

A debate to mark the Leadership Foundation's fifth anniversary

The fifth anniversary of the Leadership Foundation was marked with an engaging debate chaired by Baroness Rennie Fritchie on the topic of higher education and the markets, writes Dr Lesly Huxley. Over 190 people came together on the evening of 18 March 2009 for the debate and a reception in London at an event that also saw the launch of a joint publication with the Higher Education Policy Institute (HEPI) on the same subject. Dr Lesly Huxley, Editor of ENGAGE, here describes the event and draws on key points from the debate and associated publication.

Debate chaired by Baroness Rennie Fritchie



Sara Parkin, founding director of Forum for the Future and Leadership Foundation board member enjoys the birthday debate



Ewart Wooldridge CBE, chief executive of the Leadership Foundation, noted that it was "almost five years to the day that Gordon Brown launched us" and that he was delighted to see so many colleagues in the hall to mark the anniversary through a topical debate and the celebration to follow.

On taking the chair, Baroness Rennie Fritchie assured the audience that, despite the seriousness of the motion for debate, this was to be "a fun evening" and that, rather than 'Chair', she preferred the role conferred on her many years ago at another event which saw her described erroneously but happily as 'felicitor' rather than facilitator.

She reminded colleagues that "we are here to address the motion **this house believes that universities are now irresistibly creatures of markets**" and introduced the speakers for and against.

Professor Eric Thomas, vice-chancellor of the University of Bristol and chair of the Worldwide Universities Network (WUN) proposed the motion, seconded by Lynne Sedgmore CBE, executive director of the 157 Group of further education colleges. Speaking against the motion were Professor Sir David Watson, professor of Higher Education Management at the Institute of Education, London and Professor Patricia Broadfoot CBE, vice-chancellor of the University of Gloucestershire.

A show of hands for and against the motion prior to the debate prompted Baroness Fritchie to make the comment "Isn't it nice that it's so evenly divided?" As 'felicitor', she then wielded an egg-timer in the form of a chicken which she would use to call time on each of the speakers, and demonstrated its sound (disappointingly a bell ring rather than realistic clucking) before announcing "then we're off!"

You can follow key points from the debate overleaf.

Delegates vote on the motion



ANNIVERSARY SUPPLEMENT

This house believes that universities are now irresistibly creatures of markets

Extracts from the case for proposed by Professor Eric Thomas and seconded by Lynne Sedgmore CBE.

Professor Eric Thomas:

"One of the most intriguing aspects of human behaviour for me is the delusional state in which we believe the inevitable won't happen; I can't remember the number of people who told me they *were not* going to get a mobile phone or a subscription to Sky; and of course civilisation was going to end if the Athenaeum had women members. Well, all of those things have come to pass, invariably because either utility or simple reality overwhelmed any philosophical objection. It's interesting to note that those who gained the most were those who embraced them early. This is the same with universities and the market.

So why *are* we creatures of markets? Firstly, we are elemental to society, we are intrinsically wrapped up inside it. We ask society for support both moral and financial and return its investment with our teaching and research. This is not a dialogue of separates. It is the interaction of a complex, single organism. Inevitably, in such an arrangement, if society becomes more market-oriented, so do we. No one can deny that our current society is much more market-based and, as it is, so are we.



Professor Eric Thomas,
vice-chancellor of the
University of Bristol and
chair of the Worldwide
Universities Network (WUN)

Secondly, we serve, we transact. We cannot consume tax-payers' hard-earned money and students' fees without both being alert and responsive to their needs. If some of us want to carry on without taking any account of our paymasters, the answer is simple; don't take the money.

Finally, our 'consumers' behave as consumers; they choose on the basis of what we offer. Furthermore, the list of our market-orientated behaviours

is endless; we advertise, we compare our offerings, we talk about brand, we base our business on maximising profitable areas and simply to argue that we are not creatures of markets is to be blind.

