



# **Higher Education Management and Policy**

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IN HIGHER EDUCATION**



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## Higher Education Management and Policy

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# **Defining and Measuring Academic Standards: A British Perspective**

*by*

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*Historically, the definition and measurement of academic standards in British higher education have been the exclusive prerogative of the academic community. The calibration of standards across institutions was the responsibility and purpose of the external-examiner system. But the mechanisms in place to achieve these ends have broken down under the weight of the massification of UK higher education, the need to recruit international students to sustain revenue streams, and the league-table or rankings culture that has resulted in academic standards being sacrificed in order to maintain or improve institutional image. In 2008 the House of Commons inaugurated a wide-ranging inquiry into these matters. Its August 2009 report proposes radical solutions, the adoption of which will represent a definitive break with the traditions of the past.*

# **Définition des critères de qualité et évaluation des performances universitaires : une perspective britannique**

*par*

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*Traditionnellement, la définition des critères de qualité et l'évaluation des performances universitaires dans l'enseignement supérieur britannique étaient la prérogative exclusive de la communauté universitaire. L'étalonnage des critères de qualité dans l'ensemble des établissements relevait de la responsabilité du système d'examineurs externes dont c'était l'objectif. Cependant, les mécanismes mis en place à cette fin se sont effondrés sous le poids de la massification de l'enseignement supérieur britannique, la nécessité de recruter des étudiants internationaux pour maintenir les flux de revenus, et la culture des classements qui a conduit au sacrifice de la qualité afin de préserver ou d'améliorer une image institutionnelle. En 2008, la Chambre des communes a inauguré une vaste enquête sur ces questions. Son rapport d'août 2009 propose des solutions radicales, dont l'adoption constituera une rupture définitive avec les traditions du passé.*

In the summer of 2008 the Select Committee of the UK House of Commons on Innovation, Universities, Science and Skills, announced a wide-ranging inquiry into Britain's higher education system. Periodically since then the Committee has listened to oral testimony from the leading players in UK higher education – and from a wide range of students and teachers – and has solicited, and published, no less than one hundred written submissions – over 500 pages of text (UK House of Commons, 2009a). Formally entitled “Students and Universities”, the remit of this investigation – arguably the most important examination of higher education in the United Kingdom since the National Committee of Inquiry into Higher Education chaired by the late Lord Dearing in 1996-97 – has ranged over a wide terrain: admissions; the balance between teaching and research; degree classification; and mechanisms of student support and engagement.<sup>1</sup> But a major focus of the Select Committee's work has been on “the actions that universities, Government and others have taken, or should take, to maintain confidence in the value of degrees awarded by universities in the UK”.

In this crucial respect the deliberations of the Select Committee have been conducted on a level quite different from that of the Dearing inquiry, which steered well clear of this topic of how academic standards are set, how they are measured and how they are assured. The evidence received by the Select Committee, submitted under the protection of parliamentary privilege, tells a sad story, of academic standards being deliberately undermined (“dumbed down”) in the interests of public image, league-table ranking position and student-derived revenue. Academics whose voices had been silenced by the obsessive managerialism that now pervades public-sector higher education in the United Kingdom have used the freedom given to them by the Select Committee to tell the truth. It does not make pleasant reading.

The members of the Select Committee have asked the awkward questions, for which the Vice-Chancellors – the university chief executives – have been ill-prepared. Each of them, without exception, has sought to paint a rosy picture: the unit of resource has declined and class sizes have grown, but the quality of the student learning experience has been maintained, even improved. And academic standards have actually risen (the Select Committee has been told), as evidenced by the ever-larger proportion of students graduating with First and Upper Second Class honours degrees.

But the evidence presented paints an altogether different picture: interference by administrators with the judgments of teachers; deliberate lowering of thresholds; external examiners being pressured into toning down critical comments; even evidence allegedly being withheld from a Quality Assurance Agency (QAA) inspection (“audit”) team.<sup>2</sup>

Inevitably the QAA itself has been a target of the Select Committee’s inquiries.

Although the Committee began formal hearings in autumn 2008, there was a dramatic prelude to its work, namely a special session, held in July 2008, at which the only witnesses were the QAA’s executive (UK House of Commons, 2008). During the course of this interrogation the Committee’s chairman characterised the QAA as a “toothless dog”. What he meant was that the QAA’s entire inspection process is currently focused on process, on paperwork and on document-checking. While the QAA has been harsh on private institutions, it seems to have bent over backwards to protect the reputation of public sector institutions. In 2009 it gave a verdict of “Limited Confidence” to the University of Buckingham (to date the United Kingdom’s only university to be completely privately funded). Three years previously it had slapped a verdict of “No Confidence” on the London campus of American InterContinental University, owned by the for-profit Career Education Corporation of the United States. Compare – by contrast – the sanitised conclusions it published in the spring of 2009 of a “Special Review of the Circumstances Surrounding the Amendments to an External Examiner’s Report” at Kingston University (West London) with the actual findings of its investigation, shared only with that university (QAA, 2009).<sup>3</sup> Yet Kingston is deemed by the QAA to be, still, “in good standing”.

But a verdict of “No Confidence” or “Limited Confidence” does not mean that there is necessarily anything untoward about the academic standards of a particular institution – any more than a verdict of “Confidence” signifies robust standards robustly enforced. Indeed, as the QAA’s then chief executive was at pains to point out to the Select Committee in July 2008, the Agency as presently constituted neither sets the academic standards of the United Kingdom’s universities nor monitors them. Why is this?

Before answering this question – or, rather, in order to answer this question – we need to be clear about what we mean by academic standards in higher education, and how this meaning differs from academic quality. Much public debate on the issues of academic standards and higher education quality, certainly in the United Kingdom, has been marked and marred by deep confusion over these two very different concepts.

Academic standards are discrete levels of intellectual performance, the attainment of which results in the award of academic credit, leading invariably to the conferment of an academic qualification – a degree, say, or a diploma. The

QAA is, as its name implies, a quality assurance body; its remit does not actually extend, currently, to the direct scrutiny of standards. It is true that the Agency insists that its mission – as enunciated on its website – is to work with higher education institutions “to define academic standards”. But it does not do so, and never has. By “quality” I mean the totality of the student learning experience: the learning resources, the pastoral support and so on. You can in fact have poor “quality” in an institution that enforces and whose students reach high standards. Conversely, you can – and all too often do – have poor or indifferent standards in an institution brimming with support mechanisms. The current methodology of the QAA is compliance-driven. Its approach is underpinned by the belief that high standards will be maintained through standardisation of procedures (this theme is explored at length in Greatrix, 2004). This approach is false and dangerous.

Two hundred years ago there were only a handful of universities in the United Kingdom – just two in England (Oxford and Cambridge), four in Scotland (St. Andrews, Glasgow, Aberdeen and Edinburgh), one in Ireland (Trinity College Dublin) and none at all in Wales. “The academy” was exceedingly small, and it was overwhelmingly clerical. Oxford and Cambridge were founded as purely vocational institutions, to train men for the priesthood and later, for the legal profession. Academic standards – the discrete levels of attainment required for the conferment of a degree – were not written down, save in the most generalised sense that the examiners had to be “satisfied” over this and that. Indeed it was not until well into the second half of the 20th century that Oxford began to include in its *Examination Statutes* anything more than the driest of lists of topics to be covered in respect of each of the degrees it awarded. And this would be true of the other universities in this elite system, catering (say, in 1960), for less than 10% of 18-year-olds.

Academic standards were then largely an oral tradition, handed down from one generation to the next by word of mouth. When new universities were established (starting with Durham, in the north-east of England, in 1832), academics from established institutions (initially Oxford and Cambridge) were employed to oversee the transmission of this oral tradition on a subject-by-subject basis. Thus was born the much-vaunted “external-examiner” system, which expanded considerably with the foundation of the great “redbrick” or “civic” universities of Victorian England. But the tradition remained an oral one.

That being the case, and given that little evidence now survives that would permit us to make informed judgments about the history of the process by which standards were set, confirmed and/or modified, we cannot say how standards had evolved over time, certainly in the period before the mid Victorian Age. Anecdotal evidence suggests, however, that the oral tradition existed at the level of the individual, not the institution at which he (or, later, she) taught. Degree syllabuses were indeed confirmed by university senates or

academic boards. But this was largely a rubber-stamping exercise. When this author joined the University of London in 1968, the “power” to establish and enforce standards lay very much with the members of the subject-based departments and boards of study.

What was the purpose of these standards – or rather, what was the purpose of the syllabuses that gave them life? It was certainly not; even in vocational subjects such as law or medicine, to prepare students for “the world of work”. The syllabuses had a heavy academic bias. A student graduating with a good degree in modern history or a language was ready to move straight into doctoral research; there was no need to complete a taught Master’s to bridge a gap that did not then exist. A medical graduate certainly had a great deal of medical and surgical knowledge; but he would have had no training in the social or ethical aspects of medicine, in “bedside manner” – for example how to tell a patient that a diagnosed medical condition was terminal – or in the business and managerial aspects of running a general practice. Within these syllabuses “transferable skills” certainly existed. But they were never explicitly taught, less still assessed. That was not the purpose of assessment at all. Assessment was academically driven, to fulfil academic ends. And since the academy was still small, assessment criteria were virtually unknown and “benchmarks” unheard of. “What were the characteristics”, I once asked as an academic auditor at a Victorian “redbrick” university, “of a first-class degree in French?”. The head of department looked puzzled and then replied that the academic regulations were silent on this matter but that he could always recognise a first-class answer because it reflected a certain “*je ne sais quoi!*”.

The definitive break with this system came with the inauguration of the Council for National Academic Awards (CNAA) in 1964.<sup>4</sup> The establishment of the CNAA was a pivotal plank in the expansion of higher education opportunity in the United Kingdom post-1945. Much of this expansion was planned to take place outside traditional universities, in technical colleges and, later, polytechnics, all with unashamedly vocational missions closely tied to the needs of local and regional economies. None of these non-university institutions enjoyed degree-awarding powers. Instead, they taught for degrees awarded by the CNAA.

The CNAA was mandated, by its Royal Charter, to ensure that its degrees were comparable with those awarded by the universities. It did this in three ways. It established panels of experts drawn, largely; from the universities and industry to oversee and approve the drafting of syllabuses. It employed external examiners – again drawn from universities and from industry and commerce – to guarantee, on its behalf, that appropriate academic standards were enforced and maintained. And it insisted that each award it approved should have attached to it not merely a detailed curriculum but also an explicit set of learning outcomes, invariably drafted in terms of the skills and

competencies that would need to be demonstrated in order for a module to be passed and, ultimately, for the award to be conferred.

So it was that the oral tradition began to be replaced by documentation and record. Wound up in 1992, when the polytechnics became universities in their own right, the CNAABOASTED a quarter-of-a-century of meticulous supervision of standards as well as of quality in the UK higher education sector. But those nostalgic for a return of the CNAABOASTED (in some form or other) need to recognise and acknowledge its limitations and weaknesses. Its very intrusiveness – understandable enough in its early years – became a burden both to itself and to the evolving sector whose interests it served. As CNAABOASTED institutions matured, the prescriptive systems that it mandated served (it was said) to stifle innovation; they were also time-consuming and costly to operate. Central to these systems was the vast network of external examiners that it employed to ensure comparability of standards between one CNAABOASTED degree and another in the same subject, and an inspectorate (Her Majesty's Inspectors) that visited every institution under its aegis and published reports.<sup>5</sup>

As to the external examiners, it soon became clear that they were not, in fact, able to ensure comparability, not least because of the diverse nature of the institutions that the CNAABOASTED served, and the modular multi-subject qualifications for which they taught. As to the second, the inspectors were hardly academics of the first rank, and the esteem in which they were held was never high. We would, in fact, be fooling ourselves if we thought that CNAABOASTED degrees enjoyed, in practice, parity of esteem with those awarded by the traditional universities. They did not. The universities operated within a framework of academic autonomy. Other than in subjects that were professionally accredited – notably law, medicine and engineering – the academic standards that obtained in the universities were, literally, the property of each awarding university institution. And even in the subjects that were professionally accredited, the accrediting bodies were composed, for the most part, of peer academics. Over the totality of the subjects they taught, the universities were not subject to inspection, and were not inspected. And it is worth adding that even in respect of the subjects that were accredited – for professional-practice purposes – universities were free to teach them, and award degrees, regardless of the accreditation status.

This autonomy was totally lacking in the CNAABOASTED world (Alderman, 1996). The quality of the polytechnics was underwritten by an army of Her Majesty's Inspectors. Their standards were delineated and supervised by the CNAABOASTED. What we have seen in the sector in the 17 or so years since the "emancipation" of the polytechnics has been a classic case of "academic drift". The "new" universities – the former polytechnics, that is – have wanted to behave like the old. And, it has to be said, this academic drift has been materially assisted by successive governments, which have insisted on judging the new universities

by the yardsticks of the old – primarily in terms of blue-skies research – and in bestowing monetary rewards accordingly.

That is not to say that the inspectorial regime to which the polytechnics had been exposed was abandoned when the coveted title of university was bestowed upon them. Far from it. Between 1993 and 2001 a costly attempt was made to widen the inspection of teaching quality to which the polytechnics had been subject so as to embrace all universities, new and old. As Lord Dearing's report noted, this attempt was being comprehensively subverted by the academic community, which treated "Teaching Quality Assessment" (TQA, as it was known) as a merry game to be played and won.

At first TQA (in England) led to verdicts of Excellent, Satisfactory or Unsatisfactory for each department inspected; but in 1995 these literal gradings were replaced by numerical grades, from 1 ("not approved") to 4, in each of six "aspects of provision": so a maximum of 24 points could be scored for each inspection. Strictly speaking the grades were not supposed to be aggregated, but of course everyone did so. The government looked to these aggregate scores to judge departments against each other, and many Vice-Chancellors decreed that their university websites would announce points scored out of 24 almost as soon as the inspectors had given their oral verdicts at the end of each three-day inspection. For the compilers of the university league tables the scores were, of course, manna from heaven.

But we need to be clear that TQA was concerned only in the most tangential way with academic standards. Of the six aspects of provision only one – "Teaching, Learning and Assessment" was at all focused upon standards, and even here the emphasis was on pedagogy in the technical sense, procedural clarity and student feedback. TQA assessors were actually forbidden to question or challenge academic standards, or to "second-guess" the judgments of external examiners. As TQA results rolled in, they suggested a strong but hardly surprising link between an above-average resource base and "teaching excellence". Academics, meanwhile, devised cunning strategies for obtaining the best possible inspection outcomes. Departments preparing for inspection were put through dress rehearsals, at which external experts (often inspectors themselves operating on a freelance basis) offered advice and guidance. Staff, students, alumni and employers of alumni were coached as to what to tell the inspectors. A teaching inspection carried out by the QAA was not an inspection against a "gold standard". Rather, it was an inspection of the extent to which a department attained the aims and objectives that it set for itself. So departmental "Aims and Objectives" were meticulously drafted so that they only referred to goals that could be comfortably achieved.

High scores fell like confetti at a wedding (*Times Higher Education Supplement*, 1999). The proportion of departments obtaining an aggregate score of at least

22 points rose from around a third in the 1996-98 round of assessments to over two-thirds in 2000-01. “Old” universities could no longer look to TQA to differentiate them from the ex-polytechnics. And when high scores were so universal, how could TQA ever be used to inform government funding of the university sector, as had been originally envisaged?

Side-by-side with TQA the sector had itself operated a voluntary system of academic audits, initially under the auspices of the Committee of Vice-Chancellors and Principals but from 1992 run by the Higher Education Quality Council (HEQC), a legally independent body that was nonetheless wholly owned by the universities. But if TQA inspections were only tangentially concerned with academic standards, HEQC audits were not concerned with standards at all. Teams of auditors – senior academics – went from institution to institution inquiring whether the systems each institution claimed to have in place to assure quality and underpin standards really existed, and worked. Reports – originally confidential but later public – were compiled, incorporating praise and criticism. In broad terms, academic audit was and has been a success story, forcing academics to confront issues which most had hardly bothered to think about hitherto: Why were they doing what they were doing? How did they know they were doing it well? How could it be done better? Many issues which had lain buried under the ivory towers of academe were brought to the surface at last: the real criteria used for promotion, for example, and the right of students to complain about shoddy teaching, and to be taken seriously. As one Vice-Chancellor uncharitably put it, audit asked “the devil’s questions”. But he did not deny that such questions needed to be asked.

But academic auditors did not test quality and they did not pass judgements on standards. Academic audit was conceived as a means of deflecting Thatcherite intrusion into the academy. Margaret Thatcher demanded to know what the universities were doing with taxpayers’ money. Audit was designed to offer reassurance. In 1997 the HEQC was wound up, and its audit activities subsumed within a new Quality Assurance Agency (QAA). Four years later the costly farce that TQA had become was brought to an end. Since then, the QAA has employed academic (now called institutional) audit as its major tool for the discharge of its responsibility “to provide independent assessment of how higher education institutions in the UK maintain their academic standards and quality”. But, as its website emphasises, “The primary responsibility for academic standards and quality rests with individual institutions. QAA reviews and reports on how well they meet those responsibilities, and encourages continuous improvement in the management of the quality of higher education”.

When an institution undergoes QAA audit, its systems and structures are tested against the QAA’s “Academic Infrastructure”. This consists of four elements: two nationally-agreed frameworks for higher education qualifications

(one for Scotland and the other for the rest of the United Kingdom); a mammoth “Code of Practice”; a series of “Subject Benchmark Statements”; and the institution’s own “Programme Specifications”. The Code of Practice is concerned with quality, not standards. The Subject Benchmark Statements, drawn up by academics, are couched in terms of sweeping generalisations focused, in the most superficial way, on subject content. The frameworks for higher education qualifications are, again, superficial and shallow. Bachelors’ degrees “with honours” form the largest group of university qualifications offered in the United Kingdom. Here is part of what the framework says about them:

Bachelor’s degrees with honours are awarded to students who have demonstrated:

- a systematic understanding of key aspects of their field of study, including acquisition of coherent and detailed knowledge, at least some of which is at, or informed by, the forefront of defined aspects of a discipline;
- an ability to deploy accurately established techniques of analysis and enquiry within a discipline;
- conceptual understanding that enables the student:
  - ❖ to devise and sustain arguments, and/or to solve problems, using ideas and techniques, some of which are at the forefront of a discipline;
  - ❖ to describe and comment upon particular aspects of current research, or equivalent advanced scholarship, in the discipline;
- an appreciation of the uncertainty, ambiguity and limits of knowledge;
- the ability to manage their own learning, and to make use of scholarly reviews and primary sources (for example, refereed research articles and/or original materials appropriate to the discipline).

Holders of a bachelor’s degree with honours will have developed an understanding of a complex body of knowledge, some of it at the current boundaries of an academic discipline. Through this, the holder will have developed analytical techniques and problem-solving skills that can be applied in many types of employment. The holder of such a qualification will be able to evaluate evidence, arguments and assumptions, to reach sound judgements, and to communicate them effectively (Quality Assurance Agency, 2008).

None of this is concerned with academic standards at all.

The final elements in the Academic Infrastructure are the so-called Programme Specifications. A programme specification is merely (in the words of the QAA) “a concise description of the intended learning outcomes from a higher education programme, and how these outcomes can be achieved and demonstrated”. But who will decide whether a particular student has in fact achieved her or his relevant programme outcomes? Certainly not the QAA.

Periodically throughout the history I have described, there have been calls for a national agency that would define and enforce academic standards throughout the entire United Kingdom. Such proposals have been fiercely resisted by the academy, and successive governments have gone out of their way to disabuse the sector of any suspicion that such calls might be positively answered. For instance, in 1994 and again in 1995 the then Secretary of State for Education, Gillian Shephard, emphasised that standards were the responsibility of individual institutions. In July 1995, in its proposals on the development and refinement of quality-assurance in the sector (*Developing Quality Assurance in Partnership with the Institutions of Higher Education*), the CVCP reminded the government that “Standards are in law solely the responsibility of the institutions individually”. This is indeed the constitutional position, but it is widely misunderstood. In his evidence to the Commons’ Select Committee on 11 May 2009, Secretary of State John Denham made the following astonishing mis-statement of fact: “I think it is right that the universities hold the responsibility for the processes by which they establish quality and standards and QAA checks whether they are good enough.”

The QAA – as currently constituted – does and can do no such thing. But should it be reconfigured so that it did?

If the deliberations of the Select Committee have achieved nothing else, they have certainly made it abundantly apparent, to the public at large, that each UK university sets its own standards. This freedom is clearly open to abuse, and if the evidence given to the Committee is to be believed, has indeed been widely abused. Following my own appearance before the Committee (9 March 2009), I was asked to submit a supplementary paper to answer a question that had exercised Committee members: what if anything would prevent a university from designing and launching a Bachelor of Science degree in Astrology? The answer is – of course – nothing whatever. As I pointed out, universities in the United Kingdom are free to launch and assess degree programmes in whatever subjects they please, no matter how controversial, sensational or inappropriate; and neither the QAA nor any other body “has authority to prohibit a university from launching a particular programme of study”. I added:

In the USA universities must seek the specific approval of their regional accrediting commissions for each degree programme that they wish to run, and for which they wish their students to be eligible for Federal financial aid. An accrediting commission could tell a university that Astrology was not a suitable subject for the award of a BSc degree, and that approval of it, therefore, would not be forthcoming. There is – currently – no body with a similar authority in the UK.

In the United Kingdom both the definition and the measurement of academic standards are in the hands of the academy. Members of faculty decide what body of work is adequate for the award of a particular degree, what skills and competencies must be demonstrated, and at what level and to what intensity, in order for the degree to be conferred. This is obviously a highly subjective process, even in scientific disciplines. And the process, by its very nature, makes it exceedingly difficult – I would say impossible – to compare qualifications across even a small range of institutions. Such a state of affairs is unsatisfactory at best. At worst, as the United Kingdom moves more closely towards a market economy in higher education, such a system is simply not fit for purpose.

