# Democratisation or management and corporate capture?

## Theses on the governance crisis of Australia's semi-privatised public universities

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This paper proceeds from the view that managerial capture has already become a fundamental problem after a couple of decades of largely untrammelled managerialism in our public universities, and that this problem is likely to be compounded by further shifts towards deregulation and de facto privatisation, which is the direction that current federal government policy is trying to take in the higher education sector. Greater managerial capture and greater susceptibility to steering by corporate interests promote greater diversion from the public good missions of public universities and increasingly dysfunctional internal governance with grave consequences for workplace culture. The paper argues that a counter-movement to democratise public universities is overdue.

*Keywords: university governance, managerialism, management capture, democratisation*

## Vice-Chancellor as CEO-Dictator

Defenders of the managerialist status quo in Australian universities might argue that the current regime has been remarkably successful. Despite chronic funding constraints, Australian universities continue to perform very strongly on international league tables, whatever the methodological shortcomings of these may be, and continue to attract the international students who help to pay the bills. However, in part, performance on international rankings tables reflects universities' increasing shifting of resources to activities that are counted by these exercises (at the expense of other areas). University performance has also been on the back of high staff workloads and a highly casualised teaching workforce, with approximately half of the undergraduate teaching in universities being done by casual teachers.

There are, however, clear indications of the weaknesses of the current top-down managerialist model. In recent years (2011-2015), vice-chancellors at two universities have had to resign after coming under investigation by state anti-corruption commissions. At another university, two successive chancellors with business backgrounds have come under investigation by the relevant state anti-corruption watchdog, and one former chancellor has since been found to have acted corruptly (Independent Commission Against Corruption, New South Wales, 2014; Hare & Lane, 2014). Limited transparency in governance and a culture in which staff feel unable to say 'no' to a vice-chancellor have been factors that contribute to facilitating ethical breaches. This problem is not unique to Australia. Benjamin Ginsberg (2011) cites a string of scandals in the United States involving corruption, insider deals, and

academic fraud and plagiarism which, in his view, have been made possible at least in part by weak oversight on the part of boards of trustees of universities.

The existence of top-down hierarchical structures and an aggressively managerialist culture have also produced markedly sub-optimal workplace cultures in universities. Large-scale surveys periodically conducted by universities have indicated as much, despite the limitations of the survey instruments used. While staff feel a commitment to the work they carry out and a high regard for the calibre of their colleagues, there is a widespread disconnect felt by them with the university as a corporate structure. One could speak of a growing split between the university conceived of as a community of scholars, comprising staff and students, and the capital-U University as a corporate enterprise. Surveys of workplace culture also reveal a high degree of competitiveness, accompanied by behaviours of aggression on the one hand and passivity and avoidance on the other, conservatism and conformity, and sub-optimal levels of constructive and cooperative behaviour. Demonstrating this, findings of a 2012 survey of over 4,300 staff members at the University of Queensland (response rate 57 per cent) included statements such as:

> [the University]'s culture was also repeatedly described as akin to a feudal system: those with power and influence thrive, while others curry favour to get ahead or keep their heads down to maintain their security. […] Power, playing politics and nepotism causes significant unhappiness and unrest within workplaces. Staff comment that the power dynamic also stifles ideas, as people are either afraid of being seen to rock the boat […]. (Nous Group, 2013, p. 17).

Individual interviews with staff members identified 'a strong theme of mistrust and fear' (Nous Group, 2013, p. 12). These survey results reflect hierarchical and authoritarian structures and cultures that not only have a negative human impact on the people within the institutions, but are clearly sub-optimal ways to manage the teams of highly gifted employees that make up universities' staff. The Nous Group workplace culture survey of University of Queensland states: 'Research identifies a positive correlation between predominantly constructive operating cultures and organisational outcomes' (Nous Group, 2013, p. 9), while identifying a lack of a constructive and cooperative workplace culture at that university.

