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University governance and academic work: the ‘business model’ and its impact on innovation and creativity

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University governance and academic work: the 'business model' and its impact on innovation and creativity

(2019 Burton R Clark lecture on higher education transcript¹)

Michael Shattock

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Abstract

Public policy towards higher education lays great stress on the importance of innovation and creativity to the nation's economic and social future. This lecture examines how far this is reflected in changes in university governance and the governance of the system in contemporary UK higher education and in the relationship between governance, academic performance and the nature of academic work. It will draw on a large scale study of the governance of higher education conducted under the auspices of the Centre for Global Higher Education.

¹ This is a transcript of the 2019 Burton R Clark lecture on higher education that Professor Shattock planned to give at the fourth annual conference of the Centre for Global Higher Education at the UCL Institute of Education in London on 3 April 2019.

Lecture transcript

It is an honour to be invited to give a lecture commemorating the name of Burton Clark, or Bob, as he was universally known to his colleagues. Bob was the Alan M Cartter Professor of Higher Education and Sociology at UCLA and with Bob Berdahl, Clark Kerr, David Riesman, Sheldon Rothblatt, Edward Shils and Martin Trow created higher education as a distinct field of study. However, of all these great names, to whom we owe such a debt, Bob, through his *The Higher Education System* (1983), probably had the most international reach. I first met him in 1982 when I invited him to give a paper at a Leverhulme seminar on the governance of higher education at Warwick. Bob Berdahl, to whom I had turned for advice, described him as 'a deep thinker', an apt description because his written work was always based on detailed research and consistently tackled large themes which have laid down markers for anyone subsequently seeking to research and write about them. He remains a key figure in the literature of higher education. I hope and believe that he would approve of the topic I have picked to talk about this morning.

The topic comes out of the research that I and a small group of colleagues, Professors Ellen Hazelkorn and Jurgen Enders and our research associate, Dr Aniko Horvath, have been undertaking, under the auspices of CGHE, on the governance of higher education in the UK and Europe. I, with Aniko Horvath, have been responsible for the first leg of the research programme which has concerned the UK. If I may be permitted a brief plug for them, the research findings will be published under the title *The Governance of British Higher Education. The Impact of Governmental, Financial and Market Pressures* in, I hope, July.

We decided we had to gather a broad sweep of evidence and in addition to interviewing a swathe of national policy-makers in England and in Wales, Scotland and Northern Ireland we interviewed the chair of the governing body, the vice-chancellor, the registrar, three academics of various levels of seniority and the president of the students' union in 12 institutions, using a common template of questions.

The institutions were selected to be broadly representative of the sector and covered Russell Group, other pre-1992, post-1992, post-post-1992 and one for profit institution, plus we had access to one Oxbridge university where interviews were conducted by Dr Horvath for another CGHE project, 95 interviews in all. I pay tribute to Aniko Horvath's skill and persistence in setting up this programme; she and I shared the actual interviews except in Northern Ireland where we had the welcome assistance of Ellen Hazelkorn and her research associate.

Research on governance can readily show the impact of governance on fiscal and management issues but it does not so easily lend itself to revealing its influence on academic issues so for this lecture I thought it might be helpful, and more interesting for this audience to use power point to draw excerpts from the interviews which have

formed the basis of our conclusions rather than simply to summarise them. This is not the place, nor is there time, to report all our findings but two are critical to the theme I want to pursue this morning. The first is the diversity of the sector.

I thought I knew the sector well both from long experience in it but also from teaching the MBA in Higher Education Management here in the Institute which draws from a very wide catchment of institutions. However, what I found was a sector much more diverse than I had appreciated and one in which institutional diversity is increasing rapidly. It is not just that devolution to Wales, Scotland and Northern Ireland has encouraged regional diversity but that institutional missions and modes of operation are so different extending from universities that expect students to have three 'A' s at A level and are drawn from a national pool of applicants, to universities that serve the needs of around a 10 mile radius offering much, much lower entry levels and institutions where students are largely white and middle class and institutions that are around 50% ethnic minority (one of our case study institutions reaching 97%). In governance terms there are universities where the chair of governors acts virtually as an executive chair and the governors run the university and universities where the governors simply act as 'a critical friend'; and, of course, there is our Oxbridge case study which has no lay governors at all. A common feature, however, apart from at our Oxbridge university, is the decline in the role of academic participation and the rise of executive committees or boards answerable to the vice-chancellor and the governors. Inner city location, campus based, provincial, metropolitan or devolved nation all contribute to differences in operational style and organisational behaviour.