There is a sub-text to the word 'market' in higher education that appears to assume that it is a bad idea. This is a denial which enables its believers to run away from the inevitable rather than seize the day and lead, because the market is a major opportunity to improve. The immediate criticism of market orientation is that you are selling out, that you are destroying the very essence of what makes a university. But by understanding your market, you understand your strength in it. Your independence, autonomous thinking and your challenge to accepted belief makes you strong, more attractive to your customers. The market also means that you must be clear about your ambitions, your values, your place in the world and about where you're going, because you are going to have to articulate it. You are not a slave to the market; you can define it.

There are two types of blindness; the first is where the eye doesn't work at all; the second is where the eye works fine, the image hits the retina, the nerve impulses travel down the optic nerve, but the cortex simply refuses to process the image, and that condition is called Amblyopia.

I fear that those who argue that universities are not creatures of the market are amblyopic. By being so, they are missing out on a major opportunity."

Lynne Sedgmore CBE:

"The UK is a free market economy, universities are integral to society and a key part of its structures and its markets. I want to focus on three of the many forces that are compelling universities to be more and more responsive to markets, which I think are key and inescapable.

Firstly, Generation Y; this group of consumers are demanding more and more sophistication in how their educational needs are met. They expect personalised, individualised learning that incorporates new technologies and equips them for a global, fast-paced and changing society. They will express their dissatisfaction fiercely and unhesitatingly as fees rise and if standards and content do not meet their expectations.

The mantra of educational policy is demand-led and funding will increasingly follow this mantra. There is a growing focus on consumer choice, mass participation, equality, personalisation and the meeting of employer needs. Academic distaste and contempt for demand-led policy and initiatives will not be popular or tolerated, whoever is in power.

Thirdly, the global context and its impact of emerging international markets and fast-changing economies will affect universities in ways in which we can only begin to imagine. Positioning universities at the forefront of global, technological, ecological and financial research and developments offers huge and exciting new market opportunities. Those who continue to see only the negative aspects to a market approach are missing the point and possibly endangering their future. At a time of unprecedented turmoil, change and uncertainty, the UK faces many difficulties; who better than the universities to turn crisis into innovation, creativity and wisdom? In the words of Peter Drucker, "the best way to predict the future is to create it together, not in isolation, but in partnership and service of students and stakeholders".

Successful organisations as agents of markets respond, anticipate, satisfy; they know how to add serious value, they listen, learn and respect the people to whom they provide a service. They grow and change as markets demand, but most importantly they also have strong values, a clear vision and a powerful moral and social purpose which defines their unique role and contribution. Many universities are already doing this successfully. They have grasped the reality and potential of being creatures of markets; they reap the success of good customer satisfaction, but they also fulfil their original and core purpose of making the world a better and wiser place."



Lynne Sedgmore CBE, executive director of the
157 Group of further education colleges

Extracts from the case against by Professor Sir David Watson and seconded by Professor Patricia Broadfoot CBE.

Professor Sir David Watson:

"I sympathise with my opponents in having to put this case when the world's historical moment has moved so decisively, when we see fewer universities behaving like banks and international companies and more banks and multinationals behaving like universities. To clear the ground, of course universities have to engage with markets and the best of them



Professor Sir David Watson, professor of Higher Education Management at the Institute of Education, University of London

do so very well: we sell things, mostly highly specialised services like teaching and research, but also a wide range of ancillaries to our members which are needed to sustain a large complex organisation.

We are a good commercial partner and offer good returns on investments not just to our graduates but in a wide range of partnership ventures where we are steady and

reliable. Above all, in order to succeed, our governance, leadership and management have got to get the money right inside universities. The institutions with a zone of freedom for action in strategic choice are those which can move forward; mostly by applying the single most powerful secret of modern higher education management which I shall give you tonight, for free, in celebration of the Leadership Foundation's fifth anniversary. That secret is temporary creative cross-subsidy and it requires a peculiarly academic combination of altruism and entrepreneurialism to make it work.

So why are we not irresistibly creatures of markets? I have one big and lots of small arguments why that is so.

The big answer is that that is not what we were established to do. We have our most successful periods of collective reinvention when we have remembered what we were established to do. We exist to create public goods; we also create private goods but I would argue that they are important by-products, not the other way round. It's about the creation, testing, and evaluation of knowledge, but it's also about the wider benefits of learning.

