



Seminar on

**Governing bodies of higher education institutions:
Roles and responsibilities**

Key note Address

by

Allan Larsson

1. Introduction

It is a great pleasure to have this opportunity to start a discussion, which is of great importance for all of us who are engaged in “university governance”. I am sure that I can talk for everyone, when I say thanks to the IMHE OECD and particularly to the Director, Dr Ischinger, and the head of IMHE division, Mr Yelland and Mrs Jacqueline Smith, for taking this initiative and for bringing us together – to share experience, to reflect and to build networks.

I am chairman of the Board of Lund University, the biggest university in Sweden. I am also engaged in boards of research institutes and centres in Gothenburg and Copenhagen. Most of my experience of “governance” comes from public administration, business and media – experience, which has a great deal of influence on my ideas on the role of governing bodies in universities.

2. The Bermuda Triangle

My role here today is to help focus our minds on some of the central issues concerning university governance, particularly on the roles and responsibilities of governing bodies.

I have now understood that this is not an easy task. When I started looking for information on “university governance” I made a search on the web. I found that there is a great interest in this subject – and a great deal to read about university governance. I got no less than 353.000 hits in less than half a second (*Google*).

I read a few of them, but not all, which will make it easy for you to say that I have missed the most important papers.

When I asked our friends here at OECD for interesting papers and background information, they kindly sent me a number of very informative papers, including a speech made by the Vice Chancellor of the Roskilde university in Denmark, Henrik Toft Jensen, which I found thought provoking. The Vice Chancellor, made some comments on the new Danish system with Governing Bodies of external representatives and warned his audience that the relation between the three corners of governance - government, board and vice chancellor – could be described as a “Bermuda Triangle”.

His point is that “nobody knows where the initiative comes from” and “nobody knows where and how everything disappears” (*IMHE/OECD seminar “Governing Universities in the Knowledge Society, Valencia, 27-28 April 2006*).

Is he right? Is this a fair description of the relation between the three corners of university governance? Is this the way we are moving?

Let us take the vice Chancellors “Bermuda Triangle” as a description of the worst case and let us discuss how to navigate our universities out of these dangerous waters.

3. Why is University governance such an important issue?

Can I begin by asking the question why a debate on university governance is so important that we travel all the way to Paris to meet colleagues to share experience?

One argument is that our economies are in transition and that knowledge will play a growing role for economic performance. The OECD has even provided us with some good arguments why money spent on obtaining university qualifications pay dividends higher than the real interest rate, and often significantly so. Countries that give individuals one additional year of education can boost productivity and raise economic output by 3-6 per cent over time (*Andreas Schleicher: The economics of knowledge: Why education is key for Europe’s success, 2006*).

I agree, that these are good arguments for investment in research and higher education. They also tell us why good governance of the huge resources already spent on education and research should be a top priority. However, I think that we must further develop - and strengthen - these arguments and that we can do it by using modern economic growth theory. Let me give you one example that can help explain the rationale behind the OECD figures on return on knowledge investment.

When I went to university many years ago we learned that land, labour and capital were the main determinants of economic growth. Knowledge and technology were seen as outside, more or less given factors. During the last 10-15 years we have seen a fundamental rethinking of the growth theories; knowledge and technology have become central element of economic analysis. We have learned to understand the difference between land, labour and capital on the one hand and knowledge on the other. While land, labour and capital are rival goods, which can be used by one person/enterprise at a time, knowledge is a non-rival good, a resource which can be used simultaneously by a great many people. Think about basic research findings, think about the Internet or think about patents, aimed at expanding markets for innovations and you see the difference from a piece of land, a bank loan or a paid working day. Knowledge is not a fixed quantity, which has to be divided in slices like an apple pie. Knowledge can be used by many, without limiting the value of knowledge for others. As a consequence the traditional economic perspective of diminishing return is replaced by a new one - we are living in the age of increasing return (*Paul Romer: Endogenous Technological Change, 1990, David Warsh: Knowledge and the Wealth of Nations, 2006, The Growth of Growth Theories, The Economist, May 18, 2006*).

These are great ideas and they are highly relevant for us as members of governing bodies for research and education. Universities are at the centre of knowledge production, of dissemination of knowledge and of transfer of knowledge into innovation. Universities could greatly benefit from the introduction of modern growth theory in our advocacy for investment in research and development. And advocacy is, I believe, one important element of governance. That's why it is so important the board consists of external members who can and will advocate the case for universities to a number of constituencies in society at large – not least to those who provide funding, governments or private donors.