## Epilogue

On 2 August 2009 the inquiry inaugurated by the House of Commons the previous year published its final report (UK House of Commons, 2009b). Amongst its many observations and recommendations are the following:

- “The system in England for safeguarding consistent national standards in higher education institutions is out-of-date, inadequate and in urgent need of replacement. The current arrangements with each university responsible for its own standards are no longer meeting the needs of a mass system of higher education in the 21st century with two million students. ... it is not acceptable ... that Vice-Chancellors cannot give a straightforward answer to the simple question of whether students obtaining first class honours degrees at different universities had attained the same intellectual standards” [page 5, Summary].
- “The body that currently ‘assures quality’, the Quality Assurance Agency for Higher Education (QAA), focuses almost exclusively on processes, not standards. This needs to change. We call for the QAA to be transformed into an independent Quality and Standards Agency with a remit, statutory if necessary, to safeguard, monitor and report on standards” [page 5, Summary].
- “We are looking to see a fundamental change in the operation of the QAA and that, if this cannot be achieved within two years, the QAA/Quality and Standards Agency should be abolished and an entirely new organisation be established in its place” [page 97, paragraph 220].
- “All higher education institutions in England [should] have their accreditation to award degrees reviewed no less often than every 10 years by the reformed QAA. Where the Agency concludes that all or some of an institution’s powers should be withdrawn, we recommend that the Government draw up and put in place arrangements which would allow accreditation to award degrees to be withdrawn or curtailed by the Agency” [page 101, paragraph 229].

In the short time that has elapsed since the publication of the Select Committee's report, two broad defences of the *status quo* have been launched. The first, typified by reaction of the body that represents British university Vice-Chancellors, Universities UK (UUK), seeks to deny that there is – or ever was – a “standards” problem that needed to be addressed. In a press statement issued on 2 August 2009; UUK condemned the Select Committee's proposals as “a sledgehammer to crack a nut”. The second response is altogether more refined and measured. Far from denying that standards are lower in some UK university institutions than others, this response admits at once that they are, but celebrates this fact as a matter for congratulation, and as an inevitable consequence of the move from an elite to a mass higher education system in the United Kingdom. “Undergraduate education has changed”, writes Professor Robert Brecher of the University of Brighton (a former polytechnic), “let's accept it and move on”.

With far more students, much larger classes, most students being in effect part-timers everything changes. Where once most students could do pretty well with minimal teaching – only the brightest figured, and the rest could be given a third [i.e. a third-class honours degree] provided they just showed up to the exams – most of today's students need to be taught, and to be taught well. Where students who may not really have needed one-to-one tutorials and genuine seminars had them, today the situation is exactly the reverse: most students need that sort of teaching but can't have it. Where once both academics and students had time to talk, think and read all day, five days a week, if not more, now they do not. In these circumstances, the absolute level of intellectual attainment marked by a BA or BSc is bound to be lower compared with 40 years ago. (*Times Higher Education*, 2009)

The fact remains, however, that the recommendations of the Select Committee enjoy cross-party support in Parliament. They will, therefore, form the core text for the national debate to which the Committee's report has now given rise.

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## Notes

1. The full terms of reference are at [www.parliament.uk/parliamentary\\_committees/ius/ius\\_301008.cfm](http://www.parliament.uk/parliamentary_committees/ius/ius_301008.cfm).
2. The Select Committee's report contains an entire chapter devoted to the attempt by Manchester Metropolitan University to expel from its Academic Board a teacher who had given evidence which was not to its liking.
3. The QAA's full, internal report into this incident at Kingston has however been published independently at [www.sirpeterscott.com](http://www.sirpeterscott.com) (search under "Quality Assurance Agency").
4. On the work and impact of the CNA, see Pratt (1997).
5. These themes are explored in Brown (2004), Harris (1990) and Piper (1994).

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# **Supra-national Accreditation, Trust and Institutional Autonomy: Contrasting Developments of Accreditation in Europe and the United States**

by

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*There have been calls to increase the autonomy of higher education in Europe for a number of years. They have been counterbalanced by demands for increasing accountability and a European quality assurance system.*

*In London in 2007, the European ministers decided to implement a European register of accredited quality agencies, and defined standards for registration. Being part of the register requires “substantial compliance with all standards” instead of “full-compliance”. This might take into consideration the context of the national higher education system, the role of the agency in the quality assurance system, and even the national culture and traditions, allowing for different interpretations, some imprecision, and diverse degrees of flexibility and compliance.*

*Indications from the United States suggest an emerging desire at the federal level to play a more visible role in regulating higher education through intervention in the accreditation system to ensure increased institutional accountability. This may have a parallel in the European situation.*

*While in the United States the attempts at increased federal control have so far apparently failed, in Europe quality systems linked to higher education institutions were replaced with “independent” accrediting agencies. We analyse these changes and offer a possible interpretation for the differences on the two sides of the Atlantic.*

## **Accréditation supranationale, confiance et autonomie des établissements : contrastes du développement de l'accréditation entre l'Europe et les États-Unis**

*par*

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À l'échelon européen, certains soulignent depuis plusieurs années la nécessité de conférer une autonomie accrue aux établissements d'enseignement supérieur, alors même que d'autres exigent que ces derniers rendent davantage de comptes concernant leurs activités et leurs performances.

À Londres en 2007, les ministres européens ont décidé la mise en place d'un registre européen où figureront les agences accréditées et où seront définies les normes auxquelles ces agences devront se plier pour être autorisées à y figurer. Les conditions à respecter pour pouvoir être inscrit au registre européen sont ainsi passées d'une « conformité totale à l'ensemble des normes » à une « large conformité ». L'interprétation de ces normes pourrait s'effectuer en tenant compte des spécificités propres à chaque système d'enseignement supérieur national, au rôle de chaque agence au sein du système d'assurance qualité, voire de la culture et des traditions nationales, laissant la voie ouverte à des divergences d'interprétation, à une certaine marge d'imprécision et à divers degrés de flexibilité et de conformité.

Des indications provenant des États-Unis suggèrent l'émergence d'un souhait, au niveau fédéral, de jouer un rôle plus visible dans la régulation de l'enseignement supérieur, via l'intervention du système d'accréditation pour assurer un développement de la responsabilité institutionnelle. Cette tendance incite naturellement à établir un parallèle avec la situation observée en Europe.

Tandis qu'aux États-Unis, les tentatives visant à renforcer le contrôle par les autorités fédérales semblent avoir échoué, en Europe, les systèmes de qualité liés aux établissements d'enseignement supérieur ont été remplacés par des agences d'accréditation « indépendantes ». Dans ce rapport, les auteurs proposent une analyse de ces changements et suggèrent une interprétation possible des différences existant des deux côtés de l'Atlantique.

## Introduction

In Europe, we observe the emergence of a supra-national policy level following the implementation of the Bologna Process. Other factors have contributed to this development, such as the Lisbon strategy and the “creeping competence” of the European Commission (Amaral and Neave, forthcoming).

Quality assurance has been on the agenda of Bologna since its beginning, and it has evolved from a mere recommendation that quality agencies of nation-states should co-operate to develop comparable criteria and methodologies to the establishment of a European system and a register of accredited agencies. To be in the register, agencies need to be independent from higher education institutions, which would exclude the US regional accrediting agencies.

Meanwhile, in the United States there were failed attempts to promote the role of the federal state in the higher education accrediting system, which has been criticised for not promoting institutional quality and accountability.

In this paper, we compare the developments in Europe and the United States to understand to what extent they are converging and to analyse the reasons for their different behaviour.

## European developments

### *National quality assurance systems*

In Europe, the development of quality assurance activities started much later than in the United States. The emergence of the “Evaluative State” (Neave, 1988, p. 7) was observed in late 1980s, with increasing public relevance given to quality. A number of factors contributed to this emergence, such as the massification of higher education, creating very heterogeneous systems (Trow, 1996), the increasing role of the private sector in replacing the state as the main employer of graduates (Neave, 1996) and the increasing use of markets as instruments of public policy (Dill et al., 2004). Instead of equality of provision to ensure a fair competition of graduates for public positions, institutions had to adapt to a more heterogeneous and less regulated private labour market while market regulation made a higher degree of autonomy to adjust to market competition an urgent concern.

Higher education systems became more complex and were forced to become more flexible and adjustable to change, which was incompatible with centralised systems of detailed oversight and control. The rise of the Evaluative State corresponded to an “alternative to regulation by bureaucratic fiat” (Neave, 1988, p. 11), by looking for more flexible, less heavy and faster guidance mechanisms that would allow for increased capacity for institutional adaptation to change and shorter “administrative time” (Neave, 1998, p. 273). Instead of the traditional *a priori* authorisation, the state awarded institutions more autonomy while creating *a posteriori* control mechanisms via quality assessment.

The development of quality assurance in Europe was fast. Schwarz and Westerheijden (2004) report that in the early 1990s less than 50% of the European countries had initiated quality assessment activities at supra-institutional level, while in 2003 all countries except Greece had entered into some form of supra-institutional assessment.

European quality assurance systems share important procedural elements – internal self-evaluation, a visit by an external expert review panel, external evaluation and public reporting (Thune, 2002). However, there are important differences in political discourses (Neave, 1998, 2004) that range from a mainly European and political discourse, with universities assumed as a public service (e.g. France and Sweden) to a mainly economic discourse, market-based and inspired in the United States (e.g. the Netherlands and the United Kingdom) with the role of the state seen as excessive (Neave, 2004). There are also differences in the ownership of the system and in the consequences of quality assessment – with or without direct influence on funding.

There were even cases where a high level of trust between government and institutions allowed for the ownership of the quality agencies to be entrusted to organisations linked to the universities (the *Vlaamse Interuniversitaire Raad* in Flanders, the *Vereniging van Universiteiten* in the Netherlands and the *Fundação das Universidades Portuguesas* in Portugal). These agencies were similar to the US accrediting organisations in that they also had a guild character.

### **Loss of trust, new public management and changes in evaluation systems**

Recent literature shows a decline of trust in public institutions in general, and in higher education institutions in particular, as well as in professionals. Academics have been facing a gradual proletarianisation of their professional status – an erosion of their relative class and status advantages (Halsey, 1992), and the academy no longer enjoys the prestige on which higher education can build a successful claim to political autonomy (Scott, 1989).

One of the causes for loss of trust has been the emergence of New Public Management and related concepts, such as new managerialism and

reinventing government (Osborne and Gaebler, 1992), which dominated public sector reform over the last decades. New public management aims at replacing slow, inefficient decision-making processes of academic collegiality with fast, aggressive and efficient management processes imported from the private sector (Ball, 1998). Under new public management, students became customers or clients, and systems quality assurance and accountability measures were set up to ensure that academic provision meets client needs and expectations.

The attack on public services has destroyed the trust of society in institutions, which increased demands for more accountability while new micromanagement mechanisms were put in place that contributed to the proletarianisation of the academia, progressively pushed from a position of professionals into that of employees, the new professionals being the managers, academic or not.

Another factor decreasing trust was massification of higher education, which created a large heterogeneity of the quality of both students and professors, and the emergence of new institutional forms, much different from the elite university (Trow, 1996).

All this resulted in declining trust in the higher education systems, their institutions and their professionals. The loss of trust had obvious consequences for quality assurance. A comparison of state approval *versus* accreditation schemes, in the years 1998 and 2003, reveals an overwhelming movement from state approval towards accreditation schemes (Schwarz and Westerheijden, 2004). All recently implemented quality systems were based on accreditation rather than on quality assessment (*e.g.* Austria, Germany and Norway). This might reflect an increased lack of trust in higher education institutions to satisfy the government and society about their capacity to ensure adequate standards of quality.

In the Netherlands, a meta-evaluation system run by the Inspectorate for Higher Education was supposed to ensure that assessment procedures were properly run. In Portugal, a commission was set up to co-ordinate the quality assessment process and to issue recommendations for rationalisation and improvement of the higher education system, *i.e.* to meta-evaluate the system. However, this has not been sufficient to protect quality assurance agencies. In Flanders "... policy makers, employers and journalists questioned the vagueness of the visitation reports and the lack of a clear overall conclusion" (Van Damme, 2004, p. 144) and in Portugal "... the Minister has publicly complained ... that the conclusions of the reports of quality evaluation agencies were quite obscure..." (Amaral and Rosa, 2004, pp. 415-416). These three national quality assurance agencies were extinguished by government and replaced with "independent" accrediting agencies (Amaral, 2007).

### **Supra-national developments**

The early 1990s saw a development of quality assessment initiatives at the level of the European Union (EU). Under the Dutch presidency, the ministers of education and the Council initiated steps to create a European quality assessment system. The conclusions of the 25 November 1991 meeting of the ministers of education with the Council proposed that “arrangements for quality assessment in higher education on a national level could be examined at Community level, with a view to reinforcing national quality assessment systems...” (Council of the European Union, 1991).

The ministers and the Council further proposed that the Commission should take steps to strengthen the evaluation of higher education in Europe, including a comparative study of the evaluation methods used in member states, the development of a limited number of co-operative pilot projects in this area and the creation of mechanisms for strengthening European co-operation, taking into account the concrete evaluation experience that had already been established. The comparative study was published in October 1993 and a European pilot project on quality evaluation was carried out in 1995, including 17 countries and 46 institutions.

On 24 September 1998, the Council agreed to recommend that member states establish transparent quality evaluation systems and that the Commission promote co-operation amongst the authorities responsible for quality in higher education and promote networking (Council of the European Union, 1998). This resulted in the establishment of the European Association for Quality Assurance in Higher Education (ENQA).

The Bologna Declaration (1999) has contributed to encourage European co-operation in quality assurance of higher education with a view to developing comparable criteria and methodologies. Schwartz and Westerheijden (2004, p. 36) refer to the Bologna Process as an important “driver for change with regard to quality in steering mechanisms”. The EU discourse supporting a European system of quality assurance is mainly economic and market-based, a neo-liberal model that occasionally becomes visible in European policies that emphasise the importance of the systems’ efficiency.

Although none of the successive communiqués from the biannual meetings of the European ministers of education (Prague, Berlin, Bergen, London) has given primacy to accreditation, the fact is that accreditation has been pushed forward against the opposition of a large number of European universities, as documented by Amaral and Magalhães (2004). In 2004, the Commission presented a proposal for a recommendation of the Council and the European Parliament as follows: “Institutions must set up rigorous internal quality management and develop an accreditation strategy”. The Commission suggested the implementation of multiple quality assurance and accreditation

agencies, public and private, national and international, and a European Register of accredited agencies. Higher education institutions should be allowed by their governments to choose any agency listed in the European Register. This is consistent with a stratified European Area of Higher Education, as some agencies will address excellence at an international level, others will be more appropriate to regional or local institutions, some will accredit research universities, while others will specialise in teaching-only institutions.

The efforts of the Commission in the area of accreditation may be interpreted as aiming at making visible an array of European higher education institutions with different missions and quality, emphasising the importance of efficiency and mimicking the US higher education model.

The European ministers of education adopted in 2005 the Standards and Guidelines for Quality Assurance in the European Higher Education Area (ESG), drafted by ENQA (2005), in co-operation and consultation with its member agencies and the other members of the “E4 Group” – ENQA, European University Association, European Association of Institutions in Higher Education and European Students’ Union.

The European ministers of education established the European Quality Assurance Register for Higher Education based on a proposal drafted by the E4 (ENQA, 2007): “The register will be voluntary, self-financing, independent and transparent. Applications for inclusion on the register should be evaluated on the basis of substantial compliance with the ESG, evidenced through an independent review process endorsed by national authorities, where this endorsement is required by those authorities” (European Ministers of Education, 2007).

The Register was set up on 4 March 2008 as the first legal entity to emerge from the Bologna Process. The register provides information on quality assurance agencies that are in substantial compliance with this common European framework. One of the criteria set in the European Standards and Guidelines for accredited agencies is their independence “to the extent both that they have autonomous responsibility for their operations and that the conclusions and recommendations made in their reports cannot be influenced by third parties such as higher education institutions, ministries or other stakeholders” (ENQA, 2005, p. 24). This would exclude the former quality agencies in Flanders, the Netherlands and Portugal as recognised in the ENQA’s review report of the Portuguese Quality Assurance system (ENQA, 2006), as well as the US Regional Accrediting Agencies.

## **The case of the United States**

In the United States, there has been a long tradition of accreditation by private, non-profit organisations, the first agency, the New England Association of Schools and Colleges, having been established in 1885. These

organisations are voluntary, non-governmental membership associations of higher education institutions.

This system of self-governance and self-regulation by institutions and accrediting organisations, with quality being assured without government intervention, was regulated in the 1965 Higher Education Act and its features have remained without much change until today (Eaton, 2007). This arrangement is known as the triad, based on the principle of distinct and mutually exclusive roles of its components.

States were responsible for establishing requirements for and granting institutional licensure. Accreditation agencies were responsible for making judgments about institutional quality. And the federal government was responsible for allocating and ensuring that federal funds for student aid were used for their intended purpose (Rainwater, 2006, p. 108).

On the whole, the states are the weakest leg of the triad, since they limit themselves to licensing (state) institutions; nevertheless, they have gradually increased their oversight of for-profit schools (vocational and technical schools).

The Higher Education Act goes through a reauthorisation process every five years. This has created the opportunity for strong criticism of the accreditation system, which was seen as not responding to demands for increasing accountability, as "... the symbolism of assessment increasingly has moved from instructional improvement to institutional accountability" (Ewell, 1987).

Several authors have questioned the effectiveness of the system and its independence. McGhee (2007) stated that almost 40 years ago "J.J. Collins found a significant 'accountability gap' existed between the rhetoric that touted the 'benefits of accreditation', and how these supposed 'benefits' or claims for accreditation were actually perceived in the field". William Trout (1979), after analysing publications of the six regional accrediting associations, could not find evidence that the criteria used would assure institutional quality.

There were also critical views of the self-evaluation process, described as "ritualistic chores" by Doerr (1983), as "burdensome, descriptive, mechanical efforts, largely unrelated both to the real problems and to the major successes and opportunities of the institution or program in question" by Kells (1988), or as "not very analytical; they describe but they do little to evaluate, compare or judge a program" by El-Khawas (1993).

David Dill (1996) questions the adequacy of current processes and standards of US academic accreditation, and refers to the failure of voluntary accreditation in improving the inadequacy of collegial mechanisms of educational quality assurance, while for Martin Trow:

... accreditation has been irrelevant to the improvement of higher education; in some cases it has acted more to shield institutions from effective monitoring of their own educational performance than to provide it; in still

other cases it distinctly hampers the efforts of institutions to improve themselves. It encourages institutions to report their strengths rather than their weaknesses, their successes rather than their failures – and even to conceal their weaknesses and failures from view. (Trow, 1996, p. 316)

A major difficulty of the system is its “accommodationalist” approach to accreditation (El-Khawas, 1993). Accreditation is based on a fitness for purpose approach, related to each institution’s declared mission, which precludes the use of common standards. This aims to protect diversity and to “accommodate” a wide range of institutional differences within the same regional agency.

### **Attacks on the accreditation system – Part I: The 1992 reauthorisation**

The accreditation system had been under strong fire at the time of the 1992 reauthorisation of the Higher Education Act, following reports of fraud and abuse in federal student aid programmes and a large number of institutions with high default rates. As only students enrolled in accredited institutions are entitled to federal student support, the regional accrediting agencies are the gatekeepers to federal funds by ensuring that students have a good opportunity to complete their studies. In the words of Steven Crow (2004), “accreditation decisions on institutions have been accepted by the federal government as sufficient evidence of educational quality to warrant disbursement of federal student financial aid and other federal grants to those institutions”.

With accrediting agencies seen as having failed in their gate-keeping role, the 1992 reauthorisation established stronger federal control over the accreditation process. Congress authorised the establishment of State Postsecondary Review Entities (SPRE) to deal with institutions with high default rates, reinforcing the state and the federal components of the triad. Plans and standards defined by the states had to be submitted to the Department of Education (DEO) for review and approval, and the DEO was to require that all accrediting agencies assess a number of specific criteria in their reviews, including default rates in student loan programmes and curricula, admission practices, and student success (Rainwater, 2006, p. 110). The new legislation for the first time disturbed the triad’s equilibrium by allowing for federal interference in postsecondary education and led to an overlap that “violated the long-standing principle that roles should be distinct and mutually exclusive” (*ibid.*).

The new legislation was met with strong opposition from a number of constituencies. Many states felt that SPREs were a federal interference impinging on their roles of co-ordinating, planning and policy setting (Morril and Adamson [1997], referred by Rainwater [2006, p. 113]). Some people were critical of the accreditation system, such as Kay McClenney (1995) who stated “... people from the outside have always perceived accreditation as being a

closed circle of good old boys winking and nodding – a mutual back-scratching society”. However, the academic community was in general against the provisions of the law. The independent sector was against the SPREs, as they extended the intervention of the federal level to curricula, faculty and tuition (Warren 1993). The proprietary sector, initially in favour, soon became concerned that it “could be faced with more stricter standards than the other sectors” (Rainwater, 2006, p. 114). However, the SPREs were killed off primarily by the accrediting agencies that viewed this as an affront and an attack on their monopolies, but even more so by the outcry of the institutions themselves. As McGee recognises, “the institutions and the accrediting guilds they support yield [sic wield?] massive political clout, and will be able to fend off threats such as this almost effortlessly” (Rainwater, 2006, p. 112).

The SPREs were abolished after only two years of implementation work, and those opposing them had strong political support when the Republicans assumed a dominant position in the House of Representatives after the elections. Newt Gingrich, leader of the Republicans in the House, introduced the “Contract with America” promising to reduce government regulation and this included the SPRE. “In March 1995, Congress withdrew funding and ended implementation, thereby eliminating SPRE.”

The problem of standards has also been a matter of debate as “accrediting associations suggest that imposing any common measure of institutional quality would destroy institutional diversity” (Troutt, 1979, p. 202). However, the Secretary of Education backed away from 34 CFR 602 (12 actual standards of HEA 1992), leaving only “minimalist” (i.e. process-based) accrediting agency standards (see Federal Register, 1992). This left institutions with responsibility for establishing and policing their own standards – which is still the case today.

The higher education community imputed blame both to the Council on Postsecondary Accreditation (COPA), responsible for recognising and co-ordinating accrediting activities, and to the proprietary sector responsible for most defaults. COPA was considered unable to present a credible version of accreditation to Congress and was dissolved in 1993 (Gliden, 1996). Heads of major college associations and leaders of the accrediting agencies formed the National Policy Board on Higher Education Institutional Accreditation (NPB), to examine how accreditation could be improved to re-establish its credibility and avoid governmental control. The NPB proposed reforms to make accreditation a more uniform process with a predominantly public involvement, including rigorous standards for the assessment of quality to be used consistently throughout the system, a reinforced attention paid to measuring students’ achievements and public disclosure of relevant information on the effectiveness of affiliated institutions and certified accrediting agencies (Dill, 1996).