As for the smaller reasons, here are a few for you to ponder: we don't just engage with markets, we help to create them. I think there are several important markets that are creatures of universities. Remember the story of the internet. Meanwhile there are many services which we offer to our members on which we deliberately do not make a profit, although we could. The spirit of Ryanair has not yet entered university management; we do a lot of co-creation. We survive in conditions in which a lot of others expect us to fail. The university system has yet to have its Terminal 5 or Dome moment – but there have been some close calls.

We sometimes waste money productively to the benefit of community and other groups. And above all, in research and development we are

both pre- and post-competitive. On this last point I will offer a final paradox. All around the world we see the phenomenon of an increasing number of successful university-like businesses. As Gary Hall said, anyone who has ever run a university, a film studio, or an open source software project, knows that getting the best out of people seldom means managing them more and usually means managing them less. He offers many examples. So not only are universities *not* creatures of the market, but those organisations of which this could be said are increasingly conscious of a better, more university-like way of doing business.

Faced with the force of these arguments you may be tempted to offer our opponents a sympathy vote; but don't do it. A vote for us is a vote for facing the future with the right mixture of humility and ambition, whilst respecting the lessons of our past."

Professor Patricia Broadfoot CBE:

"The speakers for the motion appear to say that universities are in the driving seat and I agree. Universities are driving, not being driven. In the future universities will decide what is needed; they will not do what big organisations that respond to markets do. They will not be providing widgets, cheap homogenous products, but will rather build on their outstanding existing success internationally to create the 'couture brand' of higher education for the 21st century. And that is not being a creature of markets.

David Ricardo argued the law of competitive advantage in which he said that different organisations or countries compete on what they do best. In the future, universities will compete in specialist niche areas, deciding how to respond and this is more like eBay than any kind of chain store operation.

We know that industries go through many stages, from the exclusive to the cheap and cheerful. Creatures of markets are the Primarks or H&Ms, not the made-to-measure couture kind of operation that universities will be. Universities will be driving and shaping what will be on offer.



Professor Patricia Broadfoot CBE, vice-chancellor of the University of Gloucestershire

Joseph Schumpeter invented the notion of creative destruction in which things have to die and be recreated as circumstances demand. Of the top 500 companies in the 1950s, only 74 exist now; that's what markets do to organisations, but it has not happened to universities. In the future, we will be selling all sorts of different things in different ways and creating a whole new world of delivering higher education, but that is not the same thing as a market.

For me there is clearly a challenge that we have all agreed on this platform, that there is a landscape in front of us that none of us can really plot at this time. But what we do know is that those who think they are simply creatures of markets are going to end up being the Woolworths rather than the Wal-Marts of higher education."

ANNIVERSARY SUPPLEMENT

At the end of the formal speeches for and against the motion, Baroness Fritchie resumed the chair and invited the audience to avail themselves of the in-seat microphone technology to question, comment and engage in debate themselves.

Roger Brown, from Liverpool Hope, and one of the contributors to the HEPI publication launched that day, commented "with the greatest respect, those arguing in favour of the motion don't understand what they're talking about; you can't deal with markets on your own terms, you have to engage on the market's terms".

Baroness Fritchie mused here on the peculiarly British trait of prefacing criticism with 'the greatest respect' and invited further comment.

Elaine Thomas from the University for the Creative Arts confessed to being "a bit confused" and to not finding "much difference between both sides, they are both claiming similar territories and talking about pride, power, leadership, creativity, shaping, values and vision, moral and social purpose". She added that perhaps the difference could be found in modes of implementation and delivery rather than motives.

Marianne O'Roure declared herself against the motion, noting that the major function of markets is to act as an agent of disruption and that "HEIs historically have been remarkably resistant to destruction, remarkably long-lived. As long as that longevity doesn't change, universities are not creatures of the market, they are shaping their destiny in different ways."