And this is all before one assesses the differences between research intensive, research active and teaching intensive institutions. Here the differences are profound. Let me contrast some answers to questions we put to vice-chancellors about their institutions. The first comes from a Russell Group VC committed, as one might expect, to a Humboldtian view of his university:

You can describe what universities do as creating knowledge and disseminating knowledge. So that seems to me [that] the bedrock of what we do hasn't changed and won't change.

The second is from an urban post-1992 university:

The majority of our business is about students. We are not research intensive; students are at the heart of everything we do.

The vice-chancellor of a post-post-1992-university would have agreed with that description but chose to present its reliance on tuition fees more directly:

We are in the part of the market where we always have to be thinking about recruitment, applications, conversions, student numbers. That's

what drives our income. We do research but it's on a very selective basis and financially it's not that significant for us.

And finally the CEO of a for profit institution offered us an unvarnished account of what its fundamental drivers were:

[The private equity owners'] strategy is that they invested a significant amount of money and they've done that via a fund and the fund has a fixed term, albeit there are ways to extend the term, but ultimately they want to exit and they want to exit on a massive multiple and make lots of money.

It would be fair to add that this was by no means the motivation for the academic staff we interviewed at this institution.

This diversity has important implications for policy-making. A policy which favours one kind of institution may severely disadvantage another, as I shall argue has been the case in England. One might expect, bearing in mind the degree of diversity in the system, that policy-making at a national level would have sought to reintegrate the sector but current policies seem designed to further diversify it but also to advantage some institutions at the expense of others. That, of course, raises the question as to whether damage done to some institutions weakens the reputation of the sector as a whole in the eyes of the public and the international community.

A second finding, which bears heavily on the theme of this lecture is the changing role of the state and its influence on universities. When Moodie and Eustace wrote their classic account of university governance, *Power and Authority in British Universities* (1974) they were simply able to ignore the role of the Department of Education and Science and even the University Grants Committee and were able to do so because these bodies had no direct interest in influencing the self-governing character of British universities. They would not do so now. It is understandable that with nearly half the age group entering higher education as compared to about 12% in Moodie and Eustace's day the state might wish to concern itself more closely in the management of the system, and the rising costs of the system raise questions of accountability for public money which were only beginning to be recognised in the 1970s. But what we have seen, particularly in the last decade, is a qualitative change in the state's behaviour towards higher education.

Although there are sharp variations between the four national jurisdictions of England, Scotland, Wales and Northern Ireland the trend is definitely towards much greater and more intrusive regulation of higher education with England, with 136 out of 165 universities in the UK and 83% of the students, the clear trend setter: the new framework regulations for English higher education, approved in 2017, run to 158 pages with 14 paragraphs devoted to defining occasions where the Office for

Students might need to intervene in institutions and 23 paragraphs and sub paragraphs devoted to fining institutions or deregulating them.

The Office is not set up to be a university friendly body but to be a Regulator on behalf of students who it regards as consumers in a higher education market. In its 2016 White Paper, *Students at the Heart of the System*, the Government states that:

Competition between providers in any market incentivises them to raise their game offering consumers a greater choice of more innovative and better quality products and services at lower cost. Higher education is no exception.

This statement represents the essential intellectual underpinning of the English higher education policy framework. Indeed, one of our interviewees who had been involved in drafting the Regulations told us, that the market created for the energy industry was used as the model for English higher education.

I shall hope to show that a policy of ‘competition and choice’ based on Lord Browne’s Review of higher education in 2010, and which has become the Government’s mantra, does not result in more innovative and better quality products at least not in higher education. As you will know the market is based on two key principles, that institutions are funded primarily from tuition fees rather than through a block grant and that the previous government cap on student numbers per institution is removed creating a competitive free for all for institutional growth or, as we shall see, for institutional contraction. Both principles broke new ground and together have had a huge influence on the governance and management of higher education in England. In Scotland, however, the cap has not been raised and fees are not charged; in Wales the cap remains but fees have crept up nearly to English levels while in Northern Ireland fees have stuck at the £3000 level plus inflation and the two universities have lowered their student number targets to match reductions in the unit of resource.