These proposals were received with strong opposition by the academic community and were abandoned in 1995. The proposals were defeated because they raised fears about a loss of autonomy. Robert H. Atwell (1995), president of the American Council on Education and a supporter of the proposals claimed, “People saw this thing as national, Washington, bad”, and Peter Wood (1995), associate provost at Boston University, explained “The substance of the proposals was to create another Washington-based agency that would have far-reaching powers over the institutions of this country”.

A more moderate proposal has finally been endorsed in a national referendum of college presidents; a new national board, the Council for Higher Education Accreditation, replaced the former COPA in the task of recognising and co-ordinating accrediting agencies. Instead of a set of rigorous common standards to be used by all regional accreditors, the new board merely required they adopt the same “threshold” standards.

Five years later, when a new reauthorisation of the Higher Education Act was due, the number of fraud and abuse cases had dropped significantly, which reduced federal pressure over the accrediting associations. “The 1998 reauthorization of the Higher Education Act reversed some of the 1992 requirements, thereby returning some control and administrative discretion to the accrediting associations” (Education Encyclopaedia, 2008). All the actors of the US higher education system were then tired of the intense debates and assumed these lukewarm measures would be sufficient to protect institutional autonomy from more federal and state interference.

### ***Attacks on the accreditation system – Part II: The 2007 reauthorisation***

Stephen Weiner, head of the college commission of the Western Association of Schools and Colleges, had an accurate vision of what was waiting in the future: “A lot of college and university presidents believe, with the election of the Republican Congress that the threat of federal intrusion into higher education is over. I think that is a very superficial reading of history” (Weiner, 1995).

As Weiner had prophesised, the present reauthorisation of the Higher Education Act reopened the debate on accreditation. In September 2005, Margaret Spellings, US Secretary of Education, established a Commission on the Future of Higher Education. The Commission’s final report is again critical of the accreditation system considered to have significant shortcomings: has inadequate transparency and accountability for measuring institutional performance; offers no comprehensive strategy to provide either adequate internal accountability systems or effective public information; can impede innovation (Commission on the Future of Higher Education, 2006, pp. 14-16). The Commission further recommended transformation of the system; accreditation

decisions should be more based on evidence of student achievement and institutional performance, the final reports should be made public, and comparisons of institutions or groups of institutions should be made available.

The DEO has reacted at different levels. It used the National Advisory Committee on Institutional Quality and Integrity (NACIQI), a body established in the law to advise the Secretary of State on which accrediting associations should be recognised at federal level. NACIQI pressured the accrediting associations to make public all information gathered in the reviews, eliminating the confidentiality discretion area allowing for details of the reviews to be withheld to avoid adversarial relationships and, thus, to protect data acquisition. NACIQI also demanded that accreditors submit to its approval a set of minimum standards for student achievement to be applied to all institutions, thus replacing the traditional “fitness for purpose” methodology based on each institution’s mission.

The DOE initiated a process known as “negotiated rulemaking” that “convenes individuals from the department and the higher education community to address changes that the government would like to see in current regulations” (Eaton, 2007, p. 20):

The department proposed rule changes that would position accreditors to replace quality indicators developed by colleges and universities with ones developed by accreditors and, most important, subject to federal control through NACIQI. (*ibid.*)

[...]

If successful, this effort will fundamentally undermine key features of higher education, especially its long history of self-governance and self-regulation. (Eaton, 2007, p. 23)

However, the lobbying capacity of higher education institutions and accrediting agencies seems apparently to have once more won the fight. In the reauthorisation process, the Congress introduced amendments that limit the powers of federal administration. On 6 February 2008, the White House released a statement criticising the College Opportunity and Affordability Act of 2007 (H.R. 4137, House of Representatives) “because it would restrict the Department of Education’s authority to regulate on accreditation... In particular, the Administration strongly opposes provisions that prohibit the Department of Education from promulgating regulations affecting postsecondary accreditation” (White House, 2008).

The State Secretary of Education, Margaret Spellings, was more acid in her comments claiming that Congress had dug a moat around the “ivory tower”.

“In a blatant infringement of executive branch authority, Congress is proposing to strip the US Department of Education of its authority to issue

regulations holding accrediting agencies accountable for ensuring the quality of programs and instruction at higher education institutions...” (Spellings, 2008).

Glen McGhee (2006, p. 8), recognises “... federal agencies often find numerous ways to get around congressional mandates if they want to. The propensity for ‘agency capture’ by powerful special interest groups is the main reason behind congressional oversight committees as well as a growing judicial presence in negotiated regulatory schemes”. It is possible there will be an ongoing fight in the future, as “the federal government will continue to place greater emphasis on evidence of student learning and institutional performance, improved information for the public, comparability among institutions, and learning standards” (Eaton, 2007, p. 23).

## Analysis and conclusions

In the United States there is a long tradition of distinct and mutually exclusive roles of the federal government, states and accrediting associations, which are private membership associations of higher education institutions. This is presented as an independent system of self-evaluation and peer review without government intervention and is the basis of self-governance and self-regulation by institutions and accrediting organisations. This system has been under fire as there are increasing demands for public accountability and a shift from quality improvement to accountability. As stated by McGhee (2006, p. 6), “now the shift is away from self-regulation, which tends toward the interests of the member institutions and not those of the public, and this shift may simply indicate that a new approach to quality assurance in higher education is needed”.

The system has been the target of fierce criticism, including its behaviour as a network of institutional guilds (not very different from the medieval guilds) protecting the privileged market positions of their members (McGhee, 2006), considered irrelevant to the improvement of higher education (Trow, 1996), seen as failing to improve the inadequacy of collegial mechanisms of educational quality assurance (Dill, 1996), thought to be a mutual back-scratching society (McClenney, 1995), offering inadequate transparency and accountability, and impeding innovation (Commission on the Future of Higher Education, 2006), etc.

Several attempts were made to change this situation by shifting the balance of power of the triad in favour of the federal level. So far all of them have failed, although it is difficult to clearly ascertain the causes due to the extreme complexity of the network of interests, influences and cultures. Some refer to “agency capture” by powerful special interest groups (McGhee, 2006), others point to states disliking increased federal control of their traditional roles of co-ordinating, planning and policy (Rainwater, 2006), still others

consider that an eventual federal movement to take on the accrediting role would not survive institutional, state and constitutional challenges (Education Encyclopaedia, 2008).

However, these periodic attacks on the accreditation system also had a positive effect by forcing higher education institutions and accrediting agencies to improve their operations in order to meet the challenges and ensure the public support that is the basis of their capacity to avoid increased government interference. As stated by Judith Eaton (2007, p. 22), “A great deal has been done by institutions and accreditors in recent years that is innovative, far-sighted, creative, and effective in responding to the call for enhanced accountability. These efforts, while various, share important features: They are voluntary, emphasize institutional mission as the basis for determining quality, engage faculty, and preserve institutional responsibility for academic quality”.

The value of the contribution of higher education institutions and the voluntary accreditation system has been recognised by influential politicians. In her testimony to the Senate on the debate of the recent reauthorisation act, Judith Eaton emphasised the statements of Senator XXX Alexander that “the autonomy and independence of the higher education system is a precious asset” and of Senator Clinton that “higher education and its quality assurance serves our country well and should not be upended” (Eaton, 2004, p. 4).

In Europe, the situation is quite different, even if some European policies apparently aim at emulating the United States. The European Union is very far from a federation of states, each nation-state still keeps strong power despite the creeping competence of the Commission, and the level of European funding of higher education is not comparable with the level of US federal funding. However, there is a democratic deficit in Eurolandia, with increasing separation between Brussels and the European citizens. The decision to ratify the Lisbon treaty (a failed European Constitution in disguise) by parliamentary vote to avoid consultation of national citizens through a referendum is a telling example of such deficit.

Despite the opposition of many university leaders, the EU steamroller advanced towards a system where accrediting agencies similar to those in the United States would not be recognised as *bona fide* institutions. The quality agencies that had some relation with universities (such as the cases of Flanders, the Netherlands and Portugal) did not resist the shift in the emphasis of quality assurance from improvement to accountability and were dismissed under public accusations of lack of efficiency and irrelevance, being replaced by “independent” accrediting agencies complying with the European standards and guidelines.

Not being a seer makes it impossible to guess what will be the future. In the United States, the Education Encyclopaedia (2008, p. 4) suggests that “the federal government will continue to use the associations as part of the triad but will continue to try to intervene in the accreditation process to ensure that federal interests are protected”.

In Europe, the emphasis has shifted from the social and cultural towards the economic function of the university. The new knowledge society might offer a fresh opportunity to universities, by assuming knowledge and innovation as an indispensable ingredient for economic competitiveness and social progress. But to seize this opportunity, the academia needs to draw a new contract with society, and academics need to put forward a new case in favour of higher education.

The recent rhetoric of the Commission favouring an increased autonomy of European universities should be met with caution. The recent OECD Thematic Review of Tertiary Education (2008) recommends strengthening the ability of institutions to align with the national tertiary education strategy and reconciling academic freedom with institutions’ contribution to society. Unfortunately, despite the new rhetoric of increased autonomy, these recommendations remind us of the words of Mahony (1994, p. 125): “The ‘new’ autonomy is then a paradox: it is the autonomy to be free to conform.”

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## **Four Basic Dilemmas in University Governance Reform**

*by*

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*Since the mid 1980s, modernising university governance has been a constant item on the political agenda of most countries, often followed by reforms attempting to change how universities are managed and led. However, when considering the effects of the many initiatives taken, a rather complex picture appears with respect to the scope and depths of the changes occurring. This article identifies four basic dilemmas, and shows how they are manifested in a number of countries where such reforms have been implemented. In the conclusion, it is argued how the four dilemmas can shed more light on the complexities associated with university governance reform.*

## **Quatre dilemmes fondamentaux dans la réforme de la gouvernance universitaire**

*par*

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*Depuis le milieu des années 1980 et dans la plupart des pays, la question de la modernisation de la gouvernance universitaire n'a jamais quitté l'agenda politique et a souvent été suivie de réformes visant à changer la méthode de gestion et de direction des universités. Toutefois, l'analyse des nombreuses initiatives menées depuis laisse apparaître une image assez complexe de la portée et de la profondeur des changements qu'elles ont occasionnés. Cet article identifie quatre dilemmes fondamentaux, et illustre dans quelle mesure ceux-ci émergent dans un certain nombre de pays où de telles réformes ont été mises en place. En conclusion, l'article indique que les quatre dilemmes peuvent offrir un éclairage sur les complexités liées à la réforme de la gouvernance universitaire.*

## Introduction

While over the last 25 to 30 years many far-reaching changes have been introduced in the governance of higher education systems and institutions (Amaral, Jones and Karseth, 2002; Kezar and Eckel, 2004; Shattock, 2006), this has not led to a common overall understanding or agreement on the most effective mode of university governance (Eurydice, 2000). It seems as if governance change has become a permanent feature of higher education worldwide. This includes at the system level a growing belief in the benefits of the marketplace in higher education governance, leading to a growing reliance on competition in the distribution of public funds for teaching and research. At the institutional level the role and position of formally appointed or elected leaders, managers and administrators have been strengthened and professionalised at the cost of the general involvement of the academic staff in institutional governance matters (Taylor, 2006; Santiago *et al.*, 2008).

This call for governance reforms, however, is a relatively new phenomenon. Until the 1980s, institutional leadership, management and administration were seen by many inside and outside the institution as a “necessary evil” (see, for example, Clark, 1983), since then it has become in many respects a self-justified activity (Maassen, 2003, pp. 45-47). National and in the European case supranational white papers and other policy documents have contributed in many respects to this development by clearly setting the mark: universities are expected to be more responsive, more effective and more efficient. It is argued that a more direct and dynamic interaction between universities and their environments is necessary, and an important condition for this to be realised is the professionalisation of institutional management and governance structures (Clark, 1998; Olsen and Maassen, 2007).

However, empirical studies on the effects of the changes in university governance reveal rather ambiguous results of reform initiatives. In many countries, it is difficult to conclude that universities are more effective and efficient. New decision-making structures do not always lead to the desired behavioural changes, and the outcomes of the new governance arrangements seem to have a number of unintended consequences (Reed, 2002; Maassen and Stensaker, 2003; Kezar and Eckel, 2004; Carmeli and Schaubroeck, 2006; Whitchurch, 2006; Meister-Scheytt, 2007; Santiago *et al.*, 2008; Ferlie, Musselin and Andresani, 2008).

Before moving into the landscape of changing governance structures, it is important to present a definition of governance. In this article, we will follow

Maassen (2003, p. 32), who states that “governance is about the frameworks in which universities and colleges manage themselves and about the processes and structures used to achieve the intended outcomes – in other words about how higher education institutions operate”. This means that governance is a “relational concept that can be considered to incorporate leadership, management, and administration” (Reed *et al.*, 2002, p. xxvii). Although it is common to identify different governance levels, *e.g.* the national, local, institutional, sub-unit or discipline levels (Reed *et al.*, 2002; Santiago *et al.*, 2008, p. 68), our focus in this article is on the institutional level.

Reform failures in higher education are usually explained by the mismatch between reform design and cultural and historical characteristics of higher education institutions, where different institutional logics collide and create turmoil, inertia and contestation (Maassen and Olsen, 2007). Less attention has been given to the option that reform packages may be poorly designed as such, and that various reform intentions also could be contradicting. In this article, four dilemmas usually associated with recent reform initiatives are identified as being relevant for understanding the mixed results of the implemented reforms. By providing some examples of institutional governance developments in a number of countries, the article describes how the four dilemmas appear in different contexts, and whether implemented measures are effective in dealing with the issues raised by the dilemmas. In the conclusion, it is argued how the four dilemmas can shed more light on the complexities associated with university governance reform.

## **Reform complexity and the creation of new dilemmas in university governance**

Reform in higher education in Europe is multifaceted and often related to a particular national policy agenda. Nonetheless, the emphasis on quality, efficiency and effectiveness of higher education institutions are common keywords describing how problems are perceived (Lane, 1997). Problem solutions are usually also presented as a rather standardised “menu” regardless of whether the labels used to characterise the reform ideas are new public management, managerialism or other reform narratives (Stensaker, Enders and Boer, 2007). In the last decades, the general menu has included six rather standard elements (Lane, 1997, p. 9; Ferlie, Musselin and Andresani, 2008, pp. 335-339):

- increased emphasis on performance and output, and introduction of systematic evaluation activities for checking whether stated objectives are met;
- greater formalisation of roles and responsibilities especially concerning leadership, often combined with stronger task specialisation;
- more power to the consumers and users of public goods;

- decentralisation of tasks from the central level combined with increased institutional autonomy;
- increased competition between public and private organisations;
- privatisation of public service by transforming public enterprises into stock companies.

While these elements are promoted at all governance levels, they are often not elaborated in detail, partly due to the increased autonomy of universities and the starting-point that universities should be stimulated to translate and implement general reform ideas themselves within their own specific context. If we look into the higher education sector, we also see that not all of these solutions have been implemented in practice. In Western European higher education, privatisation of public services in higher education is still not common and, although competition is strengthened between providers of higher education, private actors have mainly been allowed only in former East European countries (Stensaker, Enders and Boer, 2007).

In general, the first four reform elements identified by Lane are more familiar throughout European higher education, and are the main concerns of this article. Although the four elements usually are seen as part of an integrated reform “package”, the elements create problems in the design of university governance; this is not only because they (not surprisingly) challenge existing ways of organising and governing universities, but also because the elements sometimes are mutually competing and even contradictory, making it possible to identify four stylised dilemmas that may be of assistance when analysing the need for, or when designing, university governance reforms.

### ***The dilemma between representative democracy and organisational effectiveness***

Performance, output and systematic evaluation activities for checking whether stated objectives are efficiently met are studied to a great degree in higher education research. The rise of the “evaluative state” and the development of national evaluation schemes since the late 1980s have been well documented by Neave (1998) and others. While the consequences of this with respect to increased bureaucracy and reporting schemes are widely acknowledged (see also Amaral, Jones and Kerseth, 2002), the rise of the evaluative state has also triggered new tensions in that the external reform initiatives have been matched by governance structures de-emphasising “representative” democracy for accountability. In practice, elections of academic leaders have been abandoned in favour of appointed leadership, and representatives of students and staff have experienced reduced influence in institutional decision-making processes.

In many ways, the emphasis on performance, output and effectiveness can be seen as a reaction to previous reform attempts in higher education, most noticeably the demands for democratisation of institutional governance structures at the end of the 1960s/early 1970s (see also Boer and Stensaker, 2007). At that time authorities in a number of European countries responded to the demands from students and non-professorial staff for more democracy in intra-institutional decision-making structures by introducing governance structures that addressed these demands. In the current reform logic emphasising effectiveness, elections and representation of staff and students is regarded as hampering institutional performance although the relationship between democracy and organisational effectiveness is not well researched (Boer and Stensaker, 2007, p. 116; see also Boffo, Dubois and Moscati, 2008).

### ***The dilemma between integrated management structures and dual management structures***

The move from elected towards appointed academic leaders and the adaptation of representative decision-making structures form an important back-drop to understand another dilemma in current university governance design – the dilemma between integrated management structures and dual management structures. Greater formalisation of roles and responsibilities especially concerning leadership, often combined with stronger task specialisation, is the main reform element causing this dilemma.

The juxtaposition of integrated *versus* dual management structures refers to the way in which administrative and academic decision-making functions are organised. In the current reform logic it is often argued that “competing” decision-making structures should be avoided, meaning that one should abandon dual structures in favour of integrated ones making the whole decision-making process more transparent, accountable and streamlined. When these functions are integrated, they are the responsibility of an individual actor or one single collective body, implying that one person or body holds the decision-making authority with respect to academic and administrative matters. This structure is also referred to as one-headed leadership or management. Dual structures imply that there is a separation between the actors and bodies responsible for administrative matters and those for academic matters. A dual structure is often characterised by two parallel – but loosely coupled – hierarchies: one academic and one administrative with parallel decision-making structures. If the latter is the case, the administrative and academic decision-making bodies can be either equal or in a hierarchical position to one another, implying that in cases of disagreement or conflict either the administrative or the academic leadership has the final responsibility. In either case, conflicts and tensions may arise both within as well as between different decision-making bodies (Rytmeister and Marshall, 2007; Woodfield and Kennie, 2007). How and whether

such conflicts and tensions are solved will have consequences for the long-term sustainability and *modus operandi* of any given higher education institution (Carmeli and Schaubroeck, 2006).

### **The dilemma between external and internal influence in institutional decision making**

Universities have often been criticised for being too disconnected from changes and needs in their environments (Amaral and Magalhães, 2002; European Commission, 2006), and in many countries reforms have been introduced aimed at transferring decision-making power from the academic staff to professional managers and external stakeholders (Jongbloed, Enders and Salerno, 2008). This brings us to our third dilemma, and the balance between internal and external members in institutional executive and governing bodies, as well as to the internal *versus* external focus of these bodies.

In practice, this dilemma often focuses on the sort of competences external and/or internal members of executive and governing bodies should have. Should external representatives be recruited from business and industry, or should they be academics from a different institutional context? Should students be included in all governance arrangements and, if so, should they be regarded as external or internal representatives? The dilemma concerning external and internal involvement and influence in institutional governance bodies triggers a number of issues related to the size and composition of a decision-making body consisting of both outsiders and insiders (Woodfield and Kennie, 2007); it raises issues about how decisions are actually made within such a body (Baird, 2006), and whether and how the identity of the members of a given decision-making body are influenced by their background (Whitchurch, 2006). These issues can be expected to lead to tensions in higher education institutions regarding the interests that are emphasised and prioritised in the institutional decision-making process.

### **The dilemma between centralisation and decentralisation in more autonomous universities**

One of the most obvious and important consequences of the changes in the institutional governance structures concerns the changes in the distribution of authority, in the form of the decentralisation of tasks from the government to the higher education institutions (Amaral, Jones and Karseth, 2002; Whitchurch, 2006; Taylor, 2006). The central reform intention has been that power and authority should be given to those who know the higher education challenges and problems best and as such know best how to solve them. The consequence of this increased institutional autonomy is in general a centralisation of power inside the institutions (Meister-Scheytt, 2007). This leads to our final dilemma since the understanding of what centralisation in a

university or college means may vary (Shattock, 2006). The autonomy of various schools and faculties inside a higher education institution is in this respect important, where one could imagine the combination of institutional centralisation along with substantial faculty independence. However, it is obvious that such power distribution also may cause new tensions.

Relevant questions with respect to this dilemma are: How much and what kind of power and authority should the different organisational levels have? How does the internal quality assurance work, and what are its consequences? Who defines and decides upon the institution's strategic plan? Some of the well-known characteristics found by Clark (1998) in his study of entrepreneurial universities address this issue directly: For example, how should "a strengthened steering core" be combined with an "expanded outreach periphery" which also needs a considerable level of autonomy and thus decision-making power to function properly? Recently, Taylor (2006) has argued that one of the main challenges universities currently face is to balance the need for central strategic decision making with more devolved responsibilities throughout the organisation.

### ***On the inter-relatedness of the dilemmas***

As indicated above, the dilemmas are not mutually exclusive and distinct from each other. Hence, while "democracy" is often perceived as a system of internal representation, it could be argued that external representation in university governance is also a question of democracy, at least from a system perspective. External members in governing bodies in higher education institutions could be seen as representatives for civil society. However, this kind of democracy could imply a limitation of the principle of workplace democracy (Larsen, 2007a).

Increased decentralisation may also trigger more integration in the new devolved decision-making bodies since responsiveness often requires more coherent and quick decisions. Increased institutional decentralisation may also blur the organisational boundaries allowing more space for "external" dimensions in the developed governance arrangements, as when an expanded periphery manifests itself through joint ventures, etc. Needless to say, this may create new problems when attempting to design coherent governance arrangements.

## **Handling the dilemmas effectively – empirical illustrations, paradoxes and unresolved issues**

In practically all European countries as well as in many countries outside Europe, the issue of how to adapt the institutional governance structure is high on the policy agenda (Maassen, 2008). While the actual adaptations and the pace of introducing them differ from country to country, there are also a number of common elements. In this section, the four dilemmas introduced

above will be discussed on the basis of empirical evidence on how a specific set of countries has dealt with the choices to be made, and to what extent they have managed to develop coherent solutions concerning the challenges posed by the dilemmas of the recent changes in the institutional governance structures. We will focus on the developments in Austria, the Netherlands, the Nordic countries and the United Kingdom. These countries were selected because they represent a specific tradition in the modernisation of institutional governance structures: the United Kingdom has moved farthest in Europe in the professionalisation of university leadership and management; the Netherlands replaced one of the most democratic university governance structures with a rather extreme executive university governance model; Austria changed the ownership structure of universities, turning them into public corporations; and the Nordic countries aim at creating, through ongoing reforms, an effective balance between representative democracy and professional leadership in university governance structures.