4. What do we mean when we talk about governance?

There is more than that in governance. So, let us begin by finding a definition. After looking through a number of documents I selected two definitions. One from Australia and one from the UK. In a paper on “Issues in Australian University Governance” I found the following:

“The term “corporate governance” broadly encompasses the full sweep of means by which organizations are able to operate and be controlled. It potentially includes issues of values, culture, management and administration, as well as operating frameworks, such as legislation, which are externally imposed” (*Issues in Australian University Governance* by Peter Coaldrake, Lawrence Stedman and Peter Little, 2003).

In the recently published Oxford White Paper on University Governance I found a very brief definition:

The term “governance” refers to processes of decision-making within an institution (*White Paper on University Governance, Oxford 2006*).

These two definitions seem to offer a good framework, wide enough for our discussion, focused enough to keep us on track.

5. What is the debate on university governance about?

As I said in the beginning it is not an easy task to help to identify the main issues in a debate on university governance and governing bodies. Our university systems differ a lot in structure, in funding and in governance and we are in different stages of a reform process.

In the US, almost half of the 3.500 universities or colleges are public, half are private not-for-profit organisations and some 300 private for-profit organisations. The Federal Commission on the Future of Higher Education has recently published a draft report, a most interesting review of higher education in the US, with a good balance between self-confidence and self criticism.

One of the main messages is that the US – I quote - “may still have more than our share of the world's best universities. But a lot of other countries have followed our lead and they are now educating more of their citizens to more advanced levels than we are. Worse, they are passing us by at a time when education is more important to our collective prosperity than ever”. End of quotation.

In the Conclusions the Federal Commission gives recommendations on policies to make universities “more transparent, faster to respond to rapidly changing circumstances and increasingly productive in order to deal with the powerful forces of change they now face” (*For the full text, see <http://www.ed.gov/about/bdscomm/list/hiedfuture/reports/0809-draft.pdf>*)

In the US, according to the AGB, the Association of Governing Boards of Universities and Colleges, “the relationship between public higher education and state government is in a flux in ways not been seen for decades. The general pattern is one of reduced state support followed by sharply rising tuition and arguments for less state regulation” (*Are the States and Public Higher Education Striking a New Bargain*, AGB, 2004).

In the UK there are 111 universities, of which only one is a private university (the University of Buckingham); all UK universities, like those in Australia are legally independent, self-governing institutions with their own degree-awarding powers.

In Europe, the EU Commission, has noted in a recent Communication that there are 4.000 institutions for research and higher education in Europe, most of them in need of reform. “Member States value their universities highly and many have tried to ‘preserve’ them, controlling them, micromanaging them and, in the end, imposing an undesirable degree of uniformity on them” (*Delivering on the modernisation agenda for universities: Education, Research and Innovation*, COM (2006) 208 final).

I hope you will excuse me for being Eurocentric, when I take the EU Commission “modernisation agenda for universities” as a starting point for our deliberations. As regards governance the Commission gives the following four recommendations:

1. *Member States should guide the university sector as a whole through a framework of general rules, policy objectives, funding mechanisms and incentives for education, research and innovation activities.*
2. *In return for being freed from overregulation and micro-management, universities should accept full institutional accountability to society at large for their results. This requires **new internal governance systems** based on strategic priorities and on professional management of human resources, investment and administrative procedures.*
3. *It also requires universities to **overcome their fragmentation** into faculties, departments, laboratories and administrative units and to target their efforts collectively on institutional priorities for research, teaching and services.*
4. *Member States should build up and reward management and leadership capacity within universities. This could be done by setting up national bodies dedicated to university management and leadership training, which could learn from those already existing.*

This is a broad agenda for governments, for University boards and for Vice Chancellors and Deans. I guess that we can agree on the main orientation of such a general reform agenda. However, in all these four areas of reform, there are important choices to be made, choices that will form an agenda inside the broader agenda. Let me identify some of these choices of particular importance for governing bodies.

- First, what is the role of the board in a system where academic staff is in charge of education and research to reach excellence – is there any room left for a governing body with external members?
- Second, what is the mission of a governing body – to manage an institution or to manage change?
- Third, how can we replace excess regulation and micromanagement by governments with internal mechanisms for effective resource allocation?
- How do we find a productive balance between the Board/the Chairman of the Board on the one hand and the Vice Chancellor on the other hand?

I will discuss these four questions and offer some thoughts on how to organise our governance in these respects to avoid an academic Bermuda Triangle, “where no one knows from where an initiative is coming and no one knows where it has disappeared”.

6.1. What is the role of the Governing Body in a university striving for excellence?

I think we all are in agreement that a university is a unique organisation. It is unique in its mandate, its funding and its organisation – there is no business like university business.

However, the overall trend in University Governance seems to be a move towards smaller Governing Bodies with, as a rule, a majority of external representatives, more or less the way governing bodies are set up in businesses or public administration.

