

FOREWORD

Managing higher education in the post-2012 era

Introduction

This issue of the Journal celebrates the first decade of the Institute of Education's MBA in Higher Education Management by publishing the contributions of five MBA alumni at a conference to mark the event on the theme *Managing Higher Education in the Post-2012 Era*. The MBA was founded on the principles that the management of higher education was critical to its future; that the management function was not restricted to one section or category of staff in a university but embraced academic, administrative and academic support staff; and that management was not a synonym for managerialism in that good management in an academic institution involved participation, consultation and delegation. A central theme was that university management, while engaging a range of specialist expertise, demanded at the highest levels a holistic, institutional view to ensure that the day-to-day decisions in different parts of an organisation were complementary and that the functional interrelationships must always be recognised and taken into account. In creating its curriculum, the programme sought not only to define the core elements of higher education management – strategy, the management of teaching and research, financial management, and governance – but also to offer more specialist options in internationalisation, the student experience, 'third stream', human resource management and the management of physical resources. This thematic approach was intended to address what we regarded as the essentials while permitting a range of choice and flexibility. It also offered a pathway by which our course participants could assess and adapt to potential institutional and system-wide changes in the environment.

This last element has proved to be much more important than we could have anticipated when we began in 2002. The decade since then has seen unprecedented change in these environments and we now confront a new era of instability and uncertainty – as encapsulated in the title of the conference – and a new range of institutional challenges. Policy analysis and operational flexibility have undoubtedly grown in importance over the period as the need to anticipate changes in the environment has grown. The value in educating a group of potential leaders and senior university managers in the complexities of the higher education scene is demonstrated by the articles that follow, but may also be illustrated by a single discussion that took place within the first MBA intake on the day the 2003 white paper, *The Future of Higher Education*, was published. The white paper proposed the then radical idea of variable fees, the upper limit being £3,000, as a way both of providing additional investment in higher education and of introducing a greater element of market forces and diversity into the system by inviting institutions to position themselves by the tuition fee they charged. Without hesitation, the class concluded that strategy would demand that *all* institutions would charge the top-level fee and that the idea that variable fees would produce market differentiation was dead in the water. And so it proved, when institutions came to think through the implications (with the exception of one university, which reversed its decision and changed its vice-chancellor within eighteen months). The next decade, as Paul Clark's article in this issue makes clear, will require this kind of policy analysis in spades.

A key ambition of the programme was to prepare university staff for senior policy roles in institutional management and to encourage much greater flexibility in the construction of senior management teams. To achieve this, we wanted to attract people to the programme from a wide variety of positions. The career biographies of the five contributors amply illustrate the point. Two were university administrators, and three were academics; all have since either been promoted or appointed to higher-level jobs in their institutions, or recruited to more senior posts elsewhere; and no one will believe that their careers will not progress further. It has never been more true that higher education institutions should not restrict their choice for leadership positions to any single category of professional; by the same token, people aspiring to such positions need to garner a broad understanding of the issues involved in university management and in the political, economic and social framework in which higher education must operate before they can be regarded as qualified for them.

The challenges of the post-2012 era

It is a cliché of all management theory that institutions exist in a rapidly changing environment and that institutional strategies must be conceived accordingly. In practical reality, however, most higher education institutions, in constructing and updating their five-year plans, tend to do so by extrapolating from past performance and, while accepting the concept of environmental change, assume that it will impact more on their competitors than on themselves. The environment of the past decade has been broadly positive: the introduction of tuition fees supported by income contingent loans did not affect overall student demand, international recruitment remained buoyant, research funding continued to rise, and the increased funding enjoyed by regional development agencies enabled some institutions to broaden their range of activities and acquire new long-term partners in their local hinterland. Although year by year there were disappointments, and Government spending reviews were always less generous than the political rhetoric suggested, the overall funding trajectory continued to point upwards across the whole higher education system. The 2010 Comprehensive Spending Review and the decisions that flowed from it, however, produced the greatest discontinuities in the higher education environment since the Thatcher Government's attack on public spending in 1980–1981. Quite apart from the technical changes in the funding mechanisms – which may induce a comparable level of instability for some institutions comparable with the effects of the University Grants Committee's differential cuts in 1981 – the economic forecasters are predicting austerity for a period of a decade, in other words at least until 2020. Austerity, as we have seen in the past, breeds turbulence, which can translate into erratic bursts of systemic organisational change. The two pressures taken together suggest unprecedented instability.