With the implementation of these principles has come the expectation that universities will be run in a more corporate manner and much less as communities of scholars with the primarily lay governing body acting as a board to which an executive is answerable – what we describe as ‘the business model’ of university governance. Governing bodies are not just to be accountable for financial and strategic planning but are now to be regarded as responsible for giving assurance on academic standards and the quality of the student experience. This is in spite of the provision in the statutes of most universities founded before 1992 that the senate represents the ‘supreme authority’ over academic matters. Governors also have to take responsibility for signing off the complex statistics which have to be submitted in support of the Teaching Excellence Framework. This can take them deep into academic policy issues. They can no longer be regarded absolutely as ‘a critical

friend', the traditional role of a university governing body, but more as bodies being charged to enforce Office of Students' policies. As one senior academic told us:

I'm seeing board members increasingly wanting to find out more and challenge more on the academic side, about quality for instance [and on] some of the metrics we use on a day to day basis as an executive, to measure our [institutional] performance.

In some universities lay members are seeking access to senates and academic boards to assure themselves as to the processes of academic decision-making. This has the potential to be the thin end of the wedge of lay intrusion into what is taught and by whom.

One of the ways that universities have injected innovation and creativity into the national skills base is through challenging and academically demanding teaching based on the interests and intellectual curiosity of the teacher. But the effect of the policies handed down by government has been to encourage a risk averse regime in a significant segment of the higher education system. This has been particularly the result of the removal of the cap and the substitution of tuition fees for grant. While a Russell Group VC, who now has the opportunity to expand at the expense of less fortunate institutions, can say confidently:

The academic priority ought to drive everything. We are not here to make money, we don't have shareholders, we are here to do teaching, research and public engagement. That's what we are here for. And all the other stuff is just the means by which we do it.

But the chair of a post-1992 university responds with:

You can have as many academic priorities as you might wish and all the things the university has prided itself on over the years but you can't achieve any of those things without having a real understanding of the current state of the market. That's the life blood of the institution isn't it? No recruitment, no institution.

One result has been the rise of centralised marketing departments often using executive authority to reorganise the curriculum, cutting out options, demanding new ones, employing recruitment agents and paying incentives to them to attract students, imposing marketing strategies and vetoing academic departments' freedom to promote and recruit in the ways they think best.

In one university we were told of a pro-vice-chancellor who had ordained, over howls of academic protest, that all courses should be structured to a common model with the same teaching loads and demands for written work so as to make them interchangeable across the board, irrespective of discipline, to facilitate student choice

and, coincidentally, to provide a better metric for slimming off staff where student numbers suggested over provision. Failure to recruit has become a Sword of Damocles across the sector. Identified as 'the killer risk' by one chair of governors, it discourages academic risk taking, induces safety first course offerings, management intervention into matters of the curriculum and loss of staff morale. It can breed a retail outlet mentality where what sells is preferable to what is original and new.

The perception of risk at the centre promotes bureaucracy which strikes at the autonomy of the individual academic. Three comments among many from among different types of institution make the point better than I can.

The first:

When I first started I had really a lot of autonomy about how many pieces of course work I wished to ask students to do. These days it is much more likely that there'll be a university norm or there'll be some kind of regulation about it: there are regulations about how many hours a programme is supposed to cover, so you have to work out, this much is lectures, this much is student work, this much is assessment.

The second:

In the UK the system of [course] accreditation is incredible; the internal review process through the [institutional]quality assurance committee really is, you know, like the Stasi, at least at our university. It really discourages the faculty from making any changes [to a course] and then why should they [if it really is so difficult]. For me I could never teach a module the same way twice. I always wanted to change things. It was a useful way to fold my research and my own intellectual journey in with the course.

And finally:

Until now [university x] has had a relatively benign bureaucratic environment in the sense that if you wanted to introduce a new programme, yes, there were internal blockages you had to get through but I haven't seen too many things blocked because of central bureaucratic or political issues or financial issues... but this is changing. I think with the more financial pressure you have, and the fact you have to run a School like a small business so [one] becomes almost a middle manager... with more financial pressure exercised from [central management].

These comments could be written off as simply academic grumbles but they are common place in our interviews across all types of universities. Our traditional, developmental, critical and intellectually creative vision of university teaching is

under threat. Let me conclude this section of the account of our findings by quoting the judgement of a senior professor at a Russell Group university:

I think there is still a lot of freedom on what to teach, what to do research on, but the type of outcomes which are acceptable have become more closely defined, more narrowly defined, and the processes are more scrutinised and managed, controlled, regulated so there is more surveillance, there is more management control.

