Welcome to the 3rd plenary session on “Values, ethics, governance, and internal management.”

Before giving the word to the two panellists – Professor David Watson of University of London, and Ilkka Niiniluoto, Rector at University of Helsinki – I shall say a few words about the theme of this session.

Using my experience from the private sector as a CEO and board member/chairman and as Chairman of the Board at the Copenhagen Business School, I shall discuss some points of similarity and difference between the use of values and ethics in managing private companies and public universities.

**Background: structure of governance at Danish universities**

The point of departure will be recent developments in the Danish public university world, where a novel structure of governance, inspired by the private sector, has recently been introduced.

With the intent to strengthen the resolution and drive of the universities and to enhance their interaction with the surrounding society, the Danish Parliament passed a new University Act in May 2003. The aim was to ensure more transparency, academic autonomy and the freedom to lay out the internal organisation at the university.

Furthermore, the collegiate tradition of many centuries was formally replaced by a system where Heads of Department, Deans and the President are appointed among applicants instead of elected by their peers.

One of the most fundamental changes brought on by the new Act was the introduction of University Boards with an external majority and an external Chair and Vice-Chair. The students, the academic and non-academic staff are represented on the board by elected members.

Initially, the entrance of people from the outside world into the top management of the universities was met with scepticism from the university world. Today, however, it must be concluded that this construction has worked better than expected.

The major challenge facing the external members of the boards has been to manoeuvre in the university environment and culture while, at the same time, making extensive use of their experience from the business world, NGOs or public enterprises.
Values and ethics

The concepts “Value Based Management” and “Corporate Social Responsibility” have featured prominently in the public debate in many countries during the last decade. Are these concepts relevant and applicable at the universities? And how – if at all – does the university context call for a different approach from that of the business community and society at large?

One key difference between public universities and private companies relates to the top management’s possibility of using values to position the organisation nationally and internationally.

In private companies the top management can legitimately expect that the set of values they define as guidelines for the company should be respected by all employees: “When in Rome do as the Romans do”. A definite set of values can thereby be used in branding the company.

At the universities, in contrast, the researchers legitimately reserve the right to hold their own set of values. That, of course, is essential to the freedom of research. The top management can remain fairly certain that far from all employees will follow their set of values, should they venture to define such a set: at the university there exist as many sets of values as there are professors. In consequence, it becomes difficult for the top management to create a value-based brand for the university beyond the brand open to all universities: “Here everything can be said”.

Likewise with regard to the students: to the extent that they respect the universities’ regulations, the only barrier to entering and remaining in the university is scholarly qualifications (and in some countries funding, but that is another matter, which I shall not deal with here). Ultimately, students can act in sharp conflict with the value set of the top management, they can be criminals, they can damage the university’s image and brand publicly, etc. Nevertheless, the (public) university is obliged to accept them as students.

The university never acts as one body and never speaks with one tongue. In contrast to employees in private companies, faculty and students at universities always have the freedom to disagree with the set of values and ethical norms of the top management, and to do so publicly.

Does this mean that the lessons from the private sector with respect to values and ethics cannot be utilized in the governance and management of universities at all? The Danish experience shows that it can, just at another level.

Governance

In June 2003 the Danish Minister of Science, Technology and Innovation set up a committee – “University Governance in Denmark” – inspired by another committee (“the Nørby Committee”), which had formulated recommendations for good management of private companies. Lars Nørby Johansen, who had chaired the “Nørby Committee”, was also made chairman of the university committee. The task of the university committee was to study the experiences of boards in Denmark and abroad in order to present a set of recommendations as inspiration to the new boards.

The committee defined a number of basic values that they believed university boards should be founded on:

- Independence
- Openness
- Efficiency and quality
The committee’s work resulted in 21 recommendations to the members of the new university boards. Key elements are:

- To assume the overall responsibility of the university
- To ensure interaction with external stakeholders
- To ensure staff and student participation
- To promote openness – i.e. transparency and responsiveness

In defining this set of values, clearly the committee was inspired by good practices in private sector boards.

In turning these recommendations into practice, however, the boards have faced a number of challenges, posed by the universities’ special space of manoeuvring.

One set of challenges has to do with the complex and, to some extent, conflicting interests of the stakeholders. The demand for efficiency in the governance of the university, for instance, regularly clash with the demand for openness: how to deal effectively with delicate matters at board meetings if these meetings, as was originally demanded, must be held in public, and hence invite members to engage in “political” games with the public as audience?

Another set of challenges has to do with the political context: though the new Danish University Act promised greater autonomy to the universities, still the boards’ responsibilities are not matched by their rights. In general, the boards do not possess the necessary freedom from the political world to entirely assume the overall responsibility of the universities. In comparison to the unified governance of private companies, this blurring of responsibilities easily undermines the board’s possibility of efficient governance.

**Internal management**

Turning our gaze to the internal management, there seems to be no one organizational model or structure as backbone of the university. On one hand there is a formal structure of a semi-permanent nature reflecting a more traditional hierarchical approach. This structure covers the formal decision making processes and procedures concerning budgets, programme administration, strategy, etc. However, side by side with this a dynamic network organisation exists reflecting the faculty’s professional values and current interests. Decision making in this structure is based on collegiate debate, an accommodating culture and a never ending search for “the truth”.

The challenge for the university management – and not least for the university board – is to find ways to manage the university in compliance with external demands for efficiency, effectiveness, accountability, etc. and, at the same time, ensure a high level of internal debate and involvement of students and staff.

At present, the challenges facing university managers in Denmark have been accentuated by an ongoing project aiming at reducing the number of public universities from twelve to five or six by the beginning of 2007. The goal is to prepare the universities for increased international competition by utilising synergies between presently dispersed research communities. In order to take advantage of the mergers, however, university managers must find efficient ways to manage the merged universities, while at the same time facilitating communication and co-operation between researchers with different backgrounds.
Concluding remarks

Looking at the university from the outside with a background in the business world is like looking into an entirely different world. In contrast to the unified governance, based on one set of values, in the private companies, at the universities a much more blurred structure of governance exists.

No simple answer can be found to the question, “who ‘owns’ the universities?” A complex of stakeholders – from the public, the politicians, the Ministry, over the board and managers to the academic and administrative staff and students – all have a legitimate right to view the university as “theirs”. Consequently, though the board and top management may define a clear set of values and an ethical base for the governance of the university, for both political and cultural reasons they do not have any clear mandate to put it into effect throughout the organisation.

1. The composition of the committee, its terms of reference and recommendations are available in English at http://videnskabsministeriet.dk/site/forside/publikationer/2004/anbefalinger-for-god-universitetsledelse-i-danmark/recommentilweb.pdf