To a round of applause, Ed Bacon from Birkbeck noted that with "QAA, RAE, the fees cap and block grant, universities are not creatures of the market, they are clearly creatures of the state".

Richard Williams from Leeds University suggested that the debate needed to clarify what was meant by 'market', a term perhaps confused by the recent financial crash. "Market means needs and society has evolving needs. For universities, the currency is knowledge. The knowledge that universities create meets evolving needs. What kind of credibility can university research have if it is governed by markets?"

Sara Parkin, director of Forum for the Future and a member of the Leadership Foundation's Board, was of the view that "the market is hugely rigged; if you move to a free market approach for universities, are you prepared to go all the way? That means competition, takeovers,

for maximum efficiency, the market might just go overseas. If you want common good at staggeringly difficult times, the market is not going to do it for us."

After many more comments from the audience, Eric Thomas then summed up *for* the motion:

"A market is a place or a process where transactions of goods take place and to argue that that doesn't happen in universities, simply seems to me to deny reality. Markets are not destructive and the best markets are long-term. The motion does not represent a pejorative comment – we should 'carpe diem'."

David Watson summed up the arguments *against*:

"If you become a member of a university you are inherently about making society a better place. Today's students know credentialism counts but they also know that they don't get that by just buying a degree. What does every student survey tell us? They want better library and IT facilities and more staff development. Let's dismiss this miserable Gradgrind-ish resolution out of hand."

The audience was then invited to a show of hands for the final vote: "Against has it".

Adrian Smith gave a closing address, speaking on behalf of the then Secretary of State John Denham and in his own role as director general, science and research at the Department for Innovation, Universities and Skills:

"John Denham knows and values the Leadership Foundation's work and its contribution to the higher education sector. The contribution that good leadership, governance and management will make to higher education over the next decade or two will be vital. In the sombre reality of today, universities have a vital and continuing role in making us fit for the future. Universities are leaders in their communities and key actors in the economy, but that economy is in trouble. The challenges to come will mean that the sector will need outstanding leaders, and will need leaders who will take risks and make difficult decisions.

I congratulate the Leadership Foundation on everything you have achieved so far and wish you well for preparing the sector's leaders for the very considerable challenges ahead." **E**

The role of the market in Higher Education is a joint publication between the Higher Education Policy Institute (HePI) and the Leadership Foundation. It was launched at the event that celebrated the Leadership Foundation's fifth anniversary with a lively debate on a similar topic. (See previous pages)

The publication features contributions from two commentators, Professor Roger Brown, co-director of the Centre for Higher Education Research and Development (CHERD) at Liverpool Hope University and Professor Sir Peter Scott, vice-chancellor of Kingston University. In his foreword, Ewart Wooldridge, chief executive of the Leadership Foundation, notes that he wanted to celebrate the organisation's first five years in operation "by providing an opportunity for debate on a challenging theme. HePI was asked to identify two authors who could offer stimulating and provocative thinking, supported by evidence and argument, as a contribution to our live fifth anniversary debate on 18 March 2009, exploring the assertion that "universities are now irresistibly creatures of markets".

Roger Brown begins by asserting that "the 'marketisation' of higher education – the application of the economic theory of the market to the provision of higher education – seems unstoppable". He goes on

to consider what 'marketisation' means for higher education and "the organisation of student education on market lines" and suggests "some principles that should be followed if we are to secure the benefits of markets in higher education without the detriments". Peter Scott describes Roger Brown's perspective on the market as "cool" in two senses, "...of being dispassionate, attempting carefully to weigh the arguments and counter-arguments. He is also cool in the sense of being sceptical, because he is only prepared to support an enhanced role for the market in steering higher education under optimal (and, I would argue, near-impossible conditions)". He goes on to respond to each of Roger Brown's arguments and concludes that, despite their differing propositions, "I do not diverge wildly from the conclusions drawn by Roger Brown".

Ewart Wooldridge concludes in his foreword that the Leadership Foundation and HEPI "hope [the publication] makes a useful and provocative contribution to the wider debate on the future framework of higher education in this country".

The publication is available at www.lfhe.ac.uk/publications/hepireport1.pdf