Where might you ask does the idea of 'customers' fit into this picture? Our evidence suggests hardly at all. We interviewed student union officers in all our case study universities. It is clear that students are deeply embedded in universities' academic processes and in key governance bodies and are partners in the teaching enterprise – they do not at all see themselves as customers. A typical response by a student president to a question about the possible rise of consumerism amongst students was:

If you're now wanting us to start treating ourselves as consumers its kind of a Catch 22 situation... I can either say treat us as consumers, give us the rights of consumers, but then I'm bowing down to the further marketization of universities that all students fundamentally disagree with... I don't want that to be the reality we live in.

Only one student president endorsed the idea of students acting as customers but his views expose all too clearly the extent to which institutions can become vulnerable to market pressure. Here the context was a demand, conceded by the university, that all teaching take place in the first three days of the week to allow students to take paid employment without interruption for the rest of the week (effectively converting a full-time into a part-time course):

Students are consumers because the university is run by students – if students are not here staff are not here, so obviously they are consumers. They [the university] must look after these consumers. If they don't they are going to change university, go to a different university, they [the university] are really going to lose students. In 2011-12 we had around 25,000 students, now we have 14,000.

This is the ugly reality of the impact of a policy of 'competition and choice' in universities which face the prospect of falling rolls. Removing the student number cap without safeguards both increases institutional inequality within the sector and enhances the vulnerability of institutions already affected by demographic downturn or other changes in their environment.

Let me turn to research and to the impact on the academic environment of the Government's Research Excellence Framework, the REF. It is difficult to criticise the

REF because in a situation of finite resources and the recognition of the benefits of research concentration, a peer reviewed measurement of research quality aligned to resource allocation has served the country well both reputationally and in terms of performance. Operationally, however, particularly at the institutional level, it has in most universities contributed to a top down organisational culture which includes excluding individuals from institutional submissions and in some institutions forcing individuals to accept humiliating 'teaching only' contracts.

There is no doubt that the REF, and its predecessor the Research Assessment Exercise, has changed the culture less because of the funding involved but much more because of the league table rankings. Many universities set annual performance targets for staff. Thus it was reported to us in one university ambitious to improve its research ranking:

[Targets] were all set at corporate level and at faculty level and at school level but they were brought down to an individual level. As a simple sort of disaggregation, if a school had a target of £x million that was simply divided by the number of staff in the school, taking account of position, and everyone was given an individual target. It was much too pressured without recognising the realities of individual performance.

Research conducted under these conditions of stress are unlikely to be ground breaking or innovative.

An academic at another university told us that when you know that only one in five research applications is likely to be funded you bid for safe projects and play the percentages and submit more applications than you know will be funded. Another said:

I just feel we are constantly... maximising our research outputs and our league table standings at the expense of optimising what it is to be an academic.

Asked why the institution's policy was not challenged she replied:

Academics are frightened for their jobs and they are scared to say, I don't think this is right.

The impact of this on research creativity and innovation does not need underlining. The research environment itself has become more restricted. This was perhaps best articulated by a senior researcher at a Russell Group university:

I'm not a romantic about blue skies research but the sense of freedom of us knowing better than [the funders] what the direction of travel in research ought to be, where the interesting questions are, what we don't already

know and the sense that we can pursue these and make policy proposals which are independent of what the customer wants, the customer being whichever government department it happens to be, that's all come under a lot of pressure... [It] is not so much that we only answer the questions which we are told to answer, it's more like we are trying to guess what funders and policy-makers want to hear, making one feel like a kind of intellectual subordinate.

The operation of the REF within many institutions is a symptom of a wider governance issue, the replacement of academic participation by executive authority. This is characterised by the diminution in the role of senates and academic boards and their effective replacement by small executive boards or leadership teams that are answerable to central authority not to the academic community; they are not 'the central steering core' with close links to academic departments as advocated by Bob Clark in his *Creating Entrepreneurial Universities* (1998) but operate as management or directing groups leaving senates and academic boards becoming rubber stamps for policies made elsewhere.

As a consequence, universities increasingly lack what Stark et al call 'the organisation of dissonance' (*The Sense of Dissonance* 2009), the opportunity to debate issues in a relatively unstructured and some would say unbusiness-like way before decisions are reached. The academic community does not feel any sense of ownership of a policy if it has not had the opportunity of discussing it.