### ***Finding a solution to the dilemma between representative democracy and organisational effectiveness***

If one perceives the reforms of the 1960s and 1970s with respect to the democratisation of university governance structures as a temporary phenomenon, one could argue that the governance structures introduced over the last decade can be regarded to some extent as a return to the situation from before the 1960s/1970s (see for example Boer and Goedegebuure, 2007; Boer and Stensaker, 2007). This does not imply that the democratic dimension in current day university governance has been reduced to zero, or that the new structures are an exact copy of the orthodox, pre-1960s governance models. Instead what can be observed is that the recent governance reforms included specific features from the pre-democratic university governance structures. Among the most important of these is the goal of creating more effective and efficient structures, to be realised especially by limiting the number of actors directly involved in institutional decision making. However, as Meister-Scheytt (2007, p. 261) underlines reducing the number of member in boards can be a problem. The smaller the number of board members, the more important it is that those selected have characteristics balancing “democracy” and effectiveness.

However, one could also interpret the latest reform initiatives concerning efficiency/effectiveness as a logical step in an evolutionary process of institutional management. In Europe this perspective is especially relevant in the British higher education context. As stated by Reed (2002, pp. 180-181):

... the virulent hybridising dynamic of the 1980s and 1990s can be seen to have its political and organisational roots in a cultural critique of university elitism and hierarchy that became increasingly influential in the 1960s. In this respect, the new managerialism of the 1990s may be

seen as an ideological and organisational offspring of a much earlier phase of critical scrutiny and evaluation that simply could not anticipate the triumph of a managerialist discourse and practice thirty years later.

In this perspective, a kind of hybridisation has occurred where the democratic and effectiveness dimensions in institutional governance exist side by side, but with great contradictions and tensions between them (Whitchurch, 2006). In the words of Prichard and Willmott (1997, p. 289), universities are always “a mix of organising practices, which are historically resilient to being wholeheartedly overthrown by the new managers”. Interestingly, in this situation the new manager-academics can be regarded as mediators between different interests. As shown by Aasen and Stensaker (2007) in a study of how a group of middle managers from universities in Denmark, Germany, the Netherlands, Sweden and the United Kingdom prioritise different tasks and objectives in their jobs, the new and often appointed manager-academic seems to develop a dual identity in between the classic academic governance ideal and the modern managerial ideal.

The dilemma between democracy and effectiveness can also be observed in Norwegian higher education. In 1994, the Ministry of Education amalgamated 98 former regional colleges into 26 larger and more comprehensive state colleges with the intention of increasing administrative effectiveness, economic efficiency and academic quality (Gornitzka et al., 1998; Kyvik, 1999). The Board's responsibility was activated in the 1996 Act, and the former relatively big representative body in universities and colleges was replaced by a smaller executive organ. More recently, there has also been a reduction in the number of academic boards, especially at the department level. The paradox now emerging in Norway is that, despite scepticism of the appointed and more executive management structures, academic staff in practice seem to acknowledge and respect the work and role of the new leadership (Michelsen and Aamodt, 2007).

### ***Solutions to the dilemma between integrated management structures and dual management structures?***

The case of the Netherlands illustrates the specific nature of this dilemma (Boer and Goedegebuure, 2007). In 1997, the Dutch parliament accepted a new law on university governance which marked the end of the dual institutional governance structure. Through this law the nature of the university and faculty level councils changed from control to advisory bodies. At the same time, the position of executive bodies such as the central executive “team” which includes the rector (in Dutch: *College van Bestuur*) and actors such as the faculty deans was strengthened throughout the university. Due to this reform, departmental boards lost their formal status as governance bodies, and their previous powers were incorporated in the deanship. In practice this change meant that the three-level governance

structure of Dutch universities was replaced by a two-level structure. In this two-level governance structure, the central control and approval (e.g. of the university budget) function, previously in the hands of the university level council, was taken over by a new body, i.e. a board of trustees – a governance arrangement well known in the United States (Kezar and Eckel, 2004). In addition, the power of the central executive “team” was enlarged. At the faculty level, the dean became responsible for all administrative and academic matters, while the faculty council became an advisory body. It was up to the dean to decide upon the nature of his/her support structure, including the position of the head of administration. While before 1997 each faculty had its own director who reported directly to the central institutional administration, from 1997 on the dean had to decide how to organise the administrative support staff of the faculty. If the dean appointed a head of the administrative support staff, this person was not automatically a member of the faculty board. In addition, this person had no direct links to the central administration but reported directly to the dean. Hence, since 1997, the Dutch university governance structure is an integrated one in which the central actors are the institutional executive “team” and the deans. However, Boer and Goedegebuure (2007) argue that former institutionalised governance structures and traditions are still important as informal normative “standards” in the Netherlands, implying that the new structure has not eliminated the tensions in the system.

The development in Norwegian higher education can also illuminate the difficulties in solving this dilemma. In Norway, all public higher education institutions were regulated by a common act in 1996. The 1996-act emphasised stronger academic and administrative leadership of institutions, and a clearer division of responsibility between academic and administrative leaders was introduced (Dimmen and Kyvik, 1998; Larsen, Maasen and Stensaker, 2004). A new act introduced in 2005 made it voluntary for the institutions to decide whether they want to continue the system with separate academic and administrative leaders. A typical governance arrangement in Norwegian higher education institutions today is to abandon the dual structure by giving the overall responsibility to the academic leader, who in turn may delegate tasks and responsibilities to the administrative staff. However, there are indications that integrated governance structures may take attention away from academic affairs due to pressing and the agenda-setting nature of administrative issues (Larsen, 2007a), implying that attempts to strengthen the academic leadership may have the opposite effect.

### **Solutions to the dilemma between external and internal influence in institutional decision making?**

The combination of external stakeholders entering various decision-making structures in higher education institutions and of the internal culture, norms and

traditions of the particular institution, in question has resulted in tensions in university governance systems in many countries. Concerning the composition of governing bodies in higher education institutions, important changes have taken place in many countries. A growing number of external stakeholders are directly involved in intra-institutional decision making (Jongbloed, Enders and Salerno, 2008, p. 306). These are either members of governing bodies, or they participate in internal decision making with respect to creating new chairs or to the developing new and adapting existing curricula. In some countries, *e.g.* the Netherlands, new governing bodies have been created that only comprise external members. These external members generally represent industry or national politics, or other higher education institutions.

In other countries, there has been an increase in the role of external stakeholders at the expense of the internal stakeholders. In Sweden, for example, with the return of the social democratic government in 1994, the political balance of power gradually began to change in favour of more “outsider” representation. Rectors were replaced by people from industry or politics as chairmen of the institutional governing boards. This “unholy” alliance between state and industry was strengthened at the expense of the academic elite. Swedish higher education institutions were also given, explicitly, a new “third role”: to serve the local community and contribute to overall social development, *i.e.* they were expected to develop a more explicit external orientation (Kim, 2001).

In Finland, there are important differences in the ownership structures of universities and polytechnics: the universities are owned by the state, while the polytechnics are owned either by municipalities/regions or by private foundations. Consequently the two types of institutions also have different internal governance structures. In general it can be argued that the governance structures of the Finnish universities are still driven by academic values, while the governance structures of the polytechnics are driven more by political and entrepreneurial values. This means that in Finland the dilemma for universities is solved by emphasising internal actors and their values in traditional universities, while polytechnics are more open to external actors and the surroundings.

In Norwegian higher education, all institutions have been obliged to include external members in their central Boards since the mid 1990s. Currently, each institutional board consists of 11 members and, given the prescribed composition of the Board – the rector, two students, three academic staff members, one non-academic staff member and four external members – no group holds the majority. In most institutions, the (elected) rector is also the chairman of the Board. However, an option available to the Board is to appoint the rector, but in this case the rector can no longer be the chairman of the Board (this position is taken over by one of the external members). In this way, each institution can find a more flexible solution to the dilemma between external and internal influence (Larsen, 2007b).

Only a few countries are described above; the overall impression in higher education systems in Europe is that the levels of participation from the internal constituents have decreased, while external players have become more visible (see for example Stensaker, Enders and Boer, 2007; Santiago *et al.*, 2008; Ferlie, Musselin and Andresani, 2008). However, we know less about how the external representatives actually function in different higher education systems and whether governing bodies with external representation focus to a larger extent on external matters than governing bodies with entirely internal members. Ongoing research in Australia and the United Kingdom may shed more light on this issue in forthcoming years (see Rytmeister and Marshall, 2007; Woodfield and Kennie, 2007).

### ***Solutions to the dilemma between centralisation and decentralisation in more autonomous universities?***

In many countries, there has been a shift in governmental steering of the higher education sector aiming at enlarging institutional autonomy, and allowing universities to choose their own governance structures. One of the earliest examples of this development took place in Sweden in the 1980s; later, in 1993, the government provided a framework which also allowed the higher education institutions the right to determine their own governance structures. The 1993 reform was aimed at facilitating change and creating flexibility through decentralising responsibility to higher education institutions, counterbalanced by efficiency and quality controls over outcomes. The 1993 reform reduced the detailed influence of central government but called for more planning, accountability and control at the institutional level, and therefore stronger and more pronounced institutional governance. However, the internal devolution of authority, awaited by many academics, did not occur (Askling, 2000).

Like in Sweden, the 1980s in Finland were also characterised by a shift in the ideas and principles underlying the governmental steering of the universities (Hölttä and Rekilä, 2003, p. 58). The shift resulted in a steering model based on agreements concerning targets and results instead of input. This was to become possible by enlarging the autonomy of the universities. A government act increased university autonomy by delegating many matters previously regulated by separate acts and decrees to the central university decision-making bodies (Finnish Ministry of Education, 2004, p. 4).

Some countries are modifying institutional governance structures to stimulate intra-institutional centralisation and to integrate executive and academic authority throughout the organisation. Deans in particular are now considered very much a part of central management structure in several countries, and are increasingly appointed rather than elected. For example, in the Netherlands the Faculty Deanship now operates in a similar way to academic bodies in other countries, through collegial decision making over

academic issues (Santiago *et al.*, 2008, p. 127). However, this development of simultaneously strengthening the position of the institutional leader and the deans/heads of departments is not taking place in Finland; studies by Hölttä and Rekilä (2003, p. 68) show that “the management-by-results culture has not reached so effectively the other levels of the institutional organisations, and the deans and heads of departments are not fully internalised in the new management model”. This might result in a divide between the managerial and the academic agenda.

In addition, the tendency to centralise decisions inside the institutions may again trigger the need for “strategic decentralisation” by creating units more capable of rapidly adapting to an increasingly competitive environment. Hence, the modern version of the centralisation-decentralisation dilemma can be illustrated by the recent work of Burton Clark (2004, p. 83) where he pointed to the danger that very creative and entrepreneurial subunits within the university easily can be de-coupled from the rest of the organisation due to their external interest and focus. Thus, for the institutional leadership, such units may create problems related to co-ordination and broader strategic development.

## **The need for a better understanding of university governance reforms**

As illustrated by the brief empirical review above, governance reforms are difficult to capture and conceptualise by solely using terms and labels such as “marketisation”, “entrepreneurialism” and “managerialism”. This is perhaps why Ferli, Musselin and Andresani (2008) have recently suggested that research on governance issues in higher education needs to develop more comprehensive and analytical schemes and narratives to be able to make better sense of ongoing changes. While we would endorse such a development, our main concern is that we still need good empirical tools that can assist us in this endeavour. The main problem when analysing university governance reforms is to move beyond the one-dimensionality usually offered by rather standardised reform packages and more “quick-fix” management ideas, and to emphasise the practical realities facing those that are to design and implement new governance structures (see also Shattock, 2006).

Based on the empirical evidence discussed in this article, the most pressing issue in this respect is to handle the growing gap between management intentions and academic realities, and to deal with the lack of trust between managers and academics in many higher education systems. This lack of trust has mainly been caused by moving from vertical to horizontal, or complementary, forms of governance. As illustrated in this article, this implies in practice a departure from steering on the basis of regulations and laws and a growing reliance on steering on the basis of

contracts, targets, benchmarks and indicators. The result has been a governance arrangement with tighter (micro-) political control of academics. Hence, the important task for institutional managers is to balance the need to steer intra-institutional teaching and research activities accordingly, and to establish schemes that will have legitimacy and trust also among the academics. This is not an easy task. On the contrary, transforming universities into “organisational actors” will most likely increase the level of conflict within institutions for resources and funding, not least between departments and faculties. Consequently, finding ways and means to solve such conflicts will be a crucial issue, and the legitimacy of the decision-making structures within the institution is perhaps the key element in creating and maintaining trust and acceptance for decisions taken.

However, we are very far from understanding the relationship between particular governance arrangements and their legitimacy and influence within institutions. As shown in this article and in a recent review by Santiago *et al.* (2008, p. 126), current institutional governance arrangements are diverse and multifaceted. As a consequence, they are difficult to grasp and to compare, although they do provide an interesting laboratory for further investigations. We would argue that the four dilemmas identified in this article may be of value in this process, not only to reformers, but also to researchers striving to improve their analysis of what university governance reforms actually mean, and the possible effects of governance reforms.

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## **Academic Values in the Marketplace\***

*by*

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*The world financial meltdown is causing a reassessment of the strong market ideology that dominated policy making since the days of Reagan and Thatcher. For universities, the issue is not whether to pay attention to market forces – most schools have no choice given that their economic viability depends on some combination of enrollments, sponsored research and the sale of other services. The question is how to give the market its due while remaining true to our academic values. Balancing academic values and market forces is not easy, as we shall see. My purpose in this essay is to provide a conceptual overview that can explain the issues and point the way toward their resolution in today's financially challenging environment.*

\* Based on a presentation at the 5th Conference for University Management, Pontificia Universidad Católica de Chile, 8 January 2009.

## Les valeurs académiques sur le marché\*

par

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*La fusion financière internationale provoque une réévaluation de la puissante idéologie de marché qui a dominé la politique depuis les époques Reagan et Thatcher. Pour les universités, la question n'est pas de savoir s'il faut prêter attention ou non aux forces du marché : la plupart des écoles n'ont pas ce choix puisque leur viabilité économique dépend à la fois des inscriptions, de la recherche subventionnée et de la vente d'autres types de services. La question est de savoir comment donner son dû au marché tout en restant fidèles à nos valeurs académiques. Comme nous le verrons, trouver un équilibre entre les valeurs académiques et les forces du marché n'est pas chose facile. L'auteur de ce rapport cherche ici à fournir une vue d'ensemble conceptuelle permettant d'expliquer les problèmes et de suggérer des pistes de solutions dans l'environnement de défis financiers qui est aujourd'hui le nôtre.*

\* Basé sur une présentation faite lors de la 5<sup>e</sup> conférence sur la gestion des universités, Pontificia Universidad Católica de Chile, 8 janvier 2009.

## Alternative views of mission vs. market

The juxtaposition of academic values and market forces can be viewed in at least four different and not-always-consistent ways. Each illuminates one dimension of the relationship but none captures it completely.

- *As a hierarchy.* Value attainment (also called “mission attainment”) is virtuous, markets are at best a distraction.
- *As means and ends.* Values are ends, whereas markets can provide means for achieving them.
- *As extremes to be avoided.* Single-minded pursuit of either values or markets should be avoided.
- *As a driver or substitute for regulation.* Where academic values are not entirely trusted, markets can substitute for regulation.

### Mission vs. market as hierarchy

Clark Kerr, president of the University of California during its growth years and later head of the Carnegie Commission on Higher Education, describes the hierarchy in terms of the Acropolis and the agora (Zemsky, Wegner and Massy, 2005). The Acropolis represents the city on the hill, or in his terms the classical Academy with its philosophical values. The agora is the Greek word for marketplace – messy, ever-changing and seemingly without overarching rhyme or reason except for the principle of self-interest. The top of the hill certainly seems better than the bottom.

Kerr observed that “the cherished academic view [was] that higher education started out on the Acropolis and was desecrated by descent into the Agora led by ungodly commercial interests, scheming public officials, and venal academic leaders.” In other words, universities suffered a fall from grace.

He goes on to say, however, that this characterisation is “just not true”. “If anything, higher education started in the agora, the market, at the bottom of the hill and ascended to the Acropolis at the top of the hill [...] Mostly it has lived in tension, at one and the same time at the bottom of the hill, at the top of the hill, and on the many pathways in between.” If mission stands above markets in terms of intrinsic value, then either institutions keep sliding backward, like Sisyphus pushing the stone up the hill, or markets confer some kind of significant benefit.

### **Markets as means for mission attainment**

The second view of markets focuses on their ability to enhance mission attainment. To quote from the title of my book with Robert Zemsky and Gregory Wegner, the academy should strive to be “Mission-Centred and Market-Smart”. Mission-centred means focusing on the things universities are intended to accomplish: for example, providing a high-quality education for students, performing research and scholarship, and propagating cultural values. The market rewards most of these outcomes, but not always in ways that produce the best results over the long run. Institutions sometimes must “buck the market” in order to maintain the centrality of their missions. However, to be fully successful they must exploit marketplace opportunities wherever this can be done without undermining their values to an unacceptable extent. That is what I mean by being market-smart.

Markets are thought to promote attention to the needs of students and to efficiency and cost containment. These, too, can be viewed as contributing to mission attainment. Unfortunately, though, two decades of emphasis on markets in higher education have produced mixed results. Certainly some student needs have been attended to but, as Derek Bok (2006) points out in *Our Underachieving Colleges*, significant shortfalls remain. The situation is even worse when it comes to efficiency and cost containment. The very idea of improving faculty productivity is anathema for many academicians, and costs continue to rise at eye-popping increments over inflation.

### **Market and mission as extremes to be avoided**

The third view recognises that one can have too much of a good thing – in this case, being too centred on mission. Would a university want to perch permanently at the top of the hill even if it could? Or is traversing “the pathways between” like navigating the channel between Scylla and Charybdis in Greek mythology? On the “market” side lies the half-woman Scylla, singing the siren song of money but whose other half, the six ferocious dogs we can think of metaphorically as unconstrained market forces, stand ready to tear us to pieces. On the “mission” side, ever-hungry Charybdis represents the effect of unbounded aspiration – a whirlpool that will uncritically swallow whatever resources come its way. Achieving ever-higher aspirations in a particular area will benefit the aspirer, but this may well yield diminishing returns for others.

### **Problems that can trigger regulation**

Until recently it has been fashionable to think of markets as the solution to a wide range of problems, including those of higher education finance. “Throw out government regulation and reduce taxes,” the neocons say about the general economy, and similar calls can be heard from people who view higher

education as mainly a private rather than a public good. However, the recent world-wide economic events cast doubt on the omniscience and omnipotence of markets. Such doubts always have been alive and well within the academy, and now some of these feelings may be vindicated. The same is true for people within government who are sceptical about relying mainly on market-based funding as opposed to its antithesis, “no-strings” public subsidy.

There are two practical problems with market behaviour as it applies to universities. First, markets tend to be myopic. Their actions sum up the preferences of many individuals but the summing up is only as good as those individuals’ ability to understand and act upon their self-interest. Education can confer long-run benefits that may not be readily apparent to students and their parents. This problem is compounded by the poor information available in most educational marketplaces. Institutions are not very good at describing the quality of their offerings in meaningful terms or providing the data necessary for individuals to match the characteristics of particular institutions’ to their needs. Accreditation is a necessary but blunt instrument, and government-sponsored quality assurance schemes too often fail to provide the needed transparency.

A second problem with market behaviour is that it ignores what economists call “externalities”. The problem is that by operating on individual self-interest, markets may well ignore the larger social interest. Externalities arise when the broader consequences of individual actions are not included in (i.e. are “external” to) decision makers’ cost-benefit calculations. In extreme cases this leads to the so-called “tragedy of the commons”, where actions that appear optimal for individuals turn out to destroy the public good. (Does global warming come to mind?) Even in less extreme cases, however, it prevents resources from being allocated efficiently when viewed from a broader perspective.

In higher education, market myopia can limit attention to graduates’ employability and salary levels, and, perhaps more importantly, to whether courses instill a sense of ethics and social perspective – an issue highlighted recently in the United States by corporate spin, greed and outright fraud (see Bok, 2006, for a more complete list). Also conspicuous by its absence is marketplace information about teaching methods (*e.g.* active vs. passive learning) and the application of science-based learning principles (*c.f.* Carnegie Mellon University, n.d.). Externalities arise when more universities try to become research intensive than the economy can support, especially when they do so by shifting resources away from teaching.

But while markets are not problem-free, focusing solely on mission falls short as well. In a perfect world, universities would be governed by philosopher-kings (to use Plato’s term) – people with pure motives and the

information and expertise to advance them flawlessly. In practice, of course, those responsible for university governance suffer from the usual human failings. Judgments about mission can be insular and slow to change in response to new conditions, a problem that is compounded by the inertia of large organisations such as university faculties and bureaucracies. Even worse, mission judgments can be clouded by self-interest. I have observed many an academic meeting where lofty debate about degree requirements boiled down to the question of which department should get or keep faculty budget lines. Insularity, slowness to change and interest conflicts within universities can be extremely frustrating to governments, to others who would reform the sector and even to the central administrations of large universities with multiple faculties.

### ***Markets as an alternative to regulation***

These frustrations may lead to intrusive regulation of universities and their faculties. Such regulations are difficult to enforce, however, and it's now widely recognised that they incur substantial "transaction costs". These costs stem from shortfalls of local knowledge on the part of regulators, disempowering and spoiling the incentives of local actors, and a general inability to respond quickly to changed circumstances.

The recognition of these costs, coupled with a Reagan-like ideological tilt on the part of conservatives, led to the substitution of market accountability for regulatory controls. One approach is to treat universities simply as vendors by putting most or all funding in the hands of students. Another, which can amount to the same thing, is to force universities to compete intensely for students and then fund them proportionately to enrollments. Such schemes stand in sharp contrast with provision of "no-strings" subsidies, with or without the regulation of activities. Universities initially welcomed them as delivering the holy grail of autonomy but, as we have seen, markets are not an unmixed blessing.

### **The "Agency Theory" framework**

The stark choice between markets and regulation led scholars and policy makers to search for a middle ground. The answer was found, ready made, in what economists call "Agency Theory". The problem is a familiar one: to prevent "agents" (e.g. universities and their faculties) from diverting resources provided by a "principal" (e.g. government or a central administration) to further local goals. Agency theory offers three approaches for solving this problem (c.f. Hoenack, 1983).