Paul Clark in answering the question 'Are national higher education policies adequate for the next decade?' sets out the framework within which institutions must work and concludes that the reforms are 'broadly positive and provide a good foundation for development against an exceptionally challenging set of economic circumstances'. In describing very clearly and authoritatively the macro instruments of system policy, his article does not assess the challenges and risks to be faced at the institutional level. I have argued elsewhere (Shattock 2012) that British higher education policy has historically been driven more in short bursts through the Public Expenditure Survey process than by any longer-term view provided by Ministers, civil servants or the funding councils. The 2010 Comprehensive Spending Review represents only one example of this, but the next review is due in 2013, and with the economy continuing to deteriorate, we can only speculate as to whether there will be

further surprises in store that year. We may expect that a new Government taking office in 2015 will find a new set of economic challenges to face up to. Thus, the next decade is likely to see at least two opportunities for significant additional changes in funding arrangements to take place. Even if the economy improves, it is by no means clear that higher education will be a more favoured area for investment than health, care of the elderly, defence or national infrastructure.

Perhaps the least-explored area of the changes arising from the 2010 decisions is the impact that the new machinery for the funding for teaching may have on system management and on individual institutions. Even after the introduction of the new tuition-fee structure in 2006, a substantial funding stream continued to flow through HEFCE, ensuring that an informed intermediary body could maintain and influence policy through budgetary means. Policies that fined universities for overshooting student number targets, and clawed back from institutions that undershot, were both dictated by Treasury policy, and it is true that this combination set some institutions internal operational problems. But under the new arrangements, HEFCE controls are effectively obviated in the case of 45 or more universities that are no longer dependent on HEFCE funding for teaching, and most of them hardly at all for research. This might be said to put them into the happy position of freedom that the Browne Review envisaged for all institutions – except for the potential impact for the whole HE sector that overshoots in student recruitment might have on the tuition-fee support and loan arrangements, which are not the responsibility of HEFCE but of the Department for Business, Innovation and Skills, itself heavily monitored by the Treasury because of the Resource Accounting and Budgeting's implications for public expenditure. (It is an unanticipated consequence of the new arrangements that research-intensive universities, and those with a high commitment to courses of national strategic importance, will be more subject to influence by the state than primarily teaching universities – precisely the opposite of what the Browne Review aimed to achieve.)

The effect of the new machinery is to put the Treasury at the heart of the policy-making process. We have seen how concerns that the level of tuition fees risked exceeding £7,500 (the average on which the Treasury's initial calculations were based) resulted in 25 universities being persuaded to reduce their fees, and how half the widening-participation places made available under the core and margin arrangements have ended up being granted to further education colleges charging even lower fees. This is probably the first of many higher education policy decisions in the next few years that will be decided on financial criteria bearing little or no connection with the issues that drive higher education. Student loan repayment rates (actual and predicted), interest rates and the debt market are much more likely determinants of higher education policy than student demand or societal or institutional need. This is one reason why the failure to pursue legislation giving HEFCE power to implement a framework for the system's operation contributes considerably to the instability of the environment in which institutions have to manage their futures. Institutions will be less protected than ever before from changes in the funding environment that are extraneous to higher education and therefore less predictable.

