness needs an approach inspired by the familiar management cycles of measuring, planning, acting and controlling.

Consequently, long time horizons and a relational approach are crucial. Purely transactional activities with a short perspective, such as information and lobbying campaigns before a construction project starts, are very often perceived as opportunistic and may even be counterproductive in the longer term.

Extensive indicators need to be defined to monitor a business school's regional impact. Impact measurement should therefore not only encompass traditional economic dimensions such as the regional value added (in the University of St Gallen's case, 1 SFR of regional public money converts into a regional income of 5 SFR). However, a purely economic perspective can easily be seen as only transactional and tactical.

Social interlinks can be divided into direct links to core processes, such as the number of projects and graduate placements with regional companies, and more general, indirect ones, such as employees' links with regional organisations, the number of hours they spend as volunteers in regional associations and so on.

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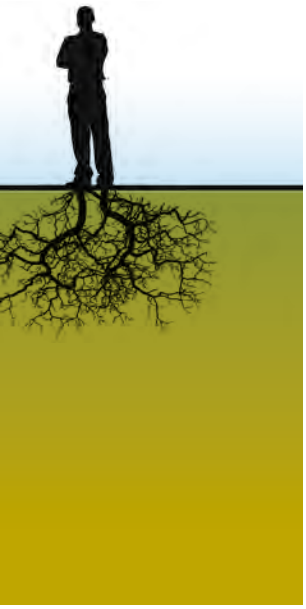

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There are also other important impacts, such as an organisation's image and its contributions to local/regional brands.

Nevertheless, the negative impacts in each dimension also need to be considered, for example a business school's influence on the local real estate market and rents, traffic, loss of regional identity and others.

As mentioned, embeddedness implies full integration into not only regional social and economic networks but also political and technical ones. A purely transactions level is not sufficient.

General corporate social responsibility concepts (see Social Responsibilities of Business Corporations 1971) can inspire and define embeddedness goals at different levels. For example, an operation can be:

- compliant, in the sense that it fulfils all the legal requirements of its regional links
- responsible, by accepting additional remits
- responsive, by taking a proactive role and, taking all its relevant positive and negative impacts into account, trying to influence the region's systems positively

The University of St Gallen operationalised its embeddedness goal as "the university is not only seen as a factor of regional benefits but as an important factor of regional life" (a relational and not only a transactional perspective). A related instrumental goal was "every citizen at least indirectly has an access or direct contact as employer, speaker, visitor, supplier, friend to a unit or representative of the university".

Measures such as presenting public events, delivering not only public lectures, but also comprehensive programmes, acting as a point of contact for regional SMEs, contributing to regional events by means of faculty and staff presentations and organising decentralised stakeholder meetings (round tables) are important.

The overarching goal is to assure long-term access to local resources such as the local labour market, the student housing market, efficient local suppliers, to be socially and politically accepted and to be perceived as legitimate in order to enjoy long-term political support in budget discussions or for upcoming construction projects.

An additional goal is to develop the location's competitive position, especially its industrial clusters, quality of life and its local brand.

In this process, outside views allowing reflection on an organisation's approach are helpful, a key role of BSIS.

Since the entire management education industry, like any other operation with a fixed location, faces similar challenges, the exchange of know-how in the BSIS scheme is of real value. In addition, boards and local politicians want to be sure that the university management links properly with its environment. The external legitimation of a university's embeddedness activities is therefore compulsory.

Going through BSIS has been very beneficial for the school, as it brings a well defined and structure process for developing new instruments and for providing data on the important strategic challenges that our "industry" faces.

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**FURTHER INFORMATION**

*If you would like further information or are interested in your school taking part in BSIS please contact: Gordon Shenton gordon.shenton@efmdglobal.org, Michel Kalika michel.kalika@efmdglobal.org or bsis@efmdglobal.org*

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