In the US public institutions are governed predominantly, and sometimes entirely, by Boards of Trustees, with external members appointed by the governor and/or the legislature. In general there has been a trend towards increased accountability – with a wide degree of variability. Private not-for-profit governing bodies have typically large boards, reflecting the importance of fundraising, Princeton has 40. On the other end, the University of Michigan, a public university, has eight members of its Board of Trustees.

In Australia for example, over the last 8-10 years, the governing bodies, the Councils, have been reduced in size, while maintaining a majority of external representatives. Still the average is 21 members. The reduction is most radical at the University of Melbourne, which went from 40 to 21 members of the Council, increasing the share of external members to two thirds.

The Australian Federal Government is pushing for further steps in the reform process. A government policy paper stated that having “35 Council members and an average of 21 are not conducive to sound decision making”.

These trends in university governance have now also reached the most prestigious and traditional of our European universities. In Oxford the White Paper on Governance suggests that the size and composition of Council should be revised, membership should be reduced from twenty-three to fifteen; it should have seven internal and seven lay members and a lay Chair. In Cambridge a report on governance suggests that the Vice-Chancellor should become “the principal executive officer of the University, responsible to the Council”. According to the proposal, the governing body, the Council, will for the first time have external members. One will chair the Council and another, the Audit Committee. They are expected to play a “fundamentally important role in the University's future governance”, to quote the official presentation.

In my view, these developments will benefit the universities. The work of the governing body has to be based on the understanding among all members that “there are no advocates for any one group. Decisions are ultimately made in the best overall interest of the university”, as stated in the web site of the University of British Columbia in Vancouver (*Role of the Board, The University of British Columbia, March 2006*).

However, we, as members of governing bodies, have to be careful in stretching the parallels with business too far. We have to identify the unique role of a university governing body.

Let me describe how I thought when I became chairman of Lund university. The core activities of the University are education and research. We expect teachers and scientists to strive for excellence. They develop new research ideas, they apply for funding and they carry out their research projects and they will be judged on professional ground by other scientists in peer review processes. The Board is

not expected to interfere in these activities. Unlike a board of an enterprise or a board of a public administration, a university board is not expected to make decisions to steer core activities.

So, what is left for the Board to do more than to listen to reports from the Vice Chancellor and the Registrar on progress in education and in research?

My conclusion is that there is a third field of activities, for which the Board is responsible, where it has to act and should have its own strategy for excellence. That field includes the overall organisation of the university, the distribution and use of financial resources and the management of the university, i.e. all the systems and structures surrounding research and teaching. This is a field, where external members, experienced in decision making and without vested internal interests, can bring strength to the management of our universities.

This is a field, which is not covered by the traditional system for peer review. It is a field, which requires different tools and policies. My view is that we, as a Board, should strive for excellence in these management systems to build confidence for our demand for excellence of researchers and teachers.

6.2. What is the mission of the Governing Body - managing an institution or managing change?

That leads to my second question: what is the mission of the Governing Body – is it to manage an institution or to manage change? Let me explain what I mean with these two concepts.

In the past, in a more stable environment, the model of governing universities was collegial and consultative in nature (*Changing Patterns of Governance in Higher education, OECD, 2003*). A university board had a conservative role, serving as a break on change, a stabiliser, a guarantee against radical changes. The board in itself was composed to make the process of decision making slow and complicated. Still many professors are fond of such governance. Why change this good old tradition, which has worked for such a long time and so successfully?

The answer is that there is no stable environment anymore. Today, universities are surrounded by change, by competition when recruiting students and scientists, by competition on funding. Today, “expectations of higher education have changed beyond recognition”, as the OECD has expressed it (*Changing Patterns of Governance in Higher Education, OECD 2003*). To be successful in this new world, universities have to seize opportunities, adjust and adapt, reform and develop. Boards have to make a deliberate choice, whether to manage an institution in the traditional way or to be a driving force for the management of change. By identifying its role as an agent of change the board will set the scene for initiatives in many different levels inside the university.

6.3. How can we create systems for resource reallocation to get rid of external micromanagement?

One of the changes that we all, I guess, are in favour of, is a reduction of over-regulation and micro-management by governments. We would welcome a more distinct role for the governing bodies of the universities, or to use the words in the EU Communication on universities “a framework of general rules, policy objectives, funding mechanisms and incentives for education, research and innovation activities”.

However, we have to admit that there is a trade-off in such a change. Let me try to describe this trade-off in the following way. In a traditional system university boards seem to focus their attention on a fight for additional resources for education and research, rather than on a better use of existing resources. This has led in some countries to complex national evaluation processes as a basis for

resource allocation. In other countries it has led to systems where scientists have to compete for small and short term funding from different national funds. Thus, mechanisms for reallocation of resources have been established outside the universities.