This sense of exclusion is well summed up by two interviewees from separate research intensive universities. They are the more significant because our research points strongly to the fact that universities with strong research records have maintained academic participation to a much greater extent than less research active institutions:

I think there's definitely decisions being taken at a level above the university which are often linked to what are believed are... market forces or... broad economic trends which we, as academics, have no control over... there's a sense in which these things that we feel that we now have to be doing [as a service provider] and have to be implementing and have to be delivering to students because of the new context... aren't really something that as academics we decided to do or we decided would be a good thing for universities... There's a sense that there are people higher up the university who are making strategic decisions that are being driven by these broader forces... So I think there is a sense of disempowerment.

And:

I think my perception is that higher education has become more business-like and that it is more of a top-down system now rather than an

academically driven system.... I think in the past academics have set the trajectory of the university, schools and departments, within schools, for better or worse, and now I think my perception is that certain roles that historically would have been led by academics have become led by administrative staff. I think my feeling is over the last six years there has been an erosion of the autonomy of academics.

These are serious concerns because they come from universities that are close to the apex of the system in terms of reputation and league table positioning.

A little over a decade ago the Government published a White Paper on Innovation which has been the long term inspiration for its commitment to investment in the knowledge economy. It argued that innovation was essential to the UK's future prosperity and quality of life and it contained the following paragraph:

Most new ideas do not come as a flash of inspiration to a lone genius inventor, they come from how people create, combine and share their ideas. The UK's capacity to unlock and harness the talent, energy and imagination of all individuals is crucial to making innovation stronger and more sustainable (DIUS, *Innovation Nation*, 2008, CM 7345, p 58).

The White Paper went on to say that:

Universities provide the setting for people to acquire skills vital for innovation: specialist knowledge and higher level skills, exposure to independent thinking, debate and creative problem solving: informal opportunities to learn through music, drama and third sector organisations (para 7.33).

Our research suggests that the 'business model' of university governance, the product of what one might call the English experiment in higher education policy-making, because it does not apply or certainly with much less force in Wales, Scotland or Northern Ireland, is in danger of producing an academic climate which represses rather than stimulates creativity and innovation. It cannot be emphasised too often that the core business of universities is teaching and research and that to achieve excellence in these activities the academic community must play a critical role in the governance of the processes involved. We have found that while collegiality, intense discussion about academic ideas, hierarchical exchanges about policy, continue to occur below stairs, as it were, in universities their universities' overall policy framework encourages top-down decision-making and lines of authority which foreclose open ended and apparently inefficient, controversial and time wasting debate. Yet this is the organisational culture which offers the seedbed for those very qualities of originality and innovation which society calls for from its university system. There is no research evidence that we have seen that a policy based solely on the market principles of competition and choice will stimulate

innovation and creativity in universities, rather it seems likely to produce caution, retrenchment and a compliant mentality. The real risk for universities is not to become 'failing providers' which the Office for Students has promised it will not 'prop up' (Adams 2018) but is to lose those sparks of intellectual adventure which have distinguished them in the past. The danger is that over reliance on 'competition and choice' will negate just that need for innovation and creativity that the government said it was looking for from higher education. Let me leave you with two questions – will we be asking ourselves in a decade's time what happened to our universities' capacity for innovation and new ideas? Will we be wondering why the UK system has slipped in the international rankings?

I wish I could conclude by offering some easy solutions to these problems. We cannot turn the clock back to the world of Moodie and Eustace in the 1970s. Not only has the state in almost every country come to play a much larger role in the direction of higher education but institutional size post-massification has become a significant factor in how institutions are run. In 1992 in the UK there were only two institutions which had more than 20,000 students; now there are 40. Size and financial complexity make a difference. Currently the crisis which is talked about in England is financial in the light of rumours about the Augur Report and possible cuts in fee levels but I believe that the more serious crisis is governance – with good governance we can overcome financial crises as we have before. What I have called 'the English experiment in higher education policy-making' has served to reinforce a growing reliance on governance through executive authority and corporate structures. We need to recognise that the governance of higher education, like its functions in society, is *sui generis*, that, with all its apparent weaknesses, it is not improved by the importation of practice from other walks of society and that, unless the academic community is placed at the heart of its processes, it will lose many of those characteristics which have made it internationally successful.