A further – and imponderable – factor is represented by the prospect of a variable demand for student places. It is premature to assess how the new fee structures will affect student demand, but the initial indications are that, unlike the impact of higher fees in 2006, the new fee structure is likely to have some differential effect. Institutions reliant on less economically advantaged students are likely to suffer in comparison with those attracting prosperous middle-class applicants. This trend, if it proves to be substantiated in practice, is likely to be reinforced by two factors: the core and margin recruitment policy imposed by the Government (which seems designed to pull better-qualified students out of less-fashion-

able universities and concentrate them in higher-profile institutions); and evidence that graduate earnings are increasingly linked to institutional status (so that a differentiation of the economic and social advantages of a university education may, at the lower-end, significantly reduce the career advantage of attending a lower-status institution over entering the job market direct from school or proceeding to a vocational qualification through further education). These potential market changes will need to be accommodated within a flat or marginally declining demographic profile over the next decade, which HEPI suggests might result in some significant transfer from full-time to part-time study over the period (Coleman and Bekhradnia 2011). Whereas when demand expands, 'recruiting' universities (or disciplines) have been able to meet their targets through the UCAS Clearing scheme, the post-2012 years may see some institutions (and disciplines) entering situations of considerable vulnerability. This will have organizational implications. In Wales, a series of externally stimulated mergers is already in progress; it would be surprising if the organisational shape of English higher education, stable over the decade 2002–2012, survived undisturbed throughout the next decade under the pressures of austerity and changes in student choice.

It can be argued that universities have always been organisationally turbulent. Few institutions in the last decade have not introduced structural change – replacing departments with schools, reducing the number of departments and faculties, merging faculties into colleges and so forth. At the subject level, the perceived demands of the Research Assessment Exercises (RAEs) and the Research Excellence Framework (REF) have forced further change. We may expect such internal movement to continue. However, a new dimension is introduced with the rigid separation of funding for research through the REF and the funding for teaching through tuition fees. It is clear that these two funding streams will be governed by entirely different political processes and will demand highly differentiated institutional responses. As William Locke's article makes clear that the number of staff appointed to permanent posts in either teaching or research – instead of teaching *and* research – is growing. The new funding mechanism presages an increasing separation between the two functions within universities' organisational structures, with the temptation to hive off research into special units or centres leaving undergraduate teaching primarily in the hands of postgraduates, teaching assistants and other staff appointed primarily for this purpose. Increasingly, we may see the shape of research-intensive universities being driven by nationally funded research agendas while less research-active institutions will gear their strategies more towards recruitment priorities. Constant vigilance will be required at the institutional level to retain the traditional mantra that research and teaching are complementary activities; the casualisation of the teaching force is likely to continue with the internal hierarchies created by the RAE/REF further reinforced. Collegiality, academic participation in governance and the sense of an academic community could suffer in many universities.

How will higher education respond to these challenges?

The changes in focus and funding methodologies introduced by the White Paper *Higher Education: Students at the Heart of the System* (Department for Business, Innovation and Skills 2011) represents a watershed in the development of UK higher education (with Scotland the continuing exception) because it introduces new levels of instability and uncertainty into a system inevitably affected by the austerity afflicting the country as a whole. It was in recognition of this that the following five articles were invited. The first contribution, by Clark, argues that 'the fundamental components of the system which have been put in place are the right ones', comprising 'an increased private funding contribution coupled with targeted investment of public funding where there might otherwise be market failure'. But as we have

seen, for instance, in the NHS, market failure can occur for any number of reasons, not all of which can justify public reinvestment. Pressures on public expenditure may preclude any attempt to redress market failure in universities that find themselves unable to recruit students or have got themselves into difficulties in privately financed overseas ventures. In a situation where funding policies are driven by interest and repayment rates the climate in which institutional failure occurs may be expected to be unforgiving. Clark concludes with the statement that 'the extent to which policy is driven by the need to control the overall costs of the system cannot be overstated'. Assessment of the policy framework cannot therefore be separated from appreciation of the economic environment.