Another clear indication of the failure of Australian universities' current governance model was the spectacular failure of nearly all Australian vice-chancellors to defend public higher education in the face of the Liberal-National Coalition Government's efforts to introduce a radical approach to domestic fee deregulation, coupled with stringent public funding cuts, in 2014-15 (and possibly beyond, as the issue is still unresolved and some form of deregulation is still government policy at the time of writing). This failure to defend public higher education against radical marketisation and deregulation would result in astronomical debt burdens for students who already pay substantial fees by the standards of most OECD countries' public university systems. This is all the more glaring in the light of the fact that the 'demand-driven system' of higher education enrolments has created a much higher participation rate in the Australian university system than it enjoyed previously, and thereby has created a much enlarged popular constituency for the defence of public higher education. Any strategic advantage that this enlarged constituency might have conferred on the higher education system in lobbying for better government funding was nullified by vice-chancellors' unseemly scramble for a slice of higher domestic student fees, at the expense of future generations of students. A situation in which the overwhelming majority of vice-chancellors, and their peak lobby group, the hubristically and misleadingly named Universities Australia (formerly, and more accurately, called the Australian Vice-Chancellors' Committee) effectively lobbied for a 20 per cent cut in Commonwealth grants, and cuts to the public funding of the Research Training Scheme, in return for permission to charge uncapped fees to domestic undergraduate students, represented a betrayal of public higher education by the managerial elite which has gained control of universities.

## Universities susceptible to management capture

Management capture has been identified in management literature for some decades now as a constant threat to good corporate governance (foundational texts here include Burnham, 1966 [1941] and Berle and Means, 1968 [1932]). The interests of a management elite in the short-term are not necessarily identical with the long-term interests of an enterprise (Chambers & Crowley, 2003).

Effects of management capture include: concentration of resources at the upper managerial level, often at the expense of operational levels, an increasing gap in remuneration between the top managers of an organisation and the average employee, and an increasing tendency towards hierarchical and exploitative management practices.

In the case of Australian universities, we have seen the growth of vice-chancellors' salaries to the point where

salary packages in excess of $1 million are not uncommon (Forsyth, 2014, p. 125; *The Australian*, 2015). In the 1970s and 1980s, before the 'Dawkins revolution', Vice-Chancellors at the University of Queensland received no more than 150 per cent of a full professorial salary (Queensland State Archives 2009, p. 10). The remuneration packages of Australian vice-chancellors are conspicuously in excess of those received by their counterparts at leading United States or British universities, although as British universities become more corporatised, with higher student fees, there are signs of an executive salary breakout there as well.

The rising managerial caste has continually augmented its ranks in a process of management bloat. Where a university might once have had a vice-chancellor and a deputy vice-chancellor, executive groups of ten or more (like that of the current University of Queensland) are not uncommon, with a vice-chancellor (also titled president), and a senior deputy vice-chancellor (or provost) surrounded by a penumbra of deputy vice-chancellors and pro-vice-chancellors, all with their own administrative entourages (see Forsyth, 2014). Deans are now assisted by numbers of associate deans or sub-deans, and deputy associate deans (or 'deanlings' or 'deanlets', as one American critic of the managerial university has called them) (Ginsberg, 2011, p. 11). Full-time heads of school are supported by senior staff whose administrative duties take up an increasing share of their time and workload allocations. The proliferation of managerial positions is creating a separate management career path for academics; instead of senior management roles being the culmination of a distinguished scholarly career, there is now a separate managerial track in which the financial rewards as well as access to internal power and influence are typically significantly larger than they are for academics who continue to devote themselves primarily to teaching and research.

## Deregulation or de facto privatisation?

An aspect of deregulation that received relatively little attention in the debates over the Coalition Government's deregulation bills in 2014-15, compared with the understandable emphasis on the highly negative effects it would have on future generations of students (or aspiring students) in a material way, is the implications of deregulation for university governance. If public funding were to diminish further, the corollary would be a diminished capacity for governments to hold universities accountable for realising their public good objectives.