Regulation guards against resource diversion by limiting the agent's freedom of action, but that incurs transaction costs. Markets also limit the

agent's freedom of action, but within a larger envelope that changes dynamically with circumstances. Formulas can simulate the effects of markets, so both fall into the same category. Both markets and formulas essentially put the principal's decision making "on automatic" once the rules have been set, leaving real-time decisions in the hands of the agents.

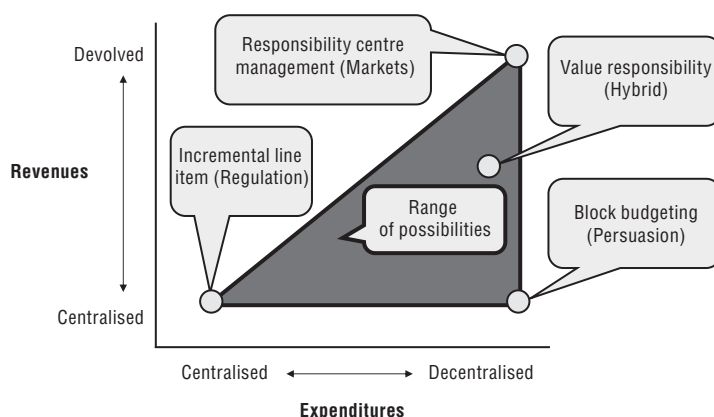
The third approach, "Persuasion", represents the middle ground I referred to earlier. The principal uses multiple stratagems to persuade agents that meeting the principal's needs will be in their best interest over the long run. The stratagems may include appeals to the agents' sense of propriety and desire to do a good job, and perhaps also promises of reward and threats of penalty based on a combination of judgment and quantitative performance indicators.

The persuasion approach represents an application of soft power, whereas regulation and markets or formulas reflect types of hard power. Soft power does not disempower and can adapt to local and changing circumstances. It is proving to be more effective than hard power in a broad variety of circumstances – including higher education.

## Structural solutions: Centralisation vs. decentralisation

Within colleges and universities, the application of agency concepts revolve around how much decentralisation, if any, should be allowed in the generation of revenue and the determination of expenditures (c.f. Massy, 2006; see also Massy, 1996). The range of approaches is shown in Figure 1. The most common level for addressing the question is budgeting from the university's central administration to schools or faculties, but the same principles apply to allocations from faculties to departments or, at the other end of the spectrum, from ministries or system offices to campuses. For technical reasons it is

Figure 1. **Alternative resource allocation systems**



impossible to devolve revenue without also decentralising expenditures, which is why the range of possibilities is shown as a triangle.

The regulatory solution is Incremental Line Item Budgeting, where the central authority retains all revenue and determines in detail how each unit can spend the sums allocated to it. This was the traditional approach in academe and is still practiced in small colleges, but experience has shown it to be impractical in large institutions.

The market solution, called “Responsibility Centre Management” (RCM), devolves (*i.e.* decentralises) most or all revenues to faculties and schools and allows these entities to make their own decisions about spending. RCM was adopted in order to unleash schools and departments to generate additional revenue and spend it in the most effective possible way – in other words, to enable units to become nimble and entrepreneurial. By and large these objectives have been attained. The University of Michigan had roughly the same operating budget as the University of California Berkeley (which remained centralised) during the 1960s, for example, whereas by the year 2000 Michigan had improved its academic ranking and was spending some 50% more than Berkeley.

The main problem with RCM is that it erodes the central administration’s ability to steer the institution. Deans believe they “own their revenue” and they are extremely reluctant to relinquish any part of it for strategic university-level investments. There also is constant bickering over the formulas that allocate revenue and overhead expense – arguments that consume time that might better be spent on academic innovation. Finally, it is not uncommon for deans to pursue their own agendas at the expense of those of their colleagues, to the detriment of the university as a whole.

The persuasion solution, called “Block Budgeting”, decentralises spending authority but retains central control of revenue. Academic units receive their funds from the provost as one-line budgets, which are based on the deans’ academic plans and statistics showing past performance in relation to goals and objectives. The performance figures are similar to those that drive the formulas of an RCM system, but the “ownership problem” is avoided through the use of soft power rather than formulas. The main problem with block budgeting is that political pressures and organisational inertia make it hard to reallocate funds among faculties.

The difficulties with block budgeting and responsibility centre management led me to propose a hybrid system called “Value Responsibility Budgeting” (Massy, 1996, Chapter 12). The approach falls inside the vertical line at the right-hand side of the triangle, where most (but not necessarily all) expenditure decisions are decentralised but only some revenue streams are devolved. Generally these streams are the ones expected to respond most

strongly to entrepreneurship – for example, professional masters degree programmes, summer courses and work with industry. (Sponsored research funds are devolved automatically under the terms of grants and contracts.) Revenue from core programmes like undergraduate teaching goes to the centre for allocation based on the persuasion model. The idea behind this approach is to maximise the effects of entrepreneurship while minimising those of revenue ownership and externalities.

## Resource allocation theory

The budget-system solutions are fine as far as they go, but they dodge the question of how the advantages obtained by being market smart actually feed into mission attainment. To answer that question we must delve into the economic theory of not-for-profit enterprises and how their behaviour differs from for-profit ones. The theory may seem a little abstract at first, but it turns out to provide important practical insights.

Beginning economics courses teach that businesses try to maximise profit – that is, revenue minus cost. Other factors may enter the equation, but, when all is said and done, firms that cannot provide adequate return on investment will eventually be forced to merge or go out of business. Even the most successful firms are limited in the amount of profit they can make, however. A firm cannot sell more than its customers want to buy, given the prices they are willing to pay for the level of quality they deem essential. The firm's costs are largely determined as well, in this case by the prices it must pay for its own inputs and its ability to use them productively. More formally, microeconomic theory holds that “business firms maximize profits subject to limitations imposed by the marketplace and their own productivity”.

## *The not-for-profit model*

Universities do not exist to maximise profits, but what do they maximise? The answer, I claim, is that they try to maximise our old friend, mission attainment.<sup>1</sup> They want to produce as much high-quality education, research and public service as possible given their circumstances. But like for-profit enterprises, universities are limited by the marketplace and internal productivity. Tuition revenue cannot exceed what students are willing and able to pay, and research revenue is limited by the success rate on proposals. Productivity is limited because, for example, faculty and staff can only accomplish so much and computers can only run so fast. So far, then, the not-for-profit model looks like the for-profit model with mission attainment substituted for profit.

But what about the relation between revenue and cost? While universities are not in business to make money, neither can they operate

without it. Any model seeking to describe university behaviour must take money into account by adding a financial constraint to maximising mission attainment: Over the long run, universities cannot spend more money than they take in without merging or going out of existence. The for-profit model does not need this side condition because the difference between revenue and cost is the quantity to be maximised. Non-profit entities are said to maximize mission attainment subject to limitations imposed by the marketplace, productivity, and finance. In the terms used earlier, maximising mission attainment means being mission-centred, and market smart means understanding the opportunities as well as the limitations of the marketplace.

### **Balancing mission and market**

So how do universities balance mission and market? One can obtain the answer by setting the not-for-profit model up in mathematical form and then solving it to produce a practical decision rule for budgeting. The rule holds that “Contribution to Mission Attainment” of each activity (X) that is accepted for funding should exceed the activity’s “Revenue minus Cost”. That is:

$$\text{contribution to mission attainments} > \text{net costs}$$

The first term can be called “Love” or “Pain” depending upon whether the activity contributes positively to mission attainment or detracts from it. For example, having a strong philosophy department might be viewed as contributing positively to a liberal arts mission whereas highly applied programmes might be viewed as detracting from such a mission. The second term, called “Net Revenue” or “Net Cost” depending on whether the activity makes or loses money, captures the financial effect of markets.

It’s obvious that any moneymaking activity with positive mission contribution should be funded, and conversely. (What is not to like about something that contributes both love and money, and what is to like about one that contributes neither?) The other possibilities are more interesting. One should fund a money-losing activity *if and only if* its mission contribution exceeds its net cost. Conversely, proposals that make money should be approved *unless* they too strongly detract from mission.

The decision rule has an interesting and perhaps surprising interpretation. It says that some activities may be approved on the basis of “love” alone, others may be approved for strictly pecuniary reasons and still others may be approved for a combination of the two. What is surprising about not-for-profit theory is its message that all three of these possibilities are equally virtuous. Market does not stand below mission in an inviolate hierarchy but is rather a means to an end.

My current research includes development of a practical method for quantifying the trade-offs between mission and market. Stated briefly, the

approach calls for the decision maker to rank-order the proposed activities in terms of mission attainment and then compare the ranks with the activities' financial contributions. An Excel-based software package in preparation will guide the decision maker through the comparison.

### **When universities struggle**

Having non-profit status and a strong sense of mission are necessary conditions for bucking the market, but they are not sufficient. To see why, consider what happens when a non-profit enterprise struggles financially. It turns out that the model's mathematics divides each activity's intrinsic priority by the so-called "marginal value of money" – a quantity that becomes infinite as the entity approaches bankruptcy.

Dividing anything by infinity yields zero, which means that the non-profit decision rule reduces to:<sup>2</sup>

$$\text{contribution to mission attainment}_x / \infty > \text{net cost}_x \Rightarrow \text{net revenue}_x > 0$$

But this is exactly what for-profit entities do. This extremely important result says that if a university struggles sufficiently it will behave just like a business firm.

Behaving like a business firm means that, if sufficiently strapped financially, universities will respond to the market and only to the market. Mission attainment does not matter, and the only proposals to be funded will be those that promise to make money.

To give weight to mission attainment requires that the university have what Professor Zemsky and I call "Discretionary Revenue", which represents the financial wherewithal to assert key mission-based priorities against the force of the market. The main sources of discretionary revenue are unrestricted subsidies from government and private donors, return from endowments, and the large net revenues that stem from market power.

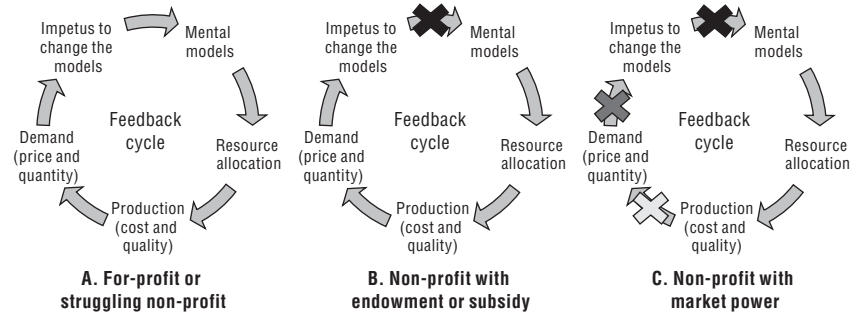
Government subsidies, gifts and endowments are self-explanatory, but market power may not be a familiar concept within universities. It should be. Market power reflects the impact of reputation on demand. Universities with strong reputations – that is to say, strong brands – will be able to attract more students and/or charge higher prices than weak ones. For-profit entities that enjoy market power earn good profits, which are paid out as dividends to shareholders. Not-for-profit entities do not pay dividends but instead add the surpluses to their pool of discretionary revenue, which then is used to further mission attainment. Acquiring discretionary revenue is equivalent to a business being profitable, so no university can be considered healthy without some combination of subsidy, endowment and market power.

# The paradox of wealth

So far so good, but what theory does not address is the impact of market forces, or lack thereof, on the university's internal processes – an effect that produces what I call the “Paradox of Wealth”.

Consider the feedback cycle shown in Part A on the left-hand side of Figure 2. Reading clockwise from the top, we see that decision makers have mental models that guide their actions. These mental models describe the institution's mission and also, importantly, what market wants and how to produce it. They guide resource allocation decisions, which in turn determine the nature of production and thus the quality and cost of the university's offerings. Continuing around the circle, quality and cost influence demand from the marketplace – i.e. how many students want to enroll and what they are willing to pay. Finally, discrepancies between the decision maker's expectations about prices and quantities and the actual results achieved in the marketplace produce dissonance – which provides an impetus to change the mental models and thus adjust resource allocation and production. This closed-circuit feedback system is what makes institutions accountable to the marketplace.

Figure 2. The paradox of wealth



The impetus to change applies particularly to for-profit enterprises and struggling not-for-profit ones. For example, if a college that is struggling to obtain students fails to produce what the market wants, there is an overwhelming pressure to change. What the college and its faculty want pales in comparison to the signals from the marketplace. This is what I mean by being responsive to the market and only the market.

Consider now what happens when, as shown in Part B of Figure 2, the college has strong discretionary revenue contributed by endowments and subsidies. The large X at the top of the diagram indicates that such institutions can afford to ignore the impetus to change that is generated by the marketplace. Because the mental models include mission and also the “right

way” (often the traditional way) of doing things, they tend to enforce the status quo. Changes in demand do not force revisions in the mental models, so resource allocation and production can proceed as usual. Indeed, it is the ability of mission and tradition to trump market in well-endowed or highly subsidised institutions that enables the climb to the Acropolis.

Part C of Figure 2 shows what happens when discretionary revenue is generated through market power rather than from endowments or subsidies. Market power implies that students will be buying on the basis of brand name, which more commonly comes from research reputation than teaching quality in relation to price. Brand dominance dulls the impact of teaching quality on demand as shown by the Xs at the seven- and nine-o’clock positions in the figure, which reduce the dissonance generated by the marketplace and thus the impetus to change. The reduced impetus combines with the effect of the discretionary revenue itself to make change in the mental models even less likely. Market power thus produces a double-barreled effect: it mutes the signals from the marketplace and makes it easier to ignore the ones that do get through.

To sum up, an institution that is dependent on the market simply cannot be insular and slow to change, nor can it allow internal interest conflicts to dominate its decision making. This is why so many governments around the world have come to rely on markets as a mechanism for imposing accountability. We now understand, however, that governments should be careful about what they wish for: a market-dominated system makes it harder for universities’ to sustain their missions. “Bucking the market” requires a degree of wealth but, paradoxically, it is the existence of wealth that opens the way to insularity and conflicts of interest.

## Lessons for government

If the harnessing of market forces represents the “modern” view of higher education finance, then solving the paradox of wealth is in my opinion the great post-modern challenge. Part of the solution needs to come from government and part from administrative and academic leadership within universities. Policy makers across the globe are grappling with this challenge, so many of the ideas will be familiar. I shall sketch just two of them.

### Resource allocation systems

This is an immensely complicated subject but it seems to me that the lessons boil down to two: that governments should fund institutions as well as students, and that they should proactively apply soft power to persuade institutions to meet key social objectives. Funding institutions means being concerned about their overall health – including the ability to pursue mission-oriented values. Using soft power means government should be

proactive in its interaction with institutions about goals and performance, but not intrusive or micromanaging. Happily, more and more governments are embracing these principles.

### **Market transparency**

The improvement of market transparency should be a second key results area for government. This includes, importantly, the provision of better data about the delivered quality of teaching and learning as opposed to research-based reputation. What is needed are publicly available, multi-faceted measures developed by academic departments that are peer reviewed and used by the departments to improve their own performance. The development of such measures is feasible at this time, though little investment is going into the effort (the concepts and approach are described in Massy, Graham and Short, 2006; and Massy, 2003).

Finally, in order to be successful, the transparency programme should be accompanied by government or sector-wide initiatives to educate potential students and their parents about what is important in choosing an institution or major and how to interpret the newly available data on quality. Absent such education, an initial failure to use the data will be cited as justification for discontinuing its provision. With it, the terms of competition will be shifted in directions that are better for both students and providers.

## **Lessons for universities**

For universities, as for government, the first lesson pertains to resource allocation. The second one focuses on how the university should invest its discretionary revenue.

### **Resource allocation systems**

Consistent with my earlier remarks, I favour developing a “Value Responsibility” (hybrid) scheme for the central administration’s funding of faculties and schools. Such schemes combine the best characteristics of markets and persuasion (hard and soft power), while giving faculties the autonomy they need. In my view, getting a proper resource allocation system is a prerequisite for all other initiatives to balance mission and market within universities.

### **Strategic investments**

The final lesson for universities focuses on the generation of discretionary revenue. Government subsidies and private philanthropy provide such revenue, and of course universities engage in lobbying and fund-raising to further their interests in this arena. But what can a university

do to control its own destiny – to enhance its prospects without relying solely on largesse? The answer is to invest strategically in initiatives that can, if successful, generate both academic and long-term financial returns. Among other things, this requires that the university reward entrepreneurship and avoid the pressure to be all things to all people.

Steering for financial return as well as mission attainment will require a much closer collaboration between the chief financial officer (CFO) and chief academic officer (CAO) than usually is found within universities. The reason lies in the need to make more refined tradeoffs between mission and money – the former being the province of the CAO and the latter the province of the CFO. The sophisticated tools developed by businesses in recent decades can be brought to bear on this analysis: including, for example, strategic planning, present value analysis and financial hurdle rates, leverage, market segmentation and conjoint analysis, and activity-based costing (but not the use of financial derivatives).

Universities are just learning to apply these tools, and successful schools will achieve a competitive advantage in the marketplace without sacrifice of academic values. In other words, the successful university of the future will be just as savvy managerially and financially as a successful business firm. At the end of the day, of course, the goal is to develop market power in selected niches so as to cross subsidise programmes not supported by the marketplace – that is, to protect and enhance the ability to balance mission and market.

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## Notes

1. I originally formulated the theory as “value maximisation subject to constraints” in Hopkins and Massy (1981). More readable accounts can be found in Massy (2003, Chapter 2; 2004).
2. The reduction proceeds in two steps. The first is, “ $0 > \text{net cost}$ ”. Substituting “net revenue =  $-\text{net cost}$ ” and rearranging terms yields “net revenue  $> 0$ ”. The latter is equivalent to “marginal revenue  $> \text{marginal cost}$ ”, the profit-maximising rule taught in beginning economics courses.

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## **Ethical Marketing of Higher Education: What Might be Done to Encourage its Adoption?**

by

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*The competitiveness of the diverse sector of higher education sees universities increasingly reliant on marketing to position themselves within their main stakeholder groups. In doing so, the use of marketing techniques developed for the service industry are being adopted at strategic and tactical levels with little research to support such undifferentiated action. This paper discusses a number of issues joining marketing with the moral leadership of the university in a persistently competitive and commercial market place. We seek to offer practical actions to ensure that marketing remains a service to the institution and does not convert the mission of all institutions to one of consumerisation. We do this by discussing how a relationship model of engagement with stakeholders might be grounded in a virtue ethics imperative and how this might contribute to brand development and accountability.*

## **Le marketing éthique de l'enseignement supérieur : comment encourager son adoption ?**

*par*

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*En raison de la compétitivité du secteur de l'enseignement supérieur, les universités dépendent de plus en plus du marketing pour se positionner au sein de leurs principaux groupes de parties prenantes. Les techniques de marketing développées pour l'industrie des services sont donc adoptées pour satisfaire des objectifs stratégiques et tactiques, sans toutefois que de telles actions indifférenciées soient étayées par une recherche suffisante. Cet article traite d'un certain nombre de questions relatives à l'alliance du marketing et du leadership moral de l'université sur un marché obstinément compétitif et commercial. Nous avons à cœur de proposer des mesures pratiques qui permettent de veiller à ce que le marketing demeure au service des établissements et ne transforme pas la mission de tous les établissements en une mission de consumérisme. Pour ce faire, nous étudions comment fonder la relation avec les parties prenantes sur un impératif d'éthique de la vertu et comment cette approche pourrait contribuer au développement de marques et de stratégies fondées sur des principes de responsabilité et de transparence.*

## Introduction

According to Bjuremark (2007), reforms in higher education may be understood as a challenge to the broad, historical sense of academic work. Higher education is exposed to competition in marketplace conditions where institutions are compelled to compare their offerings with others to attract consumers (students?). The literature indicates that the higher education market is now well established as a global diverse phenomenon, especially in the major English-speaking nations (Hemsley-Brown and Oplatka, 2006) embracing public and private as well as for-profit institutions. In the United States for instance, the proportion of all degrees that were awarded by for-profit institutions was 3% in 1995/96 and 7% in 2005/06. Naidoo and Jamieson (2005, p. 268), see these consumerist forces – driven in the United Kingdom by tuition fees, quality assurance, managerialism and the student-consumer paradigm – as reducing the power of the academic to “define the curriculum, determine acceptable standards of student achievement and decide appropriate pedagogic strategies”.

These changes are having an impact on the very nature of education through changes in students’ and academics’ pace of work and their time perspectives of the form of education that institutions deliver. For example, Guthrie and Neuman (2007) suggest that traditional collegiate, academic decision-making methods are being threatened as the university becomes more responsive to the needs of the consumer. Barnett (2007) argued that for students and academics alike there has been a transition from a time when both past and future were experiences within the being of the present, to one where temporality has become disintegrated and a linear sense of time predominates.

Under these changing circumstances, leadership is required that is generally distinguished as being different from management in that it is concerned with envisioning change and is “essential in order to create vision, communicate policy and deploy strategy” (Davies *et al.* 2001, p. 1026). Indeed, Middlehurst (1995) maintains that in order to achieve a shared vision, leadership needs to be in place at different levels within the organisation, and Gregory (1996) argues that owing to the complexity of change and the necessary activities that are required, leadership should be shared. Further, Gregory (1996, p. 49) contends that “where justice, equality and participation are key philosophical beliefs, ... the leadership itself needs to be participatory and democratic”. Systemic reform assumes there has to be a necessary relationship

between culture and structure, and Seller (2001, p. 256) states that “restructuring and reculturing mean that the organisational manner of conducting business, as well as the values that underpin the operation, must both change”.

Universities that promote education as a commodity, by offering hedonistic gratification and routes to careers, position education (as their product or service) as yet one more thing to be consumed (Lawlor, 2007). For example Klassen (2000, p. 21) reports that in the marketing of higher education, institutional values and priorities are usually symbolised by the message “that students will not need to change in order to be successful”. Even more disturbingly, he concludes that for the students in half of his sample, “the perspective of college life offered is practically devoid of commitment and loyalty to anything beyond having a good time while waiting to graduate”. The impact of these changes is summarised by Hassan, who observes: “... the commercialisation of the university is primarily an economic and political process of transformation that has little if anything to do with education, knowledge production and the well-being of either staff or students. What is more, these changes are all being refracted through the prism of neo-liberal ideology” (Hassan, 2003, p. 77).