In a new system of management by objectives the boards will have to focus on a better use of existing resources. That means to reallocate resources from existing projects to new, more promising projects with higher quality and more relevance, from one faculty to another, not by selecting projects, but by creating mechanisms for a continuous internal re-examination and reallocation of resources based on peer review and quality assessment.

This is a much more difficult and challenging role for a board than the traditional one of “demandeur” for more government funding. It is probably the only way to convince public policy makers to give more authority over resources to the governing bodies. “The granting of greater independence will require boards to be more vigilant about monitoring and ensuring institutional accountability”, to quote the US AGB report about new relations between states and universities. The question to be discussed is whether our governing bodies are prepared and equipped for such a role.

6.4. How to strike a productive balance between the Board and the Vice Chancellor?

This discussion on the role of Governing bodies boils down to a final question: how do we strike a productive balance between the Board – recognising its role for excellence, prepared to manage change, willing to run a system for dynamic reallocation of resources – and the Vice Chancellor, as eager as the board to achieve all these good things?

When I read Henrik Toft Jensens warning for an academic Bermuda Triangle where “nobody knows where the initiative comes from” and “nobody knows where and how everything disappears” I felt that this is a reminder to us as members and chairpersons of university boards. There is an obvious risk that a proactive chairperson and a proactive board can limit the scope of activity for a Vice Chancellor and thereby weakening her or him internally.

I have the privilege of having a dynamic and proactive Vice Chancellor and I am myself used to take initiatives. How do we build a team of two such executive persons?

First, I think that it is important to remember what a limited power a chair has been given. A chair cannot make decisions without a formal proposal from the Vice Chancellor and even with such a proposal the Chair has to get consent from the Board or at least a majority of the Board. The only formal power a Chair can exercise is to make decisions on the content and the structure of the agenda of the next meeting of the Board. A limited power – still an interesting one.

Second, it is necessary to recognize that the Vice Chancellor has two roles, one as a manager, the other as a scientist. He or she is a member of the Board and a driving force in decision making in the areas where the board has a responsibility, i.e. the systems and structures that surrounds research and education. The Vice Chancellor is at the same time the final decision maker on research and education, in areas where the board is not expected to interfere. He or she is the Supreme Scientist and maintains in this respect the traditional role of a Vice Chancellor.

Third, and even more fundamental, it is in the best interest of the board to have a strong Vice Chancellor, who feel that he or she can take initiative and that he or she has the support of the Board as a manager of change. I would like to quote Michael Shattock who says that “management makes a difference and represents a major component of university success” (*Managing Successful Universities*).

I agree. In my view, a Board and a Chairman of a Board should steer away from the Bermuda triangle by giving support to the Vice-Chancellor, by working with him and through him.

That was about the relations between the Board and the Vice Chancellor. Now, how do we cope with the risk expressed by Henrik Toft Jensen that the Government tries to govern behind the back of the Vice Chancellor?

Here I have too little insights in the different national traditions and systems to make any general comment. I have to confine myself to my own experience, both as a former minister and as a present chairman of a university. In our tradition, there is only one way for a government to give directive to a public agency and that is through a formal decision by the Government, in full transparency. If a minister – or a civil servant – takes personal initiatives, behind the scene, to influence the strategy or the policy of a university, such initiatives can and should be rejected. An initiative, wherever it comes from, has to be duly prepared by all relevant ministries and formally agreed by ministers in the Government.

In other countries systems are different; ministers may have a more independent status – and more room for regulation and micromanagement. My impression is that the situation in this respect is rather different in Southern Europe, Central and Eastern Europe, for instance.

Let me sum up by offering three questions for discussions, questions, which, hopefully, are relevant for all of us, regardless of how far our countries have reached in the process of changing our systems of university governance:

1. In the OECD report “Changing Patterns of Governance in Higher Education one conclusion is that we need to develop “a fusion of academic mission and executive capacity, rather than substitute one for the other”. How do you define the role of your governing body in relation to science and education? To be more specific: What is your demarcation line between a board of external members and the staff of scientists and teachers?
2. What is the role of one of the main stakeholder of a university, students, in the governance of our universities? In my board they are equal partners with external members and representatives of the academic staff – very active and competent partners. So, what is the best balance between different actors and what is your road map for reform?
3. How do you roll back overregulation and micro-management and how far are you prepared to go in the direction of institutional accountability to society and new internal governance systems? To be more specific: what is your reform agenda in this respect for the next few years?
4. Do you agree that it is in the best interest of our universities that role of the Vice-Chancellors is strengthened? To be more specific: What have you done – or what are you going to do – to develop a CEO-role for the Vice-Chancellor of your university, building a culture of effective resource management?