Indeed, such public good commitments would be likely to be submerged in the drive for revenue maximisation at the expense of students. In the late 1990s, Marginson and Considine (2000, p.20) pointed to a 'paradox' in neo-liberal higher education policy in Australia, by which policies of deregulation and marketisation led to greater 'head-to-head competition' between universities and greater responsiveness to 'market signals' (or pseudo-markets), at the same time as increasing encroachment on the autonomy of individual universities. Federal governments have continued to maintain a 'national system' of higher education, ensuring standard pricing for courses for domestic students, as well as a common standards framework, and using funding levers to procure compliance with the policy objectives of the government of the day. It is foreseeable, however, that if federal funding were to further decrease, and universities gained greater independence as competitive actors in a capitalist higher education market, including setting their own prices for domestic students, the claims and capacity of governments to oblige universities to act as part of a public system of higher education would necessarily diminish.

Arms-length autonomy from governments in their internal affairs is essential for universities, but in a democracy some level of accountability is essential for universities that were founded at public expense, provided with public land, and funded for decades largely at public expense. Managerial elites in universities have essentially ceased to be accountable to internal constituencies of staff and students, as indicated by the reduction of numbers of staff members and students on governing bodies, and the weakening of the role of Academic Boards in internal governance. They still have some degree of accountability to elected governments, but this would be radically attenuated in a deregulated system.

## Capacity of outside senate members

Vice-chancellors are in effect only accountable to the governing senates or councils of their institutions (nomenclature varies; in the following I will use the term 'senate'). Under the national governance protocols to which Australian universities have had to adhere for a decade now, a majority of members of these bodies must be external to the university (not current staff or students) and there must be sufficient members with expertise in business and finance. Given the extent and complexity of the finances of universities, few would question the need for some council members to have business and finance expertise, and for such members to sit on a university

senate's Finance Committee. For example, the University of Queensland now has an annual budget in the order of $1.8 billion. Nevertheless, some such expertise exists within the ranks of university staff, and participation by more university staff on the finance committee would be conducive to greater transparency of university budgets, which can be very opaque.

Within governing bodies, a key dimension of management capture within universities is the control of the flow of information. The capacity of university managements to limit the information received by senates is not to be underestimated. University managements are also able to exercise influence over the recruitment of external senators, by forwarding nominations to state governments for the government appointments (technically, appointments by the 'Governor in Council'), and in some cases by exercising an influence on the selection of external senators co-opted by the existing senate.

There is some discussion in management literature about the desirability of having sufficient sector-specific expertise on boards of directors. For example, recent commentary on the travails of the Australian retail sector identified a relative lack of non-executive directors with 'hands-on' experience of the retail sector as one relevant problem (Mitchell, 2015). The same might hold a fortiori for the higher education sector, where outside members of governing bodies might have generic expertise in reading balance sheets and budgets, and a sense of the business side of an organisation, but might be quite unfamiliar with the intangibles of what constitutes success in the core business of teaching and research at a university. Furthermore, the influence or control exercised by university managements over senate members and membership, mentioned above, exposes governing bodies to the problems experienced in the corporate sphere where 'endogenously chosen boards' offer inadequate checks on CEO power (Hermalin & Weisbach, 1998).

## Senates and sector-specific knowledge and expertise

Currently, there are too few student and staff elected members of senates. These are sometimes subjected to specious allegations of conflict of interest (Roberts, 2016). There is also a tendency for sensitive matters such

as executive appointments and finance planning to be hived off into smaller committees. These report outcomes to the plenum of the senate, which consequently has little capacity for input. As an example, until ca. 2005, the National Tertiary Education Union (NTEU) Branch President at the University of Queensland was an ex officio member of the Senate Finance Committee. This ceased when the university complied with the Howard Liberal National Coalition Government's 'National Governance Protocols', and there was no provision made thereafter for elected staff representation on the senate finance committee. This resulted in a loss of transparency in the financial affairs of the university. Staff and student representatives tend to be excluded from these inner groups, with the result that the majority of senators may have little or no meaningful input into decisions such as the selection of the next vice-chancellor. Indeed, it would not be inaccurate to state that the majority of University of Queensland senators had no meaningful input into the appointment of the last two vice-chancellors.