With consumerism changing students to customers and teachers to service providers, ever more vulnerable and naïve students enrol and there is competition instead of collaboration between institutions. There has been a call in the literature to face these challenges through ethical leadership in universities (Zipin and Brennan, 2003; Poff, 2005; Rucinski and Bauch, 2006). More specifically, concern has been expressed as to the marketing practice applied to higher education (Schwartz, 2005; Caldwell et al., 2007). In response we attempt to construct a virtuous model of marketing ethics with higher education institutions’ values.

## **Marketing of higher education**

Marketing refers to a grasping of the needs of consumers. It provides the structure for the development and promotion to consumers of products and services to perpetuate consumerism. Thus marketing provides both a hermeneutic to understand consumerism and a way of shaping it. Moreover, implicit in marketing is exchange, a process that Araujo (1999) points out requires a notion of past, present and future which is both relational and measurable.

Reich (2006) draws our attention to the shift from public good to private return. This is evident in a number of ways, for instance in the focusing of university marketing strategies on external threats or opportunities created by the introduction of ranking schemes (Brennan et al., 2007). Arpan, Raney and Zivnуска’s (2003) study of major US universities found that various non-academic aspects, for instance athletics, contributed greatly to their reputations. Other examples concern the strategic pricing to push prices up

for the poorer potential students, conflicts of interest in donor funding, domestic (Fiske, 1981) and international recruitment based on unreasonable claims, misrepresentation and “weakness in the university good practice chain” (AUT and DEA, 1999) of university support and marketing partnerships with institutions in oppressive regimes. Specifically relating to promotion, use is made of invasive marketing techniques via social networking sites, buss marketing and inflated proposals about bursaries, part truth in promoting university league position, financial or material incentives to attract students (such as lap-tops or sports club membership), and the promotion of star professors who are unlikely to come into teaching contact with the student.

We believe that as competition intensifies and as state institutions are “engaging in professional marketing activities” (Veloutsou *et al.*, 2005, p. 279), these activities, rather than enriching the educational and social offering to society, risk eroding them into an unquestioning consumerism. This is not to say that the universities are necessarily helpless to avoid this erosion: the choices to “sell the goods and clinch the sale is still greatly influenced by informational sources under the direct control of the university” (Veloutsou *et al.*, 2005, p. 289). Although the choice of language is not ours, the message seems all too clear. If universities do not use the promotional tool of marketing, they risk failing to recruit (Kirp, 2004; Bok, 2003) and ultimately close down. Yet how can the independence of thought needed for the assertiveness of autonomy be developed if commercial interests control the education process and use marketing to maintain the acquiescent contentment of consumption? Under the hegemony of the market, education institutions are forced, through funding and market forces, to adopt a position where they might claim to enlighten the mind through critical thought but don’t argue this position: rather they promote it. This reality is interpreted differently by the diverse make-up of the sector, and no single homogeneous position can be attributed to universities in general. Many, usually the more privileged, were less exposed to market force through their own endowments, but the recent economic crisis has made autonomous action which ignores the demands of the market more difficult.

However, resorting to marketing – and especially advertising – has to be done with caution and questioning. Lippke (1989) sees advertising as an implicit and insidious attack on our ability to develop as a human being and more difficult to isolate and defend against as education partakes in consumerism. In this insightful paper, Lippke offers education as a counter process, a form of resistance, to the dominance of the capitalist narrative of self-interested consumption – a narrative unleashed upon the public by powerful and dominant messages of consumption and immediate gratification through advertising (and other manifestations of the mass culture) which suppresses other modes of being. Lippke (1998, p. 38) goes further, suggesting

that education can act by offering us the “kind of skills needed for autonomy and the motivation to employ them”. It is interesting to note how far (much of) higher education has moved away from these thoughts in the last two decades.

These complicated messages need to respond to the market, and the dialectic effect of marketing on education, if correct, might frighten other vice-chancellors into reaching for the expertise of the nearest advertising agency. However, what ought to concern them is what is causing this frenzy for recruitment – who benefits, what positive impact is it having on society, what is it doing to the essence of higher education? The problem may not be inherent in the notion of advertising but in the market mechanism which rules UK higher education. As previously mentioned, Arpan *et al.*'s (2003) study of major US universities found that various non-academic aspects of the universities (e.g. athletics) contributed highly to the universities' reputation. We are unaware of any study to examine the content of the advertising used by universities to induce positive responses, whether persuasive or just informative, but it would seem disingenuous to assume that persuasive advertising is not being used when UK universities recently responded to the increase of top-up fees and their need to provide bursaries by offering incentives “either in addition to cash bursaries or as standalone offerings. For example, some students could expect to receive travel passes, laptops, vouchers for bikes, sports centre passes and art equipment” (Office of Fair Access, 2005). Returning to Veloutsou *et al.* (2005), one of the concerning features of their work is the distinction they draw between promotional (we assume persuasive) material and informational. What is more, promotional messages are likely to be valued by the more naïve students. The risk of exploitation of students, especially those being attracted to universities for the first time, seems self evident in the competitive time facing higher education.

The uncertainty of education, with its outcomes of potentiality and possibilities, makes judgements central and adherence to rules essential. Given that the university ought to encourage wisdom in its own structures and students, we propose a model based on wise practical judgements informed by virtuous practice, not one arrived at by decision making. Practical judgement is not simply a logical analysis or a synthesis but a response to purposeful engagement with a specific context (Dunne, 1999). Moreover, it requires an ability to act appropriately, often in ways that help define a future which may be incomprehensible, incommensurate or just dogmatically blocked by others' ways of being. Such ability sets the practically wise apart from those able merely to make practical judgements without any virtuous character. As Halverson (2004) claims, we are our *phronesis*, in that we cannot separate ourselves from our knowledge and how we use it.

Should marketing practice involve this type of professional behaviour, as Hunt (2007) suggests it might, then exercise of ethical practical judgement is

required. Practical judgement is political as well as moral. It requires the development of enduring relationships between stakeholders to the judgemental decision. It is in this sense that we conceive the modern higher education institution as a multilayered set of stakeholder relationships.

## **The ethical architecture for educational marketing**

Our approach both builds an ethical marketing infrastructure of higher education institutions and eases the ethical tensions of marketing identified by Abela and Murphy (2008). Contextualising many of them within higher education, we suggest that an ethical architecture can be built based on a virtue ethics approach, with *phronesis* at its core. The tensions are between:

- student autonomy and marketing effectiveness (Gibbs, 2007);
- students (and their stakeholder choice) and protection;
- student well-being and revenue growth (Gibbs, 2004);
- academic and administrator satisfaction and short-term profit;
- collaborative relationships (colleges and business) and cost reduction.

The introduction of ethical marketing throughout an institution, and the sector as a whole, requires, we believe, the following infrastructure:

1. professional ethics (see Sirgy *et al.*, 2006);
2. institutional ethical policy statements to include principle and values statements, and institutional credos and codes to set limits around ethical decisions;
3. an ethical culture of collegiality, fairness and student-centredness.

These critical pre-conditions of ethical leadership need to be applied in a holistic way in the marketing of an institution. Findings from Hemsley-Brown and Oplatka's (2006) systematic review suggest that there are four central issues evident in the marketing literature; we will concentrate here on the practical implications of the last three:

- empirical studies identified for the review (methodologies and sampling);
- marketing communications (communicating image and reputation and consumer behaviour issues);
- marketing models (transactional vs. relationship);
- marketing and strategic marketing: segmentation, targeting and positioning.

## **Marketing communications**

The concept of branding is a recent development in higher education and is strongly associated with reputation. Lawlor (2007) suggests that if an

organisation is not a brand then it is simply a commodity, and argues that most educational institutions do not differentiate sufficiently from competitors. The ethics of branding is itself a new area of study, and its application to education thus has little literature to support it. Questions relating to the role of branding include whether branding should be additive to the core product of education or inclusive of the notion. Such issues are critical for leaders to appreciate. In the former, the educational mission of the institution remains paramount whereas, in the second, the demands of the market are embraced into the essence of the organisation. We would see this as unquestionable in the mission of for-profit institutions but more problematic for institutions that take government monies to support, we surmise, the public good.

There has been increased interest in such areas as brand measurement and the form this may take, and this has a direct analogy in the rankings of universities both domestically and globally. The substance and methodology of such ranking might directly affect the form of provision the institutions seek to provide. Universities are setting priorities and allocating resources to academic disciplines and research fields which can help improve their ranking and, because of these effects, not being ranked can mean a university becomes invisible to international PhD students, “world-class” researchers, academic partners, philanthropists and donors.

Indeed, Marginson and Van der Wende (2007) point out in *The Times Higher Education Supplement* that the student internationalisation indicator rewards supplier strategies of volume-building rather than the quality of student demand or the quality of programmes, and that “an HEI’s marketing division is better rewarded than its researchers. This does not square well with the way that higher education is understood in most nations” (2007, p. 312). Marginson and Van de Wende (2007, p. 134) assert that “arguably, however, this is not how most of the world judges universities”. This adds pressure to institutional leaders to seek movement in these rankings and risk compromising their values to ensure good showings. In the United Kingdom the form of the ranking indeed militates against widening participation, for those universities who attract students whose ability may be assured but whose academic credentials are untried; however in so doing they increase the risk of course non-completion because of cultural or economic concerns.

A number of studies (e.g. Maringe, 2005) in educational choice and decision making have shown that institutional reputation is one of the strongest influencers of people. The development of trust in the “brand” is critical to the long-term sustainability of the institution, and ethical managing of the institutions brand builds a continuity of that trust. Oplatka (2002), in a study of Israeli higher education institutions, found a potential dilemma for institutional leaders of low status institutions whose marketing did not match the delivery; he argues for realistic promotion but acknowledges that marketers

of low-status institutions may face a professional dilemma from the need to elevate the institutional image and attract as many students as possible.

At the other end of the market, the prestigious institutions may continue to receive applications from many more students than places are available, and thus many are rejected – but this only serves to improve the reputation and image of that university. In many sectors such a situation would tend to reduce the reputation of that company unless prices were increased to control demand. This is clearly the case in many US universities but yet to be realised fully in the United Kingdom. Such a position of course raises moral issues related to access through pricing. The real cost of US college fees is a case in point, where the average total cost of attending all forms of higher education rose between 5.3% and 5.8% while the consumer price index rose 5.6%. Moreover, grant aid from all sources and federal tax benefits ran to an estimated average of USD 10 200 for private four-year institutions, USD 3 700 for public four-year colleges and universities and USD 2 300 at public two-year colleges.

Table 1. **Total charges at US universities by sector**

| Sector                             | Total charges (tuition plus room and board) |            |            |          |
|------------------------------------|---------------------------------------------|------------|------------|----------|
|                                    | 2008/09                                     | 2007/08    | USD change | % change |
| Public doctorate-granting in-state | USD 15 477                                  | USD 14 623 | USD 854    | 5.8      |
| Public master's in-state           | USD 12 748                                  | USD 12 078 | USD 670    | 5.5      |
| Public baccalaureate in-state      | USD 13 007                                  | USD 12 358 | USD 649    | 5.3      |
| Private doctorate-granting         | USD 41 560                                  | USD 39 498 | USD 2 062  | 5.2      |
| Private master's                   | USD 31 430                                  | USD 29 705 | USD 1 725  | 5.8      |
| Private baccalaureate              | USD 31 229                                  | USD 29 541 | USD 1 688  | 5.7      |

Source: College Board, 2009.

Finally in this section, Brennan and Naidoo (2008) examine the theoretical and empirical literature on higher education's role in relation to social equity and related notions of citizenship, social justice, social cohesion and meritocracy. This might well enhance the level of recruitment to a specific institution, but a single narrative or idea can no longer capture the complex and often contradictory nature of higher education and its relationship with other parts of society. Davies *et al.* (2009) have shown that participation in higher education can, potentially, be increased by reducing the minimum qualifications for entry or by increasing the proportion of qualified but unsure students who choose to participate. This would require a shift from the entitlement model in most universities from a merit based system to an approach more richly based on desert. Davies *et al.* highlight that unsure students approach the decision to participate in higher education differently from those who are sure. These students “gather less information, they are less sure about what they know and

they are more pessimistic about the benefits they will gain from participation” (Davies et al., 2009, p. 202). Their sceptical disposition makes them harder to recruit and more expensive, thus the costs of engaging with this potential group need to be reconsidered in terms of public good and not private return.

### **Marketing models – transactional vs. relationship**

Murphy et al. (2007) reviewed the literature of relationship marketing and its ethical attributes in both Europe and the United States, and their model is founded on the basis of the virtue ethics substantiated for marketing practice. It proposes that an ethical relationship marketing approach has three stages – establishing, sustaining and reinforcing – and that these are paired with specific virtues – trust, commitment and diligence. It is desirable that partners demonstrate these and other facilitating virtues, such as honesty, fairness and reliability, to commit them to the relationship and prove themselves worthy (Audi, 2008). In other words, ethical partners are sought. The ethical issues are complex, for they deal with civic society, distribution of community goods, the privileges of those who gain awards and the very nature of our future world in future generations. This is because they bridge the commercial issues facing an institution and its responsibility for moral leadership, answering the question, “Are there ways in which the benefits of competition can be gained without ethical damage?”.

The approach proposed here examines more closely the notion of virtue ethics, in the sense of their context, by looking at a study of the ethics of marketing higher education (Macfarlane, 2004). Under the rubric of teaching with integrity, Macfarlane (2004, pp. 127-128) advocates practices of “virtues compatible with reflective professionalism. This requires that the exercise of professional judgment, based on core moral virtues and conceived as a central duty to academic life”. We support such a position and expect it to be extended to the marketing of higher education. From Macfarlane’s work we see two major similarities with the relationship marketing approach advocated here. First, a need for professional judgment based on virtue and, secondly, the non-exclusive but prominent virtues of ethical teaching which the Macfarlane study identifies as respectfulness, sensitivity, pride, courage, fairness, openness, restraint and collegiality. Indeed, both require the professional to act with integrity, and this is achieved through a combination of qualities that enable the profession to be practised, and practised ethically. In Murphy et al.’s (2007) paper, the foundational virtues are trust, commitment and diligence, supported by fairness, integrity, respect and empathy, surrounded by transparency. These may apply to all issues facing marketers (Gibbs, 2004).

### **Policies and behaviour, and ethical audits for marketing**

The issues that face institutions and their leaders are signalled in their policies and behaviours. The way in which they articulate their policies denotes how seriously organisations regard their ethical commitments and convey principles over time and space. Policy statements make expectations more concrete and raise ethical consciousness (see, for example, Box 1). They are derived from the company's mission statement and speak of ethics and fairness, integrity, trustworthiness, openness, and responsibility. Most importantly, they need to be promoted and reinforced through the behaviour of *all* the staff. Statements can suggest passion, trust, esteem for one's profession and relentless academic rigour. Based on the five principles set out by Murphy *et al.* (2005, pp. 217-219), policies also need:

- communication, so the entire institution is able to understand and appreciate the statements' importance;
- specificity, to avoid the vagueness that allows exception and confusion;
- pertinence, to foreground the core issues of academic equality, access, academic freedom, and economic social and ethical sustainability;
- enforcement of the principles, so that academic administrators and students understand that sanctions follow any violation of the code;
- regular updating, so that the code is alive and responsive to the environment in which the institution exists or the environment it seeks to create.

An institution's behaviours reflect and create its ethos and its ethical culture, which requires effort from its leaders to show by example what is acceptable – large senior management salaries, bonuses for recruitment targets met and on-campus residences might not chime well with poorly-paid cleaners and junior contracted academics. Changing any institutional culture is a major challenge for an institution's senior management. The management must lead, but must also encourage and enable others to follow. As Murphy *et al.* (2005, p. 223) claim, “the consensus among informed observers is that corporate culture is explicitly linked with ethics, in the sense that cohesive and strong cultures tend to reinforce ethical behaviour”. In an institution of higher education where faculty and administrators may not regard themselves as being part of the same team and where academics may feel greater allegiance to their discipline than their institution, this can be even more problematic.

Part of such an open environment is the development of an ethical audit for marketing. Its purpose is to gauge the ethical health of the marketing function and its activities. It is comprehensive, systematic, independent and periodic. This is never easy and, as Bodkin and Stevenson (2007) have shown, even attempting to effect change in the ethical perceptions of business administration students can be problematic. This, we believe, may return the

**Box 1. Extract from the University of California's  
"Statement of Ethical Values"**

Members of the University of California community are committed to the highest ethical standards in furtherance of our mission of teaching, research and public service. We recognise that we hold the University in trust for the people of the State of California. Our policies, procedures, and standards provide guidance for application of the ethical values stated below in our daily life and work as members of this community.

We are committed to:

**Integrity**

We will conduct ourselves with integrity in our dealings with and on behalf of the University.

**Excellence**

We will conscientiously strive for excellence in our work.

**Accountability**

We will be accountable as individuals and as members of this community for our ethical conduct and for compliance with applicable laws and University policies and directives.

**Respect**

We will respect the rights and dignity of others.

Source: [www.ucop.edu/ucophome/coordrev/policy/Stmt\\_Stds\\_Ethics.pdf](http://www.ucop.edu/ucophome/coordrev/policy/Stmt_Stds_Ethics.pdf).

institutions to the virtues of collegiality, transparency and trust. Together these build an environment where integrity can become the norm (Audi and Murphy, 2006). This cannot be expected to just happen; it grows by means of the virtuous character of the institution's stakeholders, each of whom may require instructions or reminders of what this means for them. Table 2 shows a potential ethical marketing audit checklist.

A systematic restatement and engagement with all aspects of the university's marketing activities to match, support and uphold the values of the institution needs to be undertaken regularly. This is not surveillance, but active democratic assessment and evaluation premised on a common goal. It mirrors the quality academic criteria of the institution and is primarily the responsibility of the senior administrators but the duty of all, and it is unambiguous.

Table 2. **Ethical marketing audit questions**

|                                                                                                                                                 | Yes | No |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| Does the university have an ethical ethos that can prevent misconduct?                                                                          |     |    |
| Do senior administrators report on marketing ethics at board meetings?                                                                          |     |    |
| Is there a system for staff and students to report unethical marketing behaviour?                                                               |     |    |
| Does the university perform an ethics marketing audit?                                                                                          |     |    |
| Are there mechanisms to safeguard all stakeholders from reporting abuses?                                                                       |     |    |
| In recruitment of students, donations and staff systems, are ethical concerns given the same prominence as student numbers and financial goals? |     |    |

Source: Based on *Ethical Marketing* (Murphy et al., 2005).

## Conclusions

In this paper we have tried to highlight both the benefits of higher educational marketing and issues where leaders of the sector must show moral leadership. Marketing is a potent tool for university leaders: it can encourage, widen and deepen participation; but it can also confuse and lack substance. We have tried to demonstrate in this paper that the use of marketing ought to enrich and enhance the institution's brand through representing fairly its ethos and its academic, competitive and ethical ways of being, for and with its stakeholders.

Much has to be done, we think, to problematise the notion of marketing of higher education, for confusing the use of marketing in education to satisfy consumer need rather than the mission of the educational institution can miss the essential nature of education. We hope this paper raises some of the issues and provides a direction towards how the ethical issues associated with marketing might be better managed by institutional leaders.

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## **The Secondary Markets of Higher Education: A Canadian Context**

by

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*Viewed through a market paradigm, universities can appear as the aggregation of numerous and varied markets. While universities' primary markets focus on teaching and research, they are active in many other markets, most of which support and contribute to their smooth, effective and efficient operation.*

*Using financial and real estate markets as examples, the purpose of this article is to articulate some details that further validate the deepening complexity of the modern multiversity and to help clarify the extent to which market-like activities have infiltrated the institution, creating opportunities and posing threats. The cultural impact of the trend towards marketisation increases the need to protect the academic core of the academy.*

## **Les marchés secondaires de l'enseignement supérieur : un contexte canadien**

*par*

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*Vues à travers le paradigme du marché, les universités peuvent ressembler à un agrégat de marchés nombreux et différents. Bien que leurs marchés principaux se concentrent sur l'enseignement et la recherche, elles sont actives sur bien d'autres marchés dont la plupart est essentiel ou nécessaire à leur bon fonctionnement.*

*En reprenant des exemples des marchés de l'immobilier et de la finance, cet article se propose d'articuler certains détails démontrant la complexité croissante de la multidiversité moderne et apporte également un éclairage sur la façon dont les activités du marché ont infiltré l'université, ces phénomènes étant générateurs d'opportunités comme de menaces. L'impact culturel de la tendance portant vers la marchandisation accroît la nécessité de développer le corps enseignant de l'institution.*

## Introduction

It is important to track the degree, and the increases in the degree, of operational complexity that has mirrored the transformation of universities into multiversities (Kerr, 1982). Virtually every significant decision made on the university campus of 2009 is considered, at least in part, for its financial and market implications. Indeed, involvement in markets appears to have infiltrated the academy so deeply that it should be seen as culturally embedded. As a result, examining universities through a market paradigm is required to understand one of the underlying decision-making motivators. In addition, institutions of higher education can never be completely understood, either internally or in terms of their full contribution to the economy, without this focus.

The markets in which universities are involved, but which are not directly either teaching or research, could be called the secondary markets of higher education. There are two sets of secondary markets. The first set includes activities which universities choose whether, or to the extent, that they will be involved. In contrast, universities are forced to operate in the second set of markets, namely, the financial and real estate markets. In essence, the second set of markets enables the primary pursuits of universities since they would not be able to function without this engagement, even while the participation in these markets is entirely outside the day-to-day operation of either teaching or research. It is also of value to note that many of the issues that arise within the second set of markets are common to universities across North America.

If concern regarding the affordability of university continues (Spellings Report, 2006) and the current economic climate persists, the resulting deceleration in revenue growth will compound the chronic struggle for revenue. Pressure on financial operations, including more in-depth reviews of leverageable and risk-prone assets and practices, is bound to intensify. Massy (1990, 1996) suggests that declining income is likely to force more universities to revert to market-like behaviours. The professionalisation of university management (Geiger and Sá, 2008) may, on one hand, reflect a trend and, on the other hand, actually be accelerating university market-like behaviours. If universities are going to be increasingly involved in market activities, there is an even more compelling reason to thoroughly understand the potential impact. In such an environment, administrators and faculty alike must increase their vigilance to protect the academic core (Clark, 1983) of the academy.

There are at least two important reasons for exploring the second set of markets, the real estate and financial markets, in the context of university involvement. The first reason is to more completely understand the underlying activities that enable the intellectual pursuits of North America's universities, including exposing some of the potential risk to the institution's ability to carry on normal operations. The range of involvement is far too broad to explore every nuance. As a result, only certain aspects of market activities are described in an effort to expose the overall nature of engagement and its potential impact.