The changing conditions of academic work, and the uncertainties described above, will bring institutional organisational change in their wake. Locke describes how this is already manifest in an increasingly differentiated and stratified workforce, and he rightly highlights the leadership and managerial challenges that will result. There is a good deal of evidence (Shattock 2006, 2010) that the maintenance of a positive organisational culture, able to adjust to environmental change, is heavily dependent on governance machinery that stresses participation in decision-making. Locke emphasises that new channels of communication and forms of engagement are needed to incorporate this increasingly diversified workforce into the decision-making process. This raises serious questions in regard to self-interest and conflicts of interest, unionisation and the elongation of decision-making procedures. But, the obverse is the concentration of decision-making in senior management groups that unconsciously become distanced from the academic community at large and out of touch with critical operational strategic issues. Maintaining a sense of the university as a self-regulating and self-governing academic community, corporately facing up to environmental change, may be one of the most significant challenges of the next decade.

Two articles – those of Ann Priest and Mark Taylor – provide strongly contrasting views from institutional perspectives. Both institutions (Nottingham Trent and Warwick universities) are successful, but in different ways, and they spring from very different origins: Nottingham Trent, a large post-1992 university and former polytechnic growing out of small and diverse city institutions; and Warwick, founded on a greenfield campus as one of the blue-blooded 'seven sisters' New Universities of the early 1960s; the former an urban, primarily teaching, university, the other an out-of-town institution with Oxbridge-style ambitions. In a diversified higher education system addressing the needs of some 45 per cent of the age group, the two institutions are equally important to the success of the system as a whole. The decline of either, under the post-2012 pressures of instability and uncertainty, would raise serious questions about the quality and the effectiveness of the system. It is a reflection of the system's diversity that the authors approach the future so differently. Both put a strong accent on the importance of good leadership and management, but do so from very different standpoints: Nottingham Trent's might be characterised as taking the necessary steps to safeguard the future – orderly management structures, good internal relationships, comprehensive financial reporting systems, effective workload arrangements and continuing professional development; Warwick's is rather to continue to put its trust in its outward-looking entrepreneurial culture, investing its available resources back into the academic heartland, and giving 'product champions' their head in the expectation that institutional rewards (in terms of resources, intellectual standing and league-table position) will follow. Priest's article offers a textbook model of how a large post-1992 university should manage its affairs in a time of uncertainty. Taylor's describes a much less tidy, much less systemised and much less risk-averse approach. Both accounts reflect their institutions' past, both offer plausible managerial models for other institutions. Of course, there are other models – diverse system might be expected to throw up a diversity of them – but these

highly polarised institutional types might serve as a more generalised indication of how successful universities will manage their way through the uncertainties of the next decade.

The new tuition-fee system opens higher education to market forces and student choice as never before. The economic climate might be expected to favour a switch to vocational programmes and, as Clark points out, the Government's decision to give special protective support to strategically important or high-cost subject areas might seem to offer a bleak future for the humanities. Virginia Davis's article argues the opposite. Only time will tell whether she is whistling in the wind, but her article serves to emphasise how much higher education institutions are conglomerates, federations of separate, discipline-driven units whose individual strengths provide sustainability and whose weaknesses create instability. The rise and fall in the popularity of particular disciplines in schools will have a powerful impact in shaping universities in the next decade and will set institutions testing choices as to how far cross-subsidies can be stretched to maintain disciplines that are less attractive to the student market. However, the greater propensity of ethnic-minority students and students from less advantaged backgrounds to choose 'safer' vocational programmes over the humanities raises the question as to whether we may not see some pressure for the humanities, like the pure sciences, to concentrate themselves in the pre-1992 universities. This would have the danger of defining them as elite areas of study and would create the prospect of a return to a much earlier model of institutional segmentation within the system.

Nevertheless, it is right to end this account of the way we live now on an optimistic note. Even in an unstable and uncertain climate, Clark takes a positive view of the new funding regime; Locke offers solutions to the disintegration of teaching and research; Priest and Taylor present convincing accounts of how different kinds of institutions are planning to face the future; and Davis provides a confident forecast for the place of the humanities in spite of the threat that students will give a higher priority to their apparent employment prospects than to their intrinsic intellectual interests. As we are so often told, universities have a capacity for survival above those of many other bodies; the prognosis of these contributions is that well-managed universities will steer their way through the uncertainties that lie ahead.

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