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Following the reduction in size of most university governing bodies that resulted from the National Governance Protocols in 2004 and separate state legislation in Victoria, there is currently a second-wave push, apparently driven by some conservative chancellors, to shrink governing bodies further, so that they more closely resemble Australian corporate boards of governance. This is likely to result in senates that have less broad community representation than some have had in the past, as well as putting further pressure on a small number of internal senators to convey to other senators knowledge specific to the institution that might be a check on what is otherwise the virtual management monopoly of information.

## Universities and corporate influence

There is currently too little transparency in university budgets and in governance at the top level. To illustrate this lack of transparency: several years ago, the Academic Board of the University of Queensland, with over 120 members, of whom about 40 are elected, used to receive the same 40-page booklet of budget papers which the Senate received. The Senate also received other papers as well. By contrast, there was no budget briefing for Academic Board in 2015 and the budget briefing in 2014 was derisory in its lack of information. Members were

only told the projected EBITA (earnings before interest, taxes, and amortisation) figure for 2014 and the actual for 2013, but not the total revenue or expenditure. Staff members of a university have to wait until the appendices of the annual reports are tabled in the following year to get an accurate picture of the university's finances at the institution-wide level. On top of this, these audited accounts do not give details of the complex internal distribution of funding with its different taxes and transfers vertically and horizontally within a university. Thus it is difficult for staff to get a clear idea of the university's financial state, and external senators have little idea of the impact of changes in budgets on the level of operating units within the university.

The absence of financial transparency and the lack of transparency of governance at the top, with small senates meeting in camera, result in conditions where influence might be exerted behind the scenes. Relatively small amounts of money can be attractive to cash-strapped institutions. While large universities dispose of very considerable amounts of revenue, around 60 per cent of it tends to be committed to staffing, and much of the rest is tied up in capital maintenance, overheads, and recurrent costs. Consequently, relatively small sums can entice vice-chancellors to engage in behaviour that might have negative effects on a university's reputation among the scholarly community internationally. This was dramatically illustrated by the Abbott-led Liberal - National Coalition Government's attempt to induce a university to host a research centre on the economics of climate change which has a track record of alignment with corporate interests opposed to reduction of fossil fuel consumption. Two vice-chancellors expressed interest in lending their institution's name to such a centre.

Elsewhere, the provision of philanthropic or private funding for a specific research initiative has seen vice-chancellors 'leveraging' matching funding from elsewhere in the budget to secure the outside funding. While universities have derived positive benefits from such arrangements, they illustrate the capacity for 'leverage' both ways between funding partners and universities.

Cases where members of universities' governing bodies have come into direct conflicts of interest through their activities on university senates are rare as far as we know, and there are generally protocols in place for direct conflicts to be disclosed. Of wider concern, however, is the cultural influence such senators may exercise as senates increasingly resemble corporate boards, and elected members with an intimate knowledge of higher education in general and the university in particular

form a dwindling and often isolated minority. The value orientation imported from the world of private industry that can take hold at the top level of a university may not be in accord with the core function of the university, which, as Raewyn Connell reminded us in her keynote address (2015), is the advancement of knowledge and its transmission and sharing.

It is worth noting that there has never been any kind of ethical screening of the corporate backgrounds of external senators. Universities accept no money from tobacco companies for the compelling reason that this would make them ineligible for any funding from the National Health and Medical Research Council, but there is little evidence that universities exercise much ethical discrimination in other corporate relationships. It would be possible to draw up a sizable list of university senators in recent years who have come from corporations involved in ethically questionable industries (e.g. Armaments, asbestos, gambling) or from companies with ethically questionable records of conduct (e.g. bribery scandals, aggressive tax minimisation). This is not to impugn the probity of individual representatives or directors of these companies or their willingness in good faith to contribute to the governance of a university, but the cultural influence of such corporate backgrounds on the culture of university governance and management is largely under-examined. It should be noted that there is analogous work on 'regulator capture' by corporate interests and their representatives, and related conflict of interest (e.g. Nestle, 2013). The role of informal networks in the 'big end of town' or within a city's establishment elite is inherently difficult for outsiders to document or analyse, but small governing bodies are likely to be highly susceptible to insider influence through such networks.