Secondly, it is important to more completely understand the economic impact of universities. Knowledge transfer through graduates, publications and intellectual property pursuits is most often cited as the primary contribution (Geiger, 2006). Being a high wage employer and being a consumer of all sorts of goods and services are also cited as sources of economic contribution. Qualitative arguments forwarded by Florida (2005) open the door to an even fuller recognition of universities as economic contributors from a cultural perspective (creativity being a cultural attribute). Yet, categories of contributions that encompass the degree to which a university enhances local property values, or serves as a catalyst for wealth creation enabled by the investment of universities' vast capital pools, are rarely recognised. From a higher education perspective, few, if any, studies have been published about these components of the economic contribution of higher education. Yet its scale is massive.

The purpose of this paper is to raise new questions about the long-term stability of our higher education institutions and society's return on investment in higher education.

## **Financial markets**

Universities could not operate in today's environment without sophisticated investment management capabilities. They are involved directly, through professional managers and through funds of funds, in virtually every type of investment vehicle that exists (National Association of College and University Business Officers, 2009; Canadian Association of University Business Officers, 2009). Between operational cash requirements, endowments and pension funds, universities are custodians of large pools of capital and, therefore, are significant principals in the investment community. In 2006, the total value of endowments held by colleges and universities in the United States was nearly USD 300 billion (The Center for Measuring University Performance, 2006). Table 1 shows that the amounts at stake are not less significant in the Canadian context.

The Yale University endowment became a standard business school case when it grew, partly by being the leading university to significantly overweight

**Table 1. The value of various asset classes at two universities in Canada**

In CAD millions

|                                          | Cash<br>and equivalent | Pension fund assets<br>(at market) | Endowment assets<br>(at market) |
|------------------------------------------|------------------------|------------------------------------|---------------------------------|
| York University (on 31 March 2007)       | 162.0                  | 1 423.9                            | 265.8                           |
| University of Toronto (on 31 March 2008) | 555.7                  | 2 903.8                            | 1 754.8                         |

Source: York University, 2007; University of Toronto, 2008.

in private equity, from about USD 1 billion to over USD 10 billion in the 15 years ending in 2000 (Lerner and Hardymon, 2002). At the end of 2007, Yale's endowment was valued at an astounding USD 18 billion.

The size of an institution's endowment can have a dramatic effect on its operations. According to its agreement with Yale University, the Yale Endowment releases funds to the university each year. From 1985 to 2000, the annual payment grew from USD 50 million to almost USD 400 million, which equated to nearly 30% of the university's 2000 operating budget (Yale University, 2001). Furthermore, the funds that a university receives from its endowment can be used with far greater discretion than the funds it receives from most other sources. As such, and even though Yale is an exemplar of the importance of shrewd investing, on any scale, endowment funds allow universities to pursue their missions in a less restricted manner.

A different scenario, in which a university becomes reliant on regular annually growing disbursements from its endowment, is also notable. In Canada, the current economic circumstance is forcing the restriction or elimination of endowment disbursements at some universities which, when combined with other consequences of the downturn, is contributing to substantial operational adjustments (Tamburri, 2008).

In respect of pension fund management, actuarial services are employed to guide investment strategy within the regulations that govern acceptable risk profiles for pensions. Even within these regulations, the risks associated with pension fund investing are significant for universities. In the case of defined benefit plans, a university might have to dip into its own financial reserves if the investing activity that supports the pension fund does not perform up to expectations, or if an unexpected rash of retirements draws down on the pension asset reserves. The consequence for the richest universities is small. For example, Columbia University has four separate pension plans. In one of its defined plans, benefit asset requirements totalled USD 162 million in 2007, yet the fair market value of this plan's assets was only USD 121 million. This required Columbia University to increase its pension asset reserve for this plan by USD 41 million of which USD 1.1 million was set aside in the current period (Columbia University, 2007a). In the scope

of its operations, the current period addition to its pension fund reserves is a relatively minor non-cash adjustment.

In more financially vulnerable institutions, the risks associated with pension management are substantial because setting aside required reserves can impact on a university's ability to incur indebtedness or even on its ability to meet existing debt covenants. Given that the average level of total liabilities as a proportion of total assets at Ontario universities was between 50% and 60% in 2006 (Ryerson University, 2008b) and when this reality is viewed in conjunction with disclosures of their sources and use of cash, there is strong evidence that virtually all universities in Ontario use debt to fund current operations to some degree. As a consequence, any impairment to a university's ability to incur indebtedness can adversely affect operations.

The Expendable Resources to Debt Ratio is Moody's model of university creditworthiness and provides some insight into a university's ability to carry debt. In the case of the University of British Columbia, if the ratio created by the sum of the value of unrestricted operating assets plus the value of internally restricted reserves plus the value of discretionary endowments all divided by the value of the annual cost of debt servicing is greater than one, then it has met its target (University of British Columbia, 2008a). The Expendable Resources to Debt Ratio, as with many other credit assessment measurements, is always viewed in relation to the macroeconomic environment and the institution's current operating trends. A low or eroding Expendable Resources to Debt Ratio may cause Moody's to lower the credit rating of a university, a warning to lenders who may restrict lines of credit and increase interest rates. A widening deficit between a university's pension fund obligation and the fund's fair market value affects the ability to attract debt because it erodes the Expendable Resources to Debt Ratio.

Wilfred Laurier University is a case in point. Based on its 2008 audited financial statements, Laurier's total liabilities as a proportion of total assets were 87.4%, far higher than the Ontario average (Wilfred Laurier University, 2008). Its Expendable Resources to Debt Ratio was -0.53.\* Obviously, this is quite a bit less than the University of British Columbia's target of one. To make matters worse, in 2008, Laurier slipped from operating surpluses to deficits, and since 30 April 2008, the date of its most recent audited financial statement, the economic downturn has most likely eroded the value of most

\* The Expendable Resources to Debt Ratio = (the value of unrestricted operating assets + the value of internally restricted reserves + the value of discretionary endowment) ÷ the value of the annual cost of debt servicing. Note that debt servicing is equal to the sum of interest payments and scheduled retirement of debt principal. In the case of Wilfred Laurier University, the Expendable Resources to Debt Ratio =  $(-73\,010 + 17\,500 + 50\,792) \div (7\,650 + 155 + 890 + 267) = -4\,718/8\,962 = -0.53$ .

assets, including pension funds, endowments and collateralised real estate. On 29 January 2009, the university acknowledged that it was, “facing significant financial challenges and the potential of job loss...” (Wilfred Laurier University, 2009, p. 1).

Another financial market in which many universities are engaged is the asset-backed commercial paper market (ABCP). This is important to universities in the United States because they use these instruments to replace a large proportion of student originated revenue. Universities engage in the securitisation of student loans and other payments to improve their cash flow, to reduce the cost of administering the collection of monies payable by students to the university and to improve student access by providing them with flexible payment plans. First Marblehead is one of the larger securitising agents of student loans and insurers of student securitisation instruments. In the first quarter of 2005 alone, First Marblehead processed 375 000 loan applications representing 4 400 schools and distributed more than USD 1 billion worth of loans to investor clients (First Marblehead, 2005).

Despite its widespread use in the United States, no Canadian universities engage in the securitisation of student payments as a method of reducing financial barriers to access. Canadian universities’ participation in the ABCP market has been primarily in the form of investment vehicles for pension assets, endowment assets and other investments. Concern regarding the value of these investments triggered the University of Calgary to state, “The liquidity crisis in the Canadian market for ABCP has had no significant impact on the University’s liquidity or cash needs” (University of Calgary, 2008, p. 50). A review of statements made by some universities suggests that their exposure to these highly impaired assets was not as benign as was the University of Calgary’s.

Whether macroeconomic circumstances are good or bad, university operations are directly, and in some cases dramatically, affected by the results of investing in activities of relatively few people. Few other markets in higher education have such far-reaching potential impact.

## **Real estate ownership and management**

To say that universities own and manage real estate is an obvious understatement. In spite of their location (whether in urban centres or rural areas), the number of properties owned or under management, the area of enclosed and open spaces, the caliber of the buildings, and the large proportion that this asset class represents of total assets (see Table 2), it is requisite to explore this aspect of university market activity.

A review of the balance sheets of 40 research-intensive universities in Canada and the United States indicates that the probable market value or replacement cost of their buildings is not reflected thereon. The issue is not

Table 2. **Balance sheet values of university buildings**

|                       | Buildings, at book value,<br>as a percent of total assets | Buildings, at book value,<br>per square foot (gross) | Buildings, at original cost,<br>per square foot (gross) |
|-----------------------|-----------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------|
| University of Alberta | 34.4                                                      | CAD 90.58                                            | CAD 141.29                                              |
| McGill University     | 29.2                                                      | CAD 84.10                                            | CAD 112.22                                              |
| University of Toronto | 26.1                                                      | CAD 60.71                                            | CAD 95.52                                               |

Source: University of Alberta, 2008; McGill University, 2008; University of Toronto, 2006, 2008.

only that the original cost or net book value of these institutions' building is undervalued as compared with market values or replacement costs, but also the considerable extent of the undervaluation and inconsistent valuations across institutions. Perhaps because of the great age of the university buildings examined, the balance sheet values of this asset class does not provide a realistic view of the true richness of these institutions. Furthermore, given the relatively low debt levels leveraged against these assets, and that many of these institutions self-insure, there is no obvious method of understanding the value of capital employed, at least from an opportunity cost perspective, in the provision of higher education in North America.

In the private sector, under-utilised assets would not remain so for long. Maximising return on investment is the fiduciary obligation of those responsible. Given the pressure on universities to operate with greater efficiency, it seems reasonable to question whether all assets supporting higher education are being fully utilised. To be more clear about the direction that such an investigation might take, high rates of capacity utilisation of physical plant do not necessarily mean that the entire value captured in the physical plant is being fully exploited to support the primary mission.

Columbia University is not an atypical example of an urban campus. On Columbia's 2007 balance sheet, Land and the depreciated value of Buildings and Building Improvements were valued at USD 160 million and USD 1.61 billion respectively for a total of USD 1.77 billion. These assets are hypothecated against 28 separate bonds and mortgages totalling USD 1.2 billion of debt (Columbia University, 2007a). These large amounts have to be considered in the context that the university owns more than 246 buildings that include more than 7 300 residential apartments and 13 million square feet of enclosed space in Manhattan, New York City (Columbia University, 2007b). Based on recent advertisements in the *New York Times* (The New York Times, 2008), prices paid for 500 square foot apartments in the Upper West Side of Manhattan exceeded USD 500 000. At that amount, the residences alone would be worth USD 3.6 billion, far exceeding the book value of Columbia's entire real estate portfolio. Market values are increasing in importance because, as accounting standards in both Canada and the United States converge with International

Accounting Standard Board rules for financial statement purposes, market values will be the value determinant used for purposes that include the revaluation of existing assets (Financial Accounting Standards Board, 2008; Accounting Standards Board, 2009).

A less urban example is the University of Florida, which is centred in Gainesville, Florida, a city of 258 000. The University of Florida is comprised of 980 buildings encompassing about 16.9 million square feet of residential, educational and general use space spread over 2 000 acres of land (University of Florida, 2008). The first building was built in 1906 and the average age of the buildings, based on the date of their original completion, is 25 years. Nearly one-third of the square footage was completed since 1990, making the university's facilities relatively young.

According to its 2006 annual report (University of Florida, 2006), the University of Florida valued its land at USD 10.9 million, an amount which may or may not reflect its full value. The University of Florida's balance sheet shows the original cost of its buildings was USD 1.5 billion and the depreciated value was USD 899.2 million. Normally, the younger buildings would comprise a disproportionately large part of the cost value of the buildings and attract the greatest amount of depreciation. Given the high proportion of the university's built space that is relatively young, it is likely that the replacement cost of most of its older buildings (comprising about two-thirds of its enclosed space) is not reflected on its balance sheet. This makes determining the replacement cost or market value of these buildings difficult. Further confounding a more complete understanding of the value of these buildings is that the university's publicly available self-insurance records do not disclose the value of insured buildings. Since the university does not actually have a cash reserve that underpins its self insurance, questions arise about the university's real potential to leverage debt, about a more realistic estimate of the return on investment in education being realised at the University of Florida and in comparison with other universities, and about the potential impact on the university's financial stability in the event that one or more of its buildings sustains major damage.

As with Columbia University and the University of Florida, the market value or replacement cost of buildings at some Canadian universities is not reflected on their balance sheets or is hidden within self insurance records. It may be that the age of the buildings and a lack of appropriate re-investment, as evidenced by large deferred maintenance backlogs, are factors contributing to this condition. Table 2 shows the book value of the buildings for three universities, as a per cent of total assets and on a per square foot basis. The original cost per square foot is also displayed. Note that the older the average age of a university's buildings, the less likely it is that the original cost or the book value represents replacement cost or market value.

If replacement cost, which is useful for insurance purposes and which is an amount that is likely to more closely approach market values, was used as an efficiency benchmark, then establishing this value could inform other measurements. However, these data may not be readily available or may not be current. For example, in 2006 the University of Toronto listed the replacement cost of its buildings at CAD 2.8 billion or about CAD 151 per square foot (University of Toronto, 2006). Based on the data displayed in Table 2, this amount is only CAD 10 per square foot larger than the University of Alberta's original cost of CAD 141 per square foot and substantially smaller than the University of British Columbia's original cost of CAD 259 per square foot (University of British Columbia, 2008b). Another comparison of institutional construction costs is the University Health Network's MaRS expansion. In 2004, a 400 000 square foot "shelled-in building" was expected to cost CAD 100 million or CAD 250 per square foot. Finishes could cost another CAD 100 per square foot (University Health Network, 2004). One can only wonder what the real replacement cost of university infrastructure might be or what society's true opportunity costs are of university education. At some point in the coming years, attempting to determine the market value of these assets may be a requirement under evolving accounting standards. However, at this time, it is far from clear what methodology would be used to make such a determination.

Another possible consequence of the apparent systemic undervaluation of the real estate portfolios of higher education institutions in North America is that there might appear, as compared with other economic sectors, to be disproportionately high maintenance costs in relation to the book value of these assets. This invites speculation about whether this situation is adversely affecting the level of funding provided for property maintenance in publicly funded universities, a factor that might be contributing to the deferred maintenance backlog that was estimated to be USD 26 billion in 1995 in the United States and CAD 5.1 billion in Canada in 2008 (Singer and Johnson, 2001; Association of Universities and Colleges of Canada, 2009). As earlier noted, efficiency measures that consider the value of capital assets in their calculations could produce inaccurate indicators if those assets were undervalued or inconsistently valued (Getz and Siegfried, 2004). The credit ratings assigned to universities by third-party credit rating services, such as Moody's, are also being influenced by the real estate undervaluation phenomenon (Fitzgerald and Richman, 2002).

A more complete view of the value of an institution's buildings and the extent of the afore-discussed undervaluation are often limited by the buildings' specific use which, in the case of universities, spans a broad variety including housing and food service, sports stadiums, classrooms, laboratories, and even experimental nuclear power plants. The dynamism of universities

can result in the premature wasting of these assets or “depreciation by obsolescence” (Lang, 2008). This is a phenomenon that occurs when the occupant of a specialised building is a programme that changes, moves or is discontinued, resulting in the premises being vacated before their useful life is complete. The University of Toronto’s Dunlap Observatory fits into this category. In still other cases, many university buildings are considered national heritage treasures that cannot be significantly altered, and some lands, often magnificently manicured park-like settings, might be zoned as permanent green spaces. Asset valuations established using standard commercial techniques should be tempered by these factors.

Long-term control of operating facilities is important to universities, and new types of financing arrangements are continually emerging to help them realise this goal (Pereira, 2005). It should be further noted that universities are also active in this market as buyers and sellers, and as tenants and landlords of real estate.

Even though only one aspect of university involvement in the real estate market has been explored, they are clearly very large participants. In addition, they exhibit highly sophisticated behaviours in their management of this crucial asset. As recipients of public funds, whether they originate from states, provinces or federal governments, universities are obligated to demonstrate increasing levels of efficiency. In simple terms, this means more and higher quality education and research output for the amount of capital employed. The question arises as to whether the value of capital employed should be based on existing accounting conventions or reliant on some other valuation method. For example, accounting methods may be appropriate for tax calculations, replacement costs may be useful for cross-institutional comparisons and establishing maintenance requirements, and market values may be useful in determining opportunity costs. As universities move in the direction of corporate-style governance and management (Geiger and Sá, 2008) and as new accounting standards accelerate the adoption of new valuation conventions, the questions raised need to be considered with great urgency.

## Overview of the markets of higher education

Universities in North America are commonly portrayed as operating in market environments (Dill, 1997; Feller, 2000; Geiger, 2004; Johnes, 1997; Leslie and Johnson, 1974; Massy, 1990; Tornatzky, 2005; Zemsky, Wegner and Massy, 2005). It was Teixeira, Jongbloed, Dill and Amaral who, in 2004, suggested that universities could be seen as the aggregation of many markets, some of which are distinct from each other, and others which overlap. Given these descriptive trends, it seems valid to examine universities in a market oriented paradigm.

The primary markets in which universities function are those that are most directly related to their mission – teaching and research. Some of the

markets that comprise the research function include the market for highly accomplished researchers, and the market for research funding, publications and doctoral students, all of which, arguably, are part of the competition for prestige (Brewer, Gates and Goldman, 2002; Garvin, 1980). The teaching function is comprised mainly of the market for faculty and the market for students.

In addition to teaching and research, universities in North America are engaged in many other markets, most of which directly or indirectly support the delivery of their primary missions. The level of a university's participation in these tertiary markets varies widely, depending on various factors: the size and nature of the market, how long the university has been active in the market, and the importance of the activity to the institution. That market activity has infiltrated deeply into many aspects of the academy was well enunciated in Levy's recent essay review (2006) of five current books on the topic of markets and higher education. In some markets in which universities are active, there may already be a general perception about the scale and impact of institutional participation, in other cases the specifics of institutional involvement may be quite clearly understood, and in still other instances, many members of the higher education community may not even realise that universities are engaged in these activities. The secondary markets of higher education can be described as those in which universities are engaged, but which would not usually be categorised as directly the teaching or research markets. They can be divided into two distinct sets of markets.

The first set of secondary markets in which many universities are active are those related to intellectual property, such as research commercialisation efforts and university press subsidiaries. Universities are also heavily engaged as service providers in areas that include clinical trials such as drug testing and institutional consulting. Perhaps the largest operation that could be included in the service provider category, from the perspectives of the number of university employees involved and the quantum of money estimated to be generated, is faculty consulting (Boyer and Lewis, 1985).

Corporate sponsorships, which are pervasive in universities, can also be included in the first set of markets. For some universities in the United States, varsity sports are, when measured by revenue generation, the largest category of corporate sponsorship, even while the impact on most campuses is mixed (Bok, 2003; Wilgoren, 2001). The scale of revenue generated by varsity sports is exemplified by the USD 3 billion paid for the exclusive television rights for the Southeastern Conference of the National College Athletic Association's football games (Barnhart, 2008).

A second set of secondary markets in which universities are engaged includes real estate and financial markets. There are important attributes that differentiate the first and second set of markets. One of the most important

differentiators is that universities would find it virtually impossible to support their teaching and research missions without being engaged in the second set of markets. In comparison, universities take great care as they decide whether, or to the extent, to be involved in intellectual property related activities, as a service provider, and in the solicitation of corporate sponsorships, collectively referred to as the first set of markets. While virtually every university in North America is engaged in financial markets (which include, but are not limited to, operational cash management, management of vast pools of capital that reside in pensions and endowments, and debt markets including student loan markets), and in real estate markets, the extent of university involvement in the first set of markets is highly variable between institutions. The aforementioned sports market typifies this variability in universities in the United States, while in Canada, varsity sports represent a comparatively minor activity (Bergsgard *et al.*, 2007). Among Canadian and US universities, involvement in intellectual property efforts (such as research commercialisation) and service provision (including clinical trials and industry sponsored research) is also uneven across institutions and, to some extent, is programme and research-intensity related. The factors that most influence the second set of markets include institutional size, age, location and basic employee demographics.

Another factor that differentiates the first and second sets of markets is the degree to which decision-making is centralised in universities in respect of whether to be involved, and of who is involved in the activity on behalf of the institution and in proportion to a university's assets that are put at risk as a result of the activity. When viewed through this lens, decision making in the second set of markets is highly centralised. In comparison, the number of people in the university who are directly involved in first set of markets is substantially greater than the number of people involved in the second set.

For example, at McGill University's Department of Oncology, the typical approval process for a clinical trial involves the principal investigator or investigators, the department head, the Clinical Research Program's administrative staff, the university's research administrative office and at least one ethics review by the McGill Institutional Review Board (McGill University, 2009). In addition, the operation of such a trial involves an even wider circle of people that includes physicians, nurses, pharmacists, data safety monitoring, administration, students and many others. Failure of a trial to produce the desired result, or even failure of a trial as a result of an operational breakdown, may indeed have a detrimental affect on the Principal Investigator's ability to win approvals for future trials, but is not likely to have a material adverse impact on the university overall. As of January 2009, the Department of Oncology at McGill University alone had 82 active clinical trials (McGill University, 2009). In another example, it is estimated that up to one-third of all tenured and tenure track

faculty are engaged in some form of consulting, a business in which the decision to participate may be guided by policy and institutional culture, but actually rests in the hands of individual faculty members. Little direct financial benefits accrue to the university (Boyer and Lewis, 1985).

In stark contrast, policy formation, decision making, operational execution and oversight of the management of a university's pension fund assets rests with only a handful of people, even though hundreds of millions of dollars are involved and where poor decisions can have widespread impacts. To put the scale of this responsibility into perspective, as of March 2006, pension fund assets at Dalhousie University were CAD 663 million and were CAD 763 million in April 2008 at Ryerson University. A small mistake, or even bad luck, can have a potentially dramatic impact on the universities' fiscal capability (Dalhousie University, 2006; Ryerson University, 2008a).

Universities are active in a wide variety of markets that are secondary to their primary mission. The real estate and financial markets enable universities to function, add great complexity to their operations, concentrate institutional risk, and mask a more complete view of the economic contribution that North American universities make.

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# **Allocating Time Resources for Research between Academic Staff: The Case of Norwegian University Colleges**

by

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*The purpose of this article is to explore how time resources for research are allocated among academic staff members in institutions where research qualifications differ much between individuals. Norwegian university colleges are used as a case. These resources, which can be regarded as scarce goods, are of two kinds: the share of working hours that can be used for research, and definitive periods during which one is free to dedicate work hours to research. Of the many factors to consider when allocating scarce resources between individuals, the article distinguishes between the following: a) type of good; b) decision-making levels; c) size of the good; d) circle of recipients; e) allocation principles; f) allocation criteria; and g) allocation procedures. The article concludes that the allocation of time resources for research among individual staff members is to a large extent made up of compromises between different allocation principles, allocation criteria and allocation procedures, and can be understood only in reference to the historical and social context of each institution and its various departments.*

## **L'affectation des ressources temporelles pour la recherche entre membres du personnel enseignant : le cas des instituts universitaires norvégiens**

*par*

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Cet article analyse la méthode d'affectation des ressources temporelles entre les différents chercheurs dans les établissements où ceux-ci ont des degrés de qualification différents. Ce rapport est illustré par l'étude de cas des instituts universitaires norvégiens. Ces ressources temporelles, que l'on peut considérer comme des ressources rares, sont de deux types : elles peuvent tout aussi bien désigner la répartition des heures de travail utilisables pour la recherche que des périodes déterminées durant lesquelles l'individu est libre de consacrer son temps à la recherche. De tous les facteurs dont il faut tenir compte, lorsqu'il s'agit de répartir des ressources rares entre plusieurs individus, l'article distingue les différents aspects du processus de décision : a) le type de bien ; b) les niveaux de prise de décision ; c) la taille du bien ; d) le groupe de destinataires ; e) les principes d'affectation ; f) les critères d'affectation ; et g) les procédures d'affectation. L'article parvient à la conclusion que l'affectation des ressources temporelles pour la recherche au sein d'une équipe est, dans une large mesure, faite de compromis entre différents principes, critères et procédures, et ne peut être comprise qu'à la lumière du contexte historique et social d'un établissement et des départements qui le composent.

## Introduction

How do higher education institutions allocate time resources for research among their academic staff when the resources available are less than needs and demands, and when research qualifications vary considerably between staff members? This issue does not seem to have been examined systematically in the literature on higher education. There is, however, some scattered evidence that workload allocation practices in general vary much between and within higher education institutions (Altbach and Boyer, 1996; Enders and de Weert, 2004; Hazelkorn, 2005; Barrett and Barrett, 2007). Taking into consideration that academic staff time is the most important resource available for research, more knowledge about allocation principles, allocation criteria and allocation procedures should be used as a basis for reflection on how resources are and should be distributed within individual institutions. This is particularly needed in higher education institutions with large individual differences in research qualifications, where scarcity of resources for research exposes the need for setting priorities.

When talking about time resources for research, I refer to: a) the share of working hours in an academic position which can be used for research and related activities; and b) the definitive periods during which one is free to dedicate work hours to research, in this article named “research period”. A common characteristic of these two types of resources is that they are scarce goods, and the actual allocations will be of great importance for the research outcome of institutions as well as for individual careers. Institutions wanting to enhance their research capacity and the output of invested time for research should formulate a strategy for distributing these resources among staff members, and ensure it is implemented. With regard to individual careers, research output ranks first as the basis for promotion and salary increase. Even if all staff members do not have the necessary qualifications or the desire to engage in research, time allocated to such activity means a lighter teaching load and the possibility to increase one's competence. Time for research can therefore be regarded as a sought-after good for the vast majority of academic staff.

In this article, Norwegian university colleges are used as a model to explore how scarce resources are distributed. Although allocation policies and allocation practices in these colleges constitute a special case, the analytical framework and the empirical analysis should, however, be of general interest beyond this context.

The Norwegian university colleges are comprehensive multi-faculty institutions providing study programmes primarily at a bachelor level in teacher training, engineering, health and social studies, economics and administration, information and communication technology, as well as courses in many university disciplines. Most colleges also offer master's degrees in a selection of programmes, and some colleges have introduced PhD programmes (Kyvik, 2008a). Since 1995, the colleges have the same academic career system as the universities; operating with the ranks of full professor, associate professor, senior lecturer and lecturer. In addition, a substantial share of the college staff are college teachers (staff who do not hold a master's degree). The numbers of full and associate professors are however much lower in the colleges than in the universities and have less resources available for research. In these respects, the university colleges can be regarded as the Norwegian counterpart to the former polytechnics in the United Kingdom.

Information on institutional distribution policy was compiled through examining the relevant documents at each of 22 colleges (Kyvik, 2008b), while information on the outcome of the allocations in terms of individual time spent on research was compiled through a mail survey in 2006 to all academic staff in permanent positions (Larsen and Kyvik, 2006).

As a basis for the analysis, I have applied an analytical framework strongly inspired by Elster (1992), who has explored different ways of allocating a good that is too scarce to satiate the needs or wishes of all potential recipients. He confines his enquiry to those cases where the allocation takes place at a local institutional level and the recipients are individuals. His examples include among others the allocation of kindergarten places, admission into study programmes and the allocation of medical scarce resources like organ transplantation. Although these are very different goods, many of the dilemmas, principles, criteria and procedures regarding the selection of recipients are similar. In this respect, I have benefited also from the work of Eckhoff (1974) on the distributional justice of scarce goods.

## **The allocation of time resources for research**

The allocation of time resources for research among academic staff members involves many actors and different issues. For analytical purposes, we can distinguish between the following aspects of the allocation process: a) type of good; b) decision-making levels; c) size of the good; d) circle of recipients; e) allocation principles; f) allocation criteria; and g) allocation procedures.

### **Type of good**

In general, a scarce good can be indivisible or be split up into bigger or smaller parts. A good is indivisible when it cannot be divided among recipients without completely losing its value. An example of the former type

would be the allocation of organs to patients in need of a transplant, while water would be an example of a commodity that can be dealt sparingly between many recipients.

As indicated above, time resources for research may be allocated in two different ways; as a share of individual working hours, or as the allocation of definite periods during which one is free to dedicate work hours to research. The difference between these two types of good is that individual research time is a divisible good that in principle can be allocated to all members of staff. In contrast, research periods are a much less divisible good. In principle, all resources for research can be distributed as a stipend or a sabbatical according to competition between staff, or they can be distributed as a fixed percentage of individual working hours. In these respects, the policy of individual colleges varies: some colleges distribute a considerably larger share of the total time resources in the form of research periods than do other institutions.

### ***Decision-making levels***

In analysing local allocation of public funds, it is important to consider the relationship between the various decision-making levels. Elster (1992) distinguishes between three levels: first-order decision-makers refer to political authorities, second-order actors to institutional distributors and third-order actors to potential recipients of a good. The allocation of a scarce good within the framework of an institution may be constrained by state guidelines within which the institution must operate. Usually, such guidelines are rather general and may easily conflict with each other because the government maintains that the institutions consider a number of different objectives when allocating their resources. This often gives considerable leeway to individual institutions for interpreting guidelines and actual allocation policy. Moreover, authorities, distributors and recipients often disagree on how scarce goods should be allocated. Political first-order actors tend to give priority to efficiency concerns, second-order actors are influenced by norms of equity in addition to efficiency, while third-order actors are typically led by self-interest: "They lobby, bargain, or vote for principles that favour the subgroup of potential recipients to which they belong. In doing so, they may appeal to considerations of equity and efficiency, but the correspondence with their self-interest is rarely accidental" (Elster, 1992, p. 182). Second-order or institutional actors are thus under cross-pressure from third-order as well as first-order ones. In addition, individual institutions must usually align themselves with the way rival institutions handle the allocation of similar goods, for instance to prevent key staff from resigning.

In Norway, the Ministry of Education and Research has stated that it is up to the colleges to determine the distribution of time resources for research among individual staff members, but in accordance with certain constraints laid down by the ministry (Kyvik, 2008b). There are large variations among the colleges

pertaining to the organisational level where decisions on individual allocations of research time and grants are made: the institutional level, the faculty level or the department level. Some colleges have issued relatively detailed guidelines on how time resources should be distributed among individual staff members. Others have formulated relatively general recommendations, while the actual allocations take place at the faculty level or the department level, and many colleges have completely left it to the various faculties or departments to decide on individual allocations. The examination of allocation policies indicate the following tendency: The more heterogeneous the colleges are in terms of study programmes (professional *versus* academic) and the wider their geographic spread (network colleges *versus* co-localised institutions), the lower in the organisation are decisions made on individual allocations.

### **Size of the good**

A scarce good is not necessarily a fixed definite quantity but can be an object of negotiation. An example is the proportion of its budget a company decides to allocate to paying its employees' wages. However, the scope of institutional apportionment is not restricted to local issues but is also influenced by central guidelines, for example when the framework for local salary settlements is determined through negotiations at national level.

In Norway, it is up to the colleges themselves to decide how big a share of their total resources can be used for research as opposed to teaching, within the framework set by governmental guidelines. In 2002, the colleges were asked to indicate the share of working hours academic staff on average should use for research and development. This request revealed large differences in institutional policy among individual colleges, varying between 20% and 40% (Kyvik and Smeby, 2002). A survey among academic staff members in 2006 showed, however, that only three of the colleges had reached this target. The mean percentage of working hours for research as reported by the staff varied between 11% and 32% in the individual colleges (Larsen and Kyvik, 2006). Differences between colleges can be explained partly as an outcome of strategically considering the amount of resources that should be used for research *versus* teaching, partly as a consequence of the study programmes provided and their different research traditions, and partly as the result of differences in research qualifications of staff members.

### **Circle of recipients**

When allocating a scarce good, one should consider the pool of potential recipients and how it is delimited. To some extent, this might be regulated by state authorities, by institutional policy, or by agreements between the institution and the trade unions. However, there is usually leeway for developing institutional policy beyond such regulations and agreements.

In the large majority of colleges, all academic staff members are in principle given time for research (except college teachers who do not hold a master's degree). However, this does not mean that they all use the time for this activity. In the 2006 survey, about 80% reported that they had spent time on research. There were, however, large differences between study programmes. In a few colleges, college teachers also can apply for research time. In most colleges, only academic staff holding a master's degree or a PhD benefit from research periods, but some colleges allocate special stipends to college teachers who want to earn a master's degree.

### **Allocation principles**

In theory, scarce goods can be allocated among individuals without any guidelines or principles whatsoever. However, modern institutions are usually held accountable for their practices, and actual allocations are usually based on certain principles (Elster, 1992). Which principles are applied usually depends on the rationale behind the apportionment.

In our case, we can distinguish between two main types of allocation principles: firstly, according to *strategic objectives* related to national or institutional research policy and, secondly, based on *practical considerations* aimed at simplifying the decision-making process. The fewer and the less ambiguous the chosen criteria are, the faster and less resource-demanding the decision-making process will be (Eckhoff, 1974). But the choice of allocation criteria is also influenced by considerations on *distributional justice* (Elster, 1992). Justification according to acceptable norms is especially important in local processes where the results of the allocations are visible to all potential recipients. But such considerations of fairness are, of course, not an explicitly formulated allocation principle.

### **Allocation criteria**

Based on studies dedicated to the allocation of scarce resources in general (Eckhoff, 1974; Elster, 1992) and to the allocation of time-resources for research specifically (Kyvik and Smeby, 2002; Kyvik, 2008b), I have distinguished between six different allocation criteria which might be motivated by either: a) *strategic objectives*: expected quality of research, expected relevance of research and development of research competence; or b) *practical considerations*: equally to each, earned entitlements and recipients' status.

### **Expected quality of research**

The Norwegian Ministry of Education and Research has stressed that higher education institutions should put more emphasis on quality judgements when allocating time resources for research among academic

staff. This strategic principle is based on how good or poor potential recipients are in their capacity to make the best of the resources they are assigned (Eckhoff, 1974). Thus, when allocating resources to research, the qualifications of staff and their capacity to deliver good quality come as natural criteria. Generally, a biased allocation of resources is more easily accepted when it is evident that certain persons would be able to benefit far more from these resources than others, or would employ them far more effectively (Elster, 1992). At the Norwegian university colleges (apart from one), this criterion is not explicitly mentioned in the strategy documents in respect to allocating working hours for research. With regard to the allocation of research periods, in most colleges the quality of the research proposal is the prime criterion in assessing applications, but the quality of former research activity is also emphasised by many colleges.

### ***Expected relevance of research***

The relevance of the research is another strategic allocation principle. State authorities have formulated three principal objectives for research in university colleges: research should contribute to regional development, to better teaching and education of students, and to improved professional practice. The relevance of research does not, however, constitute an explicit criterion in allocating work hours for research, though faculties that base their allocations on applications take it into consideration. With respect to research periods in general, the relevance criterion is much less valued than the expected quality of research, but some colleges state that relevance should count as much as quality in the assessment of applications.

### ***Development of research competence***

In general, research qualifications of college staff are low, and there are large differences in research skills between individual staff members. The ministry subsequently has recommended that the colleges enhance the research competence of their academic staff. Also from the point of view of the institution, it is strategically important to increase its research expertise, for example by giving staff the opportunity to qualify for a doctoral degree. However, relatively few colleges have explicitly mentioned the need to enhance research qualifications as a criterion for allocating working hours for research. In contrast, the main purpose of allocations of research periods is to enhance the research qualifications of the recipients to a doctoral level or to qualify for a higher academic position, and many institutions stress that development of research competence is the major allocation criterion.

### ***Equally to each***

This is the prevailing method of distribution of research time in Norwegian universities, and is the only criterion that does not consider individual properties of the potential recipients. Were this principle to be applied in the colleges, all academic staff would be allocated equal amounts of their total working hours to dedicate to research. The trade unions argue that it should also hold for the colleges. However, the ministry has stated that equal distribution of time resources for research should not be used as an allocation criterion in the colleges. Still, this criterion may very well be applied informally in individual departments. An equal apportionment can be justified on the basis of fairness considerations, but the decision to allocate a good equally may also be the result of a compromise and a way to avoid conflicts (Eckhoff, 1974). Moreover, this type of distribution can be justified by purely practical reasons, such as the desire to minimise time and resources on the actual allocations.

### ***Recipients' status***

The status of an individual can serve as a basis for differential treatment in allocation processes. By status is meant easily perceptible features in a person such as academic rank and gender. In the allocation of resources for research, academic rank is principally relevant as a criterion, but gender considerations may also apply to increase the number of women in those positions where they are underrepresented. However, rank as an allocation principle is far less controversial than gender, since academic rank reflects previous research merits, which constitutes an accepted allocation criterion in academia. Allocation according to rank can be justified by fairness considerations and practical assessments. For instance, one can reasonably argue that it is fair for a professor to be allocated a larger share of research time than a lecturer, because professors have proved themselves more deserving of it through their previous research achievements. In addition, the graduation of time resources according to rank is a practical allocation method which is easy to put into effect. However, giving all professors an equal share of their working hours for research irrespective of how good and relevant their research is for the institution might conflict with strategic objectives.

At the university colleges, academic rank is the most commonly used criterion in the distribution of working hours for research. Most colleges have established norms for how large a share of their time staff in different positions can spend on research. However, these norms vary between colleges as indicated by the following examples: At one college, full professors may spend 40% of their time on research, associate professors and senior lecturers 30%, and lecturers 20%. At another college, full professors and

associate professors may use 45% and senior lecturers and lecturers 25%. At a third college, professors, associate professors and senior lecturers may use 35% of their time and lecturers 30%. Thus, in the latter case, the allocation criterion is close to *equally to each*. The survey among academic staff confirms that rank is important in relation to research time. Full professors spent on average 31% of their time for research and development, associate professors and senior lecturers 26%, and lecturers 17% (Larsen and Kyvik, 2006). Status in some instances counts as a criterion also with respect to allocation of research periods, like when an associate professor applies for a stipend to qualify as a full professor, or a lecturer applies for a stipend to qualify as a senior lecturer. Also gender may count, in particular at those colleges and faculties with few women holding a PhD or a professor position.

### ***Earned entitlements***

This allocation criterion is usually applied with an incentive system. It arises in cases where the recipients show themselves deserving the good on the basis of previous contributions or achievements. In the case of the Norwegian university colleges, the granting of a sabbatical year to academic managers at the end of their term as rectors, deans or department heads to conduct research has been mentioned by the Ministry of Education and Research as a criterion that might be employed in allocating time resources for research in the colleges, and most colleges allocate time resources for this purpose.

This outline of allocation criteria shows that some of the constraints laid down by the ministry are obviously in conflict with each other. Allocations aimed at enhancing research skills might easily conflict with quality demands, relevance criteria might contradict quality criteria, and discriminate allocations based on recipients' academic status might contradict with the needs for developing research qualifications of staff on the lower steps of the career ladder. Hence, the diversity of allocation criteria have to be balanced in order to attend to all of them, and the colleges have considerable leeway in their local interpretation of central guidelines. Thus, the examination of rules and guidelines for the distribution of time resources for research reveals that colleges employ several different criteria. This is because colleges may wish to achieve several objectives, but also because weaknesses may lie in each individual criterion.

## **Allocation procedures**

There is a wide range of issues associated with actual allocation procedures that the individual institution has to take into consideration. In general, the issue of whether allocations should be based on *fixed standards* or *discretion* is particularly important. If the allocation procedure is based on

discretion, one has to consider whether information should be gathered about the potential recipients and, if so, what sort of information. In addition, one has to consider whether the allocation should proceed on the basis of individual applications, or on some other basis.

In our case, the procedures used in distributing working hours for research vary greatly between colleges and often also between faculties within individual institutions. We may distinguish analytically between allocating research time based on: a) fixed standards; b) applications, according to discretion; and c) negotiated working agreements with individual staff members on annual workload distribution. However, in reality, a blend of these procedures is often practiced. There are also examples of colleges where the various faculties employ different allocation procedures: fixed standards, applications and individual negotiation of working agreements.

## Conclusion

As a basis for this analysis, I have assumed that the actual allocation of resources for research in Norwegian university colleges among staff members is the outcome of complex processes. State authorities issue certain guidelines which the colleges interpret and employ, while staff members seek to promote their own interests based on different assessments of which allocation criteria to apply, usually taking fairness into consideration. Furthermore, the colleges must take into account the costs involved in using alternative allocation procedures. For instance, it is less time consuming and more cost effective to allocate research resources on the basis of standardised procedures rather than carrying out individual assessments based on peer review.

As shown, the distribution of time resources for research should meet several different criteria. State guidelines are first and foremost directed towards strategic purposes, like the quality and relevance of research and the enhancement of research competence. Furthermore, the distributors should consider the status of staff members as well as take into account the research qualifications of individuals. But practical and fairness principles should also be addressed. Thus, most colleges want their senior academic staff to benefit from research conditions that are similar to those of their university colleagues for *strategic reasons* (to recruit and retain competent staff), for *practical reasons* (to avoid time-consuming assessment of individual staff members) and for *reasons of fairness* (professors should have the same conditions irrespective of institutional affiliation).

Furthermore, examining strategy documents reveals large differences between individual colleges in allocating working hours for research as well as research periods. This pertains to size of the good, circle of recipients, allocation criteria and allocation procedures (Kyvik, 2008b).

A central theoretical aspect concerning the distribution of scarce goods is that there is usually a relationship between the type of good, allocation principles, allocation criteria and allocation procedures (Eckhoff, 1974; Elster, 1992). Thus, allocating research periods is dealt with differently than distributing individual shares of working hours for research. While the share of work time for research is normally allocated in accordance with preset regulations, or as part of the annual working agreements with individual staff members on workload distribution, research periods are allocated upon application. This relationship is presented in Table 1.

**Table 1. The relationship between allocation principles, allocation criteria, type of good and allocation procedures**

| Allocation principles | Allocation criteria    | Type of good       |                 | Allocation procedures |
|-----------------------|------------------------|--------------------|-----------------|-----------------------|
|                       |                        | Share of work time | Research period |                       |
| Strategic reasons     | Quality                |                    | X               | Discretion            |
|                       | Relevance              |                    | X               |                       |
|                       | Competence development | X                  | X               |                       |
| Practical reasons     | Equal shares           | X                  |                 | Fixed standards       |
|                       | Recipients' status     | X                  |                 |                       |
|                       | Earned entitlements    |                    | X               |                       |
| Reasons of fairness   | Blend of criteria      | X                  | X               | Negotiation           |

An important lesson from this study is that strategic and practical allocation principles need to be complemented by principles of fairness in order to properly allocate research time. Academic staff may object to allocation criteria based on strategic principles and argue that it is unfair not to allocate research time evenly. However, disagreement may still persist over what is fair. It can, for instance, be argued that even allocation is not fair because it does not take into account the different needs of the potential recipients. Staff members with little research experience will, for example, need more time to write a paper than an experienced colleague. Fairness arguments can also be used to legitimate particular interests (Elster, 1992). The demands of individual groups or staff members and strategically motivated arguments will often not prevail if others are not convinced that they are indeed fair. The use of such arguments might of course be a rationalisation of self-interest of groups and individuals, but fairness as an informal and implicit allocation principle is nevertheless of importance.

In conclusion, there are many factors to consider when scarce resources are allocated between individuals, because different strategic objectives entail allocation dilemmas. How should, for example, criteria of quality and relevance of research be balanced? What would be the marginal utility for the

institution of allocating time and resources to highly competent researchers *versus* to people who need to raise their qualifications? Is it fair that high ranking staff receive more resources for research than their lower ranking colleagues – a distribution process that can be described as an aspect of the “Matthew effect” in science (Merton, 1968), i.e. that to those who have shall be given in abundance? Elster (1992) has noted that actual allocation systems can virtually never be reduced to a single principle. They rely instead on several criteria or mechanisms, combined in some way or other.

In addition, this study indicates that it is often unclear which criteria have been used in a local distribution of time resources, even in cases where criteria are explicitly given in formal strategy documents. Thus, the allocation of time resources for research among individual staff members is to a large extent made up of compromises between different allocation principles, allocation criteria and allocation procedures, and can be understood only by reference to the historical and social context of each institution and its various departments. All parties involved in an allocation process should consider strategic, practical and fair principles. Strategically motivated distribution criteria are often met with objections arising from fairness or practicality considerations, while fairness arguments may in turn be countered by strategic and/or practical ones. An allocation criterion that satisfies strategic, practical and fairness principles therefore has a stronger likelihood of being used than a criterion based on only one of these considerations. Such compromises can result in ineffective solutions with regard to the outcome of the allocations in relation to overall objectives, and can strongly limit rationality in allocation processes.

A final observation is that it may be easier to allocate research resources according to strategic goals if the resources are distributed on an institutional level, while fairness considerations are likely to be more influential at faculty and department level due to closer collegial ties between distributors and recipients.

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