## The point is to change it

What avenues exist to democratise universities? Raewyn Connell (2015) reminds us that there was never a golden age of collegial, democratic governance in our universities. For much of their history, Australian universities were oligarchical, patriarchal, and extremely hierarchical, even feudal. 'God professors' ruled, and the gods were white, male, and often from privileged backgrounds.

Following the rapid expansion of higher education in the 1960s, in Australia as across most Western countries, and the rise of New Left student movements challenging traditional hierarchies and undemocratic structures, some openings appeared within the older formations in the academy for more democratic participation by staff

and students, and for more collegial decision-making by a broader spectrum of academics. Clearly, some of the experiments at direct democracy in universities in the 1970s demonstrated that very open models of direct democracy were not sustainable (D'Avigdor, 2015), even if they did play an important role at the time in advancing curriculum reform and opening up closed and hierarchical structures to a degree of wider participation by a broader spectrum of staff and students.

The Dawkins reforms of the late 1980s democratised access to higher education and diminished the status hierarchies of the binary system of higher education, but they also instigated more managerialist governance and management structures and practices to overcome institutional resistance to change and to act as a proxy for government (Forsyth, 2014). As noted above, the push towards deregulation and increased acculturation of governing bodies towards the norms and values of private industry are leading to an increasingly attenuated sense of public accountability and increasing convergence with the culture and value of capitalist enterprises.

A reform of university governance in the direction of greater democracy will not be easy, as neither university managers nor governments wedded to private sector management practice as a norm have any incentive to empower potential sources of resistance to authoritarian managerialism.

There are several potential avenues for organising democratic resistance to authoritarian managerialism. Universities retain academic boards and other residual organs of academic self-government, which tend to be dominated by appointed managers, but which still include elected staff members. There should be more purposive organisation of elected staff members on these bodies to challenge the continuing trend towards more top-down managerialism. There are usually objectively good and rational grounds for preserving and extending vestiges of collegial participation in decision-making not least being harnessing the expertise of the many highly qualified employees more directly engaged in the core work of the university than the current managerial cohort.

During the 1990s, with the onset of managerialism, the modest elements of collegial and democratic decision-making that existed in discipline-based departments were removed, and departments themselves were replaced by larger administrative entities subject to line-management. The negative findings of university workplace culture surveys, as well as the more advanced thinking on the successful management of groups of highly skilled and qualified people, provide grounds for reform of the grass-roots organisational levels of the universities. These should be reformed to restore collegial and participatory democratic elements at the level of the school or small organisational unit.

There needs to be greater education of relevant stakeholders and policy-makers in alternative modes of governance. The unexamined assumption that the current mode of Australian corporate governance constitutes 'world's best practice' should be challenged by publicising alternative models available internationally. Of interest is the German model of co-determination at the supervisory board level of large enterprises. Such a board is a non-executive entity with oversight of the board of management. While there are criticisms of such attempts at greater economic democracy, the model of a senate constituting a supervisory board with 50 per cent staff representation deserves careful consideration. It would not be hard to find staff supervisory board members better qualified in the field of higher education than most current external senators, and the greater level of sector- and institution-specific knowledge that such a cohort could bring to bear would provide a more effective check on the negative consequences of management capture than current arrangements. Fifty per cent external membership of the supervisory boards could ensure the necessary financial and business expertise is available to the institution, as well as allowing for some broader community representation to help ensure a university is meeting its commitments to the public good.

There are also examples of elected rectors (vice-chancellors) in highly regarded universities (e.g. in Sweden, Free University of Berlin) which provide for more collegial and democratic internal governance. We need to keep questioning and challenging what the French call 'la pensée unique' – neo-liberal orthodoxy. Alternative ideas are available. If universities are not to be increasingly estranged from their core mission of advancing and transmitting knowledge, and serving the public good, alternative ideas need to be disseminated as energetically as possible, and potential reform coalitions